ASSET LIABILITY MANAGEMENT PRACTICES
A STUDY OF PUBLIC SECTOR BANKS IN KARNATAKA STATE

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Abstract
Asset Liability Management is an attempt to match the assets and liabilities in terms of their maturities and interest rate sensitivities so that the risk arising from such mismatches mainly in interest rate risk and liquidity risk can be contained within the desired limit. It is a successful tool for risk management. The research article is empirical in nature. The general objective of the study is to make analysis of the Asset Liability Management practices in public sector banks operating in Karnataka state. The opinions of the respondents regarding ALM practices were analyzed by using statistical methods and found that public sector banks have effective practices in the management of its Assets and Liabilities.

Introduction
Banks have been facing several risks in their business operations viz., credit risk, interest rate risk, exchange risk, liquidity risk and operational risk. The banks are more concerned about risk because of their impact on its profit. The failure of managing risk affects the bank’s commitment for meeting its liabilities. Banks now focus on integrated balance-sheet management where all the relevant factors which effect an appropriate balance sheet composition deserve consideration. Asset Liability Management is “the management of the total balance sheet dynamics and it involves quantification of risks and conscious decision-making with regard to asset-liability structure in order to maximize the interest earnings within the framework of perceived risks”. The primary objective of Asset Liability Management is not to eliminate risk, but to manage it in such a way that the volatility of net interest income is minimized in the short run and economic value of the organization is protected in the long run. The ALM function involves controlling the volatility of net income, net interest margin, capital adequacy, liquidity risk and ensuring an acceptable balance between profitability, growth and risk.

Asset-Liability Management (ALM) is concerned with strategic management of assets (uses of funds) and liabilities (sources of funds) of banks, against risks caused by changes in the liquidity position of the bank, interest rates, exchange rates, against credit risk and contingency risk. Banks increasingly need to match the maturities of the assets and liabilities, balancing the objectives of profitability, liquidity and risk. Asset Liability Management leads to the formulation of critical business policies, efficient allocation of capital, and designing of products with appropriate pricing strategies, while at the micro-level, the objective of the ALM is two-fold: it aims at profitability through price matching while ensuring liquidity by means of maturity matching. Price matching basically aims to maintain spreads by ensuring that the deployment of liabilities will be at a rate higher than the costs. Working towards this end, banks generally maintain profitability/spreads by borrowing short (lower costs) and lending long (higher yields). Though price matching can be done well within the risk/exposure levels set for rate fluctuations, it may, however, place the bank in a potentially illiquid position. Liquidity is ensured by grouping the assets/liabilities based on their maturing profiles. The gap is then assessed to identify
the future financing requirements to ensure liquidity. The inter-linkage between the interest rate risk and the liquidity of the firm highlights the need for maturity matching. The ALM technique aims to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of the assets and liabilities as a whole so as to attain a predetermined acceptable risk/reward ratio. The purpose of ALM is to enhance the asset quality, quantify the risks associated with the assets and liabilities and further manage them, in order to stabilize the short-term profits, the long-term earnings and the long-run sustenance of the bank.

**Main principles of ALM**

The main principles of Asset Liability Management are:

1. Control of volume, structure, income and costs of assets and liabilities,
2. Control of interest rate spread between assets and liabilities (GAP),
3. Term control,
4. Maximization of income and capitalization,
5. Minimization of risks
6. Minimization of cost of services for clients.

**Asset Liability Management Components**

Asset management – comprises selection of best investment alternatives (loans, advances, investments, fixed assets) that promise the highest rate of return for the level of risk that a bank management is prepared to assume. Liability management – involves management policy actions to influence deposits and non-deposits (money market) liabilities of the bank. It incorporates: Determining the amount of funds needed and obtaining the funds at lowest possible cost with the least risk exposure.

Through proper Asset Liability Management, liquidity, profitability and solvency of banks can be ensured and at the same time banks can manage and reduce risks such as credit risk, liquidity risk, interest rate risk, currency risk etc. The liabilities of a bank have different categories of varying cost, depending upon the tenor and maturity pattern. Similarly, the assets comprise different categories with varying yield rates depending upon the maturity and risk factors. Thus the main focus of Asset Liability Management is the matching of the liabilities and assets in terms of maturity, cost and yield rates. The maturity mismatches and disproportionate changes in the levels of assets and liabilities cause both Liquidity Risk and Interest Rate Risk.

**Asset Liability Management organization in banks**

The following is the organization of the ALM in the banks:

a) The Board should have overall responsibility for management of risks and should decide the risk management policy of the bank and set limits for liquidity, interest rate, foreign exchange and equity price risks.

b) The Asset - Liability Committee (ALCO) consisting of the bank's senior management that should be responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives. The ALCO is a decision making unit responsible for balance sheet planning from risk return perspective including the strategic management of interest rate and liquidity risk. Each bank will have to decide on the role of its ALCO, its responsibility as also the decisions to be taken by it. The business and risk
Asset Liability Management measuring risk

The safety achieved through ALM also opens up opportunities for enhancing net worth. Interest rate risk (IRR) largely poses a problem to a bank’s net interest income and hence profitability. Changes in interest rates can significantly alter a bank’s net interest income (NII), depending on the extent of mismatch between the asset and liability interest rate reset times. Changes in interest rates also affect the market value of a bank’s equity.

Methods of managing IRR first require a bank to specify goals for either the book value or the market value of NII. In the former case, the focus will be on the current value of NII and in the latter, the focus will be on the market value of equity. In either case, though, the bank has to measure the risk exposure and formulate strategies to minimize or mitigate risk.

Interest Rate Risk in Banks

Asset Liability Management is a system of matching cash inflows and outflows, and thus of liquidity management. Balance sheet risk can be categorized into two major types of significant risks, which are liquidity risk and interest rate risk. The Asset Liability Management system rests on three pillars, i.e.

a) ALM Information system (MIS)

b) ALM organization (Structure and responsibilities) and

c) ALM Process (Risk parameters, identifying, measuring, managing risks and setting risk policies and tolerance levels).

Interest rate risk is the risk to earnings or capital arising from movement of interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among yield curves that affect bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-rate-related options embedded in bank products (option risk). The value of a bank’s assets, liabilities, and interest-rate-related, off-balance-sheet contracts is affected by a change in rates because the present value of future cash flows, and in some cases the cash flows themselves, is changed. For measuring interest rate risk, banks use a variety of method such as gap analysis, the duration gap method, the basis point value (BPV) method, and simulation methods.

Liquidity Risk Management

Measuring and managing liquidity needs are vital activities of commercial banks. By assuring a bank's ability to meet its liabilities as they become due. The importance of liquidity transcends individual institutions, as liquidity shortfall in one institution can have repercussions on the entire system. Bank management should measure not only the liquidity positions of banks on an ongoing basis but also examine how liquidity requirements are likely to evolve under crisis scenarios. Experience shows that assets commonly considered as liquid like Government securities and other money market instruments could also become illiquid when the
market and players are unidirectional. Therefore liquidity has to be tracked through maturity or cash flow mismatches.

**Review of literature**

The following related literature have been reviewed to supplement the empirical analysis of the study. J. Dermine and Y. Bassada (2002) urged that ALM is fundamental to a proper allocation of capital and human resources to those activities, which create value. ALM is fundamental to risks control. Also ALM influences a bank’s profitability. Initially ALM in banking was related to the management of interest rate risk and grouping of assets and liabilities of banks in various "baskets" depending on their maturity and GAP analysis. Contemporary ALM is more complex system and includes not only the management of interest rate risk, but also other types of risks, as well as some other important directions for bank functioning.

Rajan and Nallari (2004) used canonical analysis to examine asset-liability management in Indian banks in the period 1992-2004. According to this study, SBI and associates had the best asset-liability management in the period 1992-2004. They also found that, other than foreign banks, all other banks could be said to be liability-managed. Private sector banks were found to be aggressive in profit generation, while nationalized banks were found to be excessively concerned about liquidity.

A. Adam (2007), ALM now have a set of responsibilities: long-term and short-term treasury activities (liquidity risk management), ALM risks management (interest rate risk, optional, exchange rate), FTP (Fund Transfer Pricing) modeling and ALM income computation (FTP's main principle: to find a suitable internal fictitious price for the product sold by the different business lines), conformity with local regulations and statutory obligations, optimization of risk returns and capital management. ALM in banking is closely connected with the management of various parts of balance sheet positions related to income. ALM departments have become key departments for balance sheet management and for the profitability management in banks. It is necessary to consider asset-liability management not only as function of the management of different risks, ALM should be considered as a source of formation of a banks’ strategy.

Kajal Chaudhary and Monika Sharma (2011), stated that public banks must pay attention on their functioning. These banks should select borrower very cleverly and also public banks should decrease the Non Performance Assets level. It is clearly that the perspective of Asset Liability Management also defines the risk profile of banks which further determines the liquidity and profitability tradeoff.

Dash and Pathak (2011), proposed a linear model for asset-liability assessment. They found public sector banks are having the best asset-liability management positions. In turn, They found that public sector banks had a strong short-term liquidity position, but with lower profitability, while private sector banks had a comfortable short-term liquidity position, balancing profitability.

**Objectives of the study**

The following are the objectives of the study;

i) To analyze the Asset-Liability practices of public sector banks

ii) To assess the measuring of interest rates risk and liquidity risk in public sector banks

iii) To offer suggestions on effective Asset Liability Management in public sector banks
Methodology of the study
In total 10 public commercial banks operating in Karnataka state were taken as the sample of the study. The researcher applied convenience sampling as a technique of the research study to determine the participants who will best enable to answer the research questions and to meet the research objectives. The rationales behind targeting these banks as a subject of study refer to the important role they play in enhancing Indian economic performance. The banking sector which is a very active sector in India is one of the main pillars of the national wealth and is pushing the whole economy forward. A total of 175 questionnaires were distributed to the respondents to the banks and only 150 questionnaires were filled up and returned to the researcher. The respondents include: The Banks accountants/cashiers, Bank managers, Finance officers, sales marketing officers and investment officers. The Public sector banks which participated in the survey include: State bank of India, State bank of Mysore, Canara bank, Bank of Baroda, Bank of India, Union bank of India, Vijaya bank, Syndicate bank, United bank of India and Allahabad bank.

Data Analysis and Findings
The calculation of the perceptions of respondents regarding Asset Liability Management in banks is shown in the following table 1.

<table>
<thead>
<tr>
<th>Practices</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ALM policy of the bank contains prudential limits on liquidity and interest rate risk</td>
<td>150</td>
<td>2.3600</td>
<td>0.9798</td>
<td>0.69282</td>
</tr>
<tr>
<td>The ALM consists of managing maturity gaps and mismatches</td>
<td>150</td>
<td>2.4200</td>
<td>0.10725</td>
<td>0.75835</td>
</tr>
<tr>
<td>The bank ALM policy contains prudential limits on liquidity and interest rate risk</td>
<td>150</td>
<td>2.0800</td>
<td>0.09579</td>
<td>0.67733</td>
</tr>
<tr>
<td>ALCO ensure that the bank's risk lies within the parameters set by the Board (risk appetite)</td>
<td>150</td>
<td>2.3200</td>
<td>0.09664</td>
<td>0.68333</td>
</tr>
<tr>
<td>The liquidity policy defines general liquidity (short and long term)</td>
<td>150</td>
<td>2.3400</td>
<td>0.09307</td>
<td>0.65807</td>
</tr>
<tr>
<td>The bank has effective measures prudent safeguards against adverse currency fluctuations</td>
<td>150</td>
<td>2.0800</td>
<td>0.08985</td>
<td>0.63535</td>
</tr>
<tr>
<td>The bank set and control interest rate fluctuations</td>
<td>150</td>
<td>2.5800</td>
<td>0.09076</td>
<td>0.64175</td>
</tr>
<tr>
<td>The liquidity risk policy is flexible to deal with unusual liquidity pressures</td>
<td>150</td>
<td>3.2200</td>
<td>0.11532</td>
<td>0.81541</td>
</tr>
<tr>
<td>The tools used for liquidity risk management are adequate with respect to size, nature of business</td>
<td>150</td>
<td>2.5600</td>
<td>0.09798</td>
<td>0.69282</td>
</tr>
<tr>
<td>The bank has established and use a system to capture liquidity risk ahead of time</td>
<td>150</td>
<td>2.1030</td>
<td>0.10000</td>
<td>0.70711</td>
</tr>
</tbody>
</table>

Source: Field Survey
The above table reveals the Asset Liability practices of banks. The results reveals that, the ALM policy of the bank contains prudential limits on liquidity and interest rate risk with the mean score 2.3600, The ALM consists of managing maturity gaps and mismatches with the mean score 2.4200, The bank ALM policy contains
prudential limits on liquidity and interest rate risk with the mean score 2.0800. ALCO ensure that the bank’s risk lies within the parameters set by the Board (risk appetite) with the mean score 2.3200. The liquidity policy defines general liquidity (short and long term) with the mean score 2.3400. The bank has effective measures prudent safeguards against adverse currency fluctuations with the mean score 2.0800. The bank set and control interest rate fluctuations with the mean score 2.5800. The liquidity risk policy is flexible to deal with unusual liquidity pressures with the mean score 3.2200. The tools used for liquidity risk management are adequate with respect to size, nature of business with the mean score 2.5600. The bank has established and use a system to capture liquidity risk ahead of time with the mean score 2.1030. It is found that the liquidity risk policy is flexible to deal with unusual liquidity pressures with the highest mean score of 3.2200. In general the analysis reveals that, the mean score of the ALM practices are almost the same. Therefore, banks have effective Asset Liability management practices which helps in the process risk management.

**Suggestions**

There should be proper limit structures, which should be monitored by Asset Liability Management Committee (ALCO) on a regular basis. The involvement of all ALCO members in decisions. It is best way to avoid financial errors in banks statements. The effectiveness of ALM system should be improved with a good Fund Transfer Pricing system. The interest rate and liquidity positions of the banks should follow Basel II guidelines. This helps stability of the interest rates management, liquidity management and exchange rates management in banks and avoiding the risk of volatility.

**Conclusion**

Commercial banks play an important role in financial system. Bank activities are closely connected with the acceptance of various types of risks by financial institutions. There is an internal regulation of risks, such as risk management and asset-liability management systems. An important role is also played by external governance. Most of the public sector banks are liability-managed banks because they mostly borrow from money market to meet their maturing liabilities. The interest rate and liquidity risks are the significant risks that affect the bank’s balance sheet and therefore, they should be regularly evaluated and managed. The public sector banks are excessively concerned about liquidity and in the process, they use long-term funds for long- as well as medium- and short-term loans.

**References**


PRADHAN MANTRI JANA DHANA YOJANA: A STEP TOWARDS FINANCIAL INCLUSION

A Bank Account for each household is a national priority

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Abstract
Prime minister scheme (PMJDY) for people’s wealth- an ambitious scheme for comprehensive financial inclusion on his first Independence day speech on August 15 2014 with the slogan “Mera Khata Bhagya Vidhata” the scheme is financial inclusion scheme covering all households in the country with banking facilities, ensuring a bank account for each household. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society. The present paper tries to focus on the concept of PMJDY and its role in financial inclusion. The secondary source of data is collected from various journals, magazine and documents of Govt and other financial institutions.

Key words: Financial inclusion, rural development and Banking services.

Introduction
The state of financial inclusion in India measured by any standard, leaves much to be desired as in 2012, only 35 per cent of Indians older than 15 years had a bank account in a formal financial institution, in developing countries worldwide the average is 41 per cent (World Bank 2012). Because of the Reserve Bank of India’s drive for financial inclusion, the number of bank accounts increased by about 100 million during 2011-13. Today there are 229 million basic bank accounts Access to formal financial institutions has improved gradually, but thousands of villages still lack a bank branch less than 10 per cent of all commercial bank credit goes to rural areas, where around 70 per cent of the total population lives. Thus, the need for financial inclusion programmes is beyond question

Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched on 28th August, 2014 initially, the PMJDY targets the opening of bank accounts for 7.5 crore families in a year, by August 15th 2015. Around 2 crore bank accounts were opened on the first day of the Scheme’s lunch eventually the target is to include every eligible Indian in the banking system. In phase 1. All households will be provided a basic account. Financial literacy will be taken to the micro level and the modus operandi For direct cash benefits will be put in place phase 2 intends to extend financial services to these basic account holders and provide them micro insurance and pension As it is difficult to spread bank branches across all unbanked areas, Bank correspondents (BCs) will be deployed on a large scale to help execute the plan.

Methodology and objectives of the study

The relevant secondary data have been collected from various reports and documents of world Development indicator Reports 2014, Journals, and various Magazines. This has enabled us to analyze the role Pradhan Mantri Jana Dhana Yojana in financial inclusion. The present study entitled “Pradhan Mantri Jana Dhana Yojana: A step towards financial inclusion” has been undertaken in the context of these objectives,

1. To explore the concept of Pradhan Mantri Jana Dhana Yojana and financial inclusion.
2. To examine the role of Pradhan Mantri Jana Dhana Yojana in financial inclusion in India.
What and Why Financial inclusion?

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society. An estimated 2.5 billion working age adults globally have no access to the types of financial services delivered by regulated financial institutions. In India 40% of the people, lack access to even basic financial services. Out of 19.9 crore households in India only 6.82 crore house hold have access to banking services. The policy makers have been focusing on financial inclusion of Indian rural and Semi-rural areas primarily for three reasons

i. Creating a platform for inculcating the habit of saving money.

The low income category has been living under the constant shadow of financial duress mainly because of the absence of savings. The absence of savings makes them a vulnerable lot. Presence of banking services and products aim to provide a critical tool to inculcate the habit to save capital formation in the country is also expected to be boosted once financial inclusion measures materialize as people move away from the traditional modes of parking their savings in land, buildings, bullion etc.

ii. Providing formal credit avenues.

So for the unbanked population has been vulnerably dependent on informal channels of credit like family, friends and money lenders availability of adequate and transparent credit from formal banking channels shall allow the entrepreneurial spirit of the masses to increase outputs and prosperity in the countryside. A classic example of what easy and affordable availability of credit can do for the poor is the Micro-Finance sector.

iii. Plug gaps and leaks in public subsidies and welfare programmes.

A considerable sum of money that is meant for the poorest of the poor does not actually reach them while the money meanders through large system of government bureaucracy, much of it is widely believed to leak and is unable to reach the intended parties. Government was therefore pushing for direct cash transfers to beneficiaries through their bank accounts rather than subsidizing products and making cash payments. This laudable effort is expected to reduce government’ subsidy bill and provide relief only to the real beneficiaries all these efforts require an efficient and affordable banking system that can reach out to all. Therefore, there has been a push for financial inclusion.

Financial Inclusion Elsewhere

Inclusive banking has been identified as a major development project in many developing countries worldwide and notable cases of financial inclusion reflect a high level of innovation. Many introduced the correspondent banking model to circumvent the problem of setting up physical infrastructure. For example, Brazil deployed BCs on a large scale to distribute welfare grants to unbanked Brazilians. In 2000 about a third of Brazil’s municipalities had bank branches; since the correspondence model was launched, around 95000 correspondents helped open nearly 12 million bank accounts covering all of Brazil’s success gave rise to similar approaches in other South American countries like Colombia, Peru, Mexico and Chile. The cost benefits of this model are also substantial, besides the branch and ATM network in Brazil is for more intensive relative to India.

Journey of PMJDY towards financial inclusion

Prime minister Narendra modi announced the Pradhan Mantri Jan Dhan Yojana or the Prime minister scheme for people’s wealth- an ambitious scheme for comprehensive financial inclusion on his
first Independence day speech on August 15 2014 with the slogan “Mera Khata Bhagya Vidhata” the scheme is financial inclusion scheme covering all households in the country with banking facilities, ensuring a bank account for each household. The scheme was formally launched on August 28, 2014 with a target to provide universal access to banking facilities starting with Basic Banking Account with overdraft facility of Rs.5000, after six months and Rupay Debit card with inbuilt accident insurance cover of Rs.1 lakh and Rupay Kisan card. In next phase micro insurance and pension etc. will also be added. In a run up to the formal launch of this scheme, the prime Minister Personally mailed to CEOs of all banks to gear up for the gigantic task of enrolling over 7.5 crore (75 million) households and open their accounts on the inauguration day of the scheme 1.5 crore (15 million) bank accounts were opened. The Prime minister said that this Mega Scheme was aimed at eradicating financial untouchability by providing bank accounts for the poor.

Here are some of the highlights of the scheme

- About 15 million accident insurance policies done on a single day and same number of bank accounts opened
- Programme held at around 77000 locations with the participation of chief Ministers Union Ministers and Bank officials
- Target to cover 7.5 crore households with at least one account will be achieved by Jan 26.2015
- Universal access to banking facilities for all households through a bank branch or a fixed point business correspondent called “Band Mitra”
- Coverage of all households with at least one basic banking account with Rupay Debit card having inbuilt accident insurance cover of Rs 1 lakh
- Additional Rs 30000 of life assurance cover for those opening bank accounts before Jan 26.2015
- An overdraft facility of up to Rs5000 after satisfactory operation for six months
- Full range of banking services would be possible through ordinary mobile phones
- Financial literacy to be imparted up to village level
- Expansion of Direct Benefits Transfer under various government schemes
- The second phase of roll out will involve providing micro-insurance to people
- Unorganised sector Pension schemes like ‘Swavalamban’ will be provided through business correspondents in the second phase
- The programme is in mission mode with Finance Minster, Arun Jaitley as the head
- Households being targeted instead of only being villages targeted earlier
- Platform has been built by the National Payment corporation of India that connects all bank and all telephone networks in the country
- The platform helps a customer access his/her accounts with any mobile set

All the rural and Semi rural urban areas of the country are proposed to be mapped into sub service Area(SSA)comprising 1000-1500 households with an average 3-4 villages with relaxation in north-eastern/hilly states

- It is also proposed that looking to the viability of each center around 74000 villages with population more than 2000 which were covered by Business correspondents under Swabhiman campaign will be considered for conversion into full fledged Brick and Mortar branches with staff strength of 1+1/1+2 in the next three years
All the 6 lakh villages across the entire country are to be mapped according to the service Area of each Bank to have at least one fixed point Banking outlet catering to 1000 to 1500 households called as sub service Area (SSA). It is proposed that SSAs shall be covered through a combination of banking outlets i.e., branch banking and branchless banking. Branch banking means traditional Brick and mortar branches. Branchless banking comprises of fixed point Business correspondents agents who act as representative of Banks to provide basic banking services.

The implementation strategy of the plan is to utilize the existing banking infrastructure as well as expand the same to cover all households. While the existing banking network would be fully geared up to open bank accounts of the uncovered households in both rural and urban areas. The banking sector would also be expanding itself to set up an additional 50000 Business correspondents (BCs) more the 7000 branches and more the 20000 new ATMs in the first phase.

The comprehensive plan is necessary considering the learning from the past where a large number of accounts opened remained dormant, resulting is costs incurred for bank and no benefits to the beneficiaries.

Keeping the stiff targets in mind, in the first phase, the plan would focus on first three pillars in the first year starting from August 15 2014.

The target for setting up additional 50000 BCs is quite challenging given the constraints of telecom connectivity.

In order to achieve this plan, phase wise and state wise targets for banks have been set up for the period August 15, 2014 to August 14, 2015.

In order to achieve a demand side pull effect it would be essential that there is branding and awareness of Business correspondent model for providing basic banking services, banking products available at BC outlets and Rupay cards. A media plan for the same is being worked out in consultation with banks.

A project management consultant/group would be engaged to help the department implement the plan it is proposed to launch the programme simultaneously at National level in Delhi. At every state capital and all district head quarters.

A web-portal would be created for reporting/monitor of progress.

Role of various stakeholders like other departments of the Central Government, State Government, RBI, NABARD, NPCI and others have been indicated.

Gram Daak Sewaks in rural areas are proposed as Business correspondent of Banks.

Department of telecom has been requested to ensure that problems of poor and no connectivity are resolved. They have informed that of the 5.93 lakh inhabited villages in the country (2011 census) only about 50000 villages are not covered with Telecom connectivity.

**Conclusion:-**

Overall the PMJDY is big step towards financial inclusion. The provision of basic accounts with linked insurance coverage, debit card facilities etc. to the unbanked will certainly benefit poor household’s welfare, economic activity, stability and ability to absorb shocks, if the scheme can meet the challenges: improving banking infrastructure (bank branches, ATMs, good and reliable BCs) and overall monitoring for effective final inclusion.
Reference:


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INTERNET MARKETING TRENDS AND INDIAN SMEs

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Small and Medium Enterprises (SMEs) are said to be the backbone of India’s economy. SMEs are the engine of economic development of India, which creates jobs and reduces poverty. SMEs sector in India contributed more than 17% to the GDP of the nation in the year 2014 and it adds over 1.3 million jobs per year. Small and Medium Enterprise (SMEs) play a pivotal role in Indian Economy with their contribution in industrial output, exports, employment and production for Indian and international market. Currently there are approximately 48 million SMEs operating in India and the sector employs around 40% of the country’s labour.

A Small Enterprise is one where in the investment in plant & machinery is between 25 lakh to 5 crore (10 lakh to 2 crore in case of service industry). A Medium Enterprise is one where in the investment in plant & machinery is between 5 crore to 10 crore (2 crore to 5 crore in case of service industry).

The Internet marketing and E-Commerce sector in India is projected to cross USD 80 billion by 2020. It is changing the way SMEs operate in India. Internet marketing is becoming a hot topic in every business sector, and gradually plays a truly important role in any company’s multi-channel marketing strategy. Internet marketing is defined as the application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives. Online marketing is an activity of marketing which uses web services or internet for communication, advertising and sales promotion activities focused towards national and global consumers and business partners irrespective of national boundaries.

OBJECTIVE OF THIS PAPER:
Following are the objectives of the study:

- To give an overview of Internet marketing and SMEs
- To trace out the need of adapting Internet marketing
- To trace out the challenges faced by SMEs while adapting Internet marketing

RESEARCH METHODOLOGY This paper is theoretical modal based on the extensive research for which the secondary source of information has gathered. The sources include online publications, Books and journals.

E-business has revolutionized the way companies do business. India has seen some dramatic changes in the way internet has affected the lives of the people. The online users in India doubled from 120 million users in 2011 to 278 million users in 2014. India stands on the cusp of dramatic growth in Internet and e-commerce activity. The traditional lifestyles of people have changed. Though the internet using population in India is low in terms of overall percentage of total population but, in absolute numbers it is very high. The future of Digital India looks promising with Government of India’s ‘India Digital Plan’ 2019. The plan promises that 250k villages in India will have internet, all public places to have Wi-Fi and every Indian to have a smart phone device by 2019. This gives great opportunities for various e-commerce sites to reach this segment. The growing internet base, with more than 343 million internet users has a direct correlation to the growth of commerce and industry in the country. Many SMEs taking the E-Commerce route to establish themselves in the Indian market and are using internet as a marketing tool.
Why Internet marketing to be adopted by SMEs?

Traditional marketing media like newspapers, news websites, radios, and television are all about delivering a message for SMEs. Online marketing not only passes the message but also receives and exchanges perceptions and ideas in short span of time. In current scenario the situations has changed for SMEs in India and the challenges posed before the enterprises by business environment has become more competitive than before. In the age globalization, small firms engaged in exporting can also benefit from Internet marketing.

The traditional lifestyles of people have changed- Is your target audience still reading printed newspapers or magazines? Are they still watching that one popular show where the entire family gathers on a Sunday morning? So where are they then? On the world wide web- probably liking or sharing a post on face book, enquiring regarding finding accommodation on twitter, commenting on a movie review posted on a blog, repining an amazing dress design they saw on their pin board or watching an advertisement released on you tube.

1. Indian internet users have already crossed Cable and Satellite TV households. Not only are users increasing, the average time spent on the net.

2. The costs involved are less as compared to traditional media.

3. You are not dependent on an external medium – you are your own publisher. You thus have greater control over the content and timing.

4. It is fast. Gone are the days when you prepared months in advance to release an advertisement. Ads are now created within hours, sometimes minutes as well.

5. India is a young nation. More than half of its 1.2 billion people is aged below 25, and two-thirds below 35. 85% of young India is hooked on to some or more social networking sites.

6. The opportunity to manage your reputation is immense. You can respond to complaints in a timely manner, encourage people to talk about their good experiences with your company and keep an eye on what is being said about you in general.

Advantages of Internet marketing to SMEs in India:
1. **Worldwide Trade:** The Internet also provides new methods to improve customer services and is considered as the most cost-effective marketing tool as it reduces paper works and number of staff as well as by passes operating offices.

2. **Efficiency and productivity gains:** SMEs can bring efficiency in their operations by using internet marketing and also productivity gains.

3. **Increasing information about the market and the customers (e-marketing):** both SMEs as well as customers can get more and more information very easily and quickly through internet marketing.
4. **Practical Businesses**: As a result of e-commerce, business firms now have the capability to happen to virtual businesses. A virtual business is a modular organization of multiple individual business rigid connected via online computer technology.

5. **Inferior search costs**: The Internet is likely to carry about low search costs and high price transparency. When participant simply publish their prices on the Internet, it is possible to design search engines that will monitor prices across different websites.

6. The Internet not only brings different image to all the elements of the marketing mix but has brought a new way to approach potential customers in a very interesting, creative and cost effective way as well.

7. **Effects on environment**: Online sales are not only saving a huge amount of money by reducing store operating costs but also decrease remarkably the fuel consumption needed for traditional sales that contribute a lot to the environment protection program.

**Challenges in adoption of Internet marketing by SMEs:**
Some of the challenges that SMEs faces in adopting internet marketing are found to be:

a. Trust and Security threats.

b. Lack of training.

c. Inadequate technology skills.

d. Slow adoption of Internet Technologies.

e. High initial investment in Internet Technologies.

f. Lack of awareness about online marketing among SMEs operating from rural areas.

g. Government inability in funding and providing training to SMEs.

h. Economic return on investment in internet technology

i. Lack of interest in internet based applications and sales systems among a large number of SMEs

j. ICT skills gap

**FUTURE TRENDS**

With online users growing in India most SMEs have realized the importance of internet technology in their daily marketing agendas and they heavily use tech solutions for our marketing efforts. Lots of businesses that don’t use the Internet as a marketing channel will fall behind and this is not going to be good for business. It is imperative for all SEs to have ICT friendly communications and responsive websites is the very first step in this direction. SMEs should understand the value that the Internet offers to them, providing interactive opportunities to connect with current customers and attract new consumers. As the Internet evolves, businesses will continue to refine their online marketing efforts, reaching a greater number of potential buyers than before.

**References:**

CORPORATE SOCIAL RESPONSIBILITY
A CASE STUDY OF LIC GOLDEN JUBILEE FOUNDATION

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ABSTRACT
The paper explains the new provisions of companies act towards corporate social responsibility. Every business firms needs to perform the business activities keeping in mind the social obligations. If every business institutions join hands to the government for the social reforms it is possible to attain the common objectives of the companies act. This paper explains various phases of CSR by Dr. G.R Junnaykar Assistant professor in commerce STC College Banhatti in Bagalkot district.

KEY WORDS; CSR, MCA, INFO FOUNDATION, UNDER PREVILEDGE, SUSTAINABLE DEVELOPMENT, NATIONAL HERITAE, WOMEN EMPOWERMENT.

Introduction

The Corporate Social Responsibility concept is based on the premise that business has greater impact on the society than can be measured by profit or loss. As a participant in the society, business should contribute to the Human and constructive social policies that guide the society. The concept of CSR is merely a step towards social effectiveness of business. It is the underlying value, which gives businessmen a sound basis for social action.

Now a days there has been growing acceptance of the view that business should be social responsible to all the stakeholders says shareholders, employees, consumers, government, suppliers and society. CSR, if implemented in true sense, helps in enhancing the quality of stakeholders and society at large to uplift the unprivileged section of the society and also made an attempt to study the effect of CSR on life insurance business of LIC. The study reveals that cost incurred by companies on Corporate Social Responsibility activities is a worthwhile investment as it enhance not only goodwill but also contribute to more profit by doing a honest efforts and ethical practices.

LIC as a responsible corporate citizen has been fulfilling it’s social responsibilities from time to time. In fact, most of the LIC investments are geared towards industrial growth, infrastructure growth and national development.

Need for the study
Corporate Social Responsibility is gaining wide acceptance and popularity all across the globe. CSR is recognized as an effective tool to maintain balance between both business and society LIC with long back history of more than five decades has played a very prominent role in the society. Various CSR initiatives undertaken by LIC has benefited a large population of India in ways of education, health, medical, housing development, upliftment poor through insurance schemes. The study will provide innovative ideas in designing new strategies, policies and roadmaps which can effectively help in achieving the main objectives of an organization through appropriate CSR schemes.
Objectives of the study

- To check the awareness level of CSR activities at various levels within the organization.
- To know the contribution of LIC towards the society.
- To relief of poverty or distress.
- To advancement of education.
- To medical relief.
- Analyzing the CSR of LIC.

Scope of the study

- The study has covered the information of LIC during 2010-2015 for a 5-year period.
- The study is not limited to the extent of state but it has covered the contribution of LIC towards CSR all through the nation.

Research Methodology

In this study, the secondary data is used to collect the necessary information and wherever the primary data are needed and are collected by consulting various authorities and through questionnaires.

Limitations of the study

- Interpretation and analysis is confined to the extent of 5 years only.
- Due to the non-availability of district-wise data, the study has elaborated to national-wide.

History: LIC Golden Jubilee Foundation

LIC Golden Jubilee Foundation was established on 20.10.2006 and registered with Charity Commissioner under Bombay Public Trust Act 1950 with the objective of promoting education, health, relief of poverty or distress and advancement of other objects of general public utility. To achieve these objectives, the foundation works with human and capital resources received from LIC. Projects range from scholarships, health initiatives, rural education programs, and providing infrastructural support in fields of education and health.

OBJECTIVES

The objectives of the LIC Golden Jubilee Foundation are promoting education, health, relief of poverty or distress and advancement of general public utility. Relief of Poverty or distress. 2. Advancement of education. 3. To Provide Medical relief.

An important development in the role of corporate houses has been the increasing focus on their corporate social responsibility. Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of the workforce as well as the local community and society at large.

LIC as a responsible Corporate Citizen has been fulfilling its social responsibilities from time to time. LIC Golden Jubilee Foundation was established on 20.10.2006 as a part of LIC’s Corporate Social Responsibility. The Foundation has been registered with the Charity Commissioner Mumbai and is also exempt under Section 80G of Income Tax. The following table 1 shows that Purpose-wise amount sanctioned by LIC for the advancement of EDUCATION during 2014-15.
<table>
<thead>
<tr>
<th>SL. NO</th>
<th>YEAR</th>
<th>PURPOSE</th>
<th>PLACE</th>
<th>AMOUNT IN Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2014-2015</td>
<td>Purchase of School Bus</td>
<td>Ramakrishna Mission, Aalo, Jorhat</td>
<td>15,93,000</td>
</tr>
<tr>
<td>3</td>
<td>2014-2015</td>
<td>Construction of School Building</td>
<td>Bhalopahar, PURULIA, Asansol</td>
<td>25,00,000</td>
</tr>
<tr>
<td>4</td>
<td>2014-2015</td>
<td>Construction of study hall &amp; two classrooms</td>
<td>Ramakrishna Mission Sevashrama, Silchar</td>
<td>14,98,000</td>
</tr>
<tr>
<td>5</td>
<td>2014-2015</td>
<td>Purchase of school bus</td>
<td>Organisation for Friends, Energies and Resources (Anandghar), KMDO</td>
<td>17,33,000</td>
</tr>
<tr>
<td>6</td>
<td>2014-2015</td>
<td>Construction of school building</td>
<td>Ushagram Trust, KSDO</td>
<td>25,00,000</td>
</tr>
<tr>
<td>7</td>
<td>2014-2015</td>
<td>Purchase of TATA Winger</td>
<td>Sirisha Rehabilitation Centre Machilipatnam</td>
<td>7,30,000</td>
</tr>
<tr>
<td>8</td>
<td>2014-2015</td>
<td>Purchase of 40 seater School Bus</td>
<td>Service Association for Blind School for Blind, Gandhinagar</td>
<td>17,02,000</td>
</tr>
<tr>
<td>9</td>
<td>2014-2015</td>
<td>Purchase of 40 seater school bus</td>
<td>Aakansha Shiksha Kalyan Samiti, Mumbai</td>
<td>21,41,000</td>
</tr>
<tr>
<td>10</td>
<td>2014-2015</td>
<td>Purchase of 36 seater Bus</td>
<td>Ashirwad Trust for Disabled, Sayla, Bhavnagar</td>
<td>16,53,000</td>
</tr>
<tr>
<td>11</td>
<td>2014-2015</td>
<td>Construction of 3 classrooms, 1 laboratory and Veranda</td>
<td>Koyna Education Society (Apati High School), Satara</td>
<td>24,37,000</td>
</tr>
<tr>
<td>12</td>
<td>2014-2015</td>
<td>Construction of Respite Care Centre.</td>
<td>Sobti Parents Association, Thane</td>
<td>25,00,000</td>
</tr>
</tbody>
</table>

Source: Data collected from The Annual Reports of LIC during the study period

ANALYSIS AND INTERPRETATION OF DATA

With an intention to promote education, health and relief of poverty or distress and advancement of general public utility LIC Golden Jubilee Foundation was established on 20 October 2006. Since then it has been undertook various social activities.

In this paper an attempt has been made to know the contribution of LIC towards CSR.

The following table 2 shows that the contribution of LIC through Golden Jubilee Foundation towards education development.
Table 2: TOTAL AMOUNT SANCTIONED DURING YEARS

<table>
<thead>
<tr>
<th></th>
<th>EDUCATION (Rs in cr)</th>
<th>MEDICAL (Rs in cr)</th>
<th>GPU (Rs in cr)</th>
<th>TOTAL (Rs in cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>4.40</td>
<td>2.39</td>
<td>0.91</td>
<td>7.70</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1.00</td>
<td>3.58</td>
<td>0.07</td>
<td>4.67</td>
</tr>
<tr>
<td>2012-2013</td>
<td>3.68</td>
<td>3.40</td>
<td>0.08</td>
<td>7.17</td>
</tr>
<tr>
<td>2013-2014</td>
<td>3.74</td>
<td>3.87</td>
<td>1.49</td>
<td>9.11</td>
</tr>
<tr>
<td>2014-2015</td>
<td>2.40</td>
<td>2.56</td>
<td>-</td>
<td>4.96</td>
</tr>
</tbody>
</table>

Source: Data collected from The Annual Reports of LIC during the study period.

Golden Jubilee Foundation

PERCENTAGE OF AMOUNT SANCTIONED GJF IN 2013-14

Source: Data collected from Golden Jubilee Foundation during the study period.
INTERPRETATION

From the above table it comes to know that out of the entire sanctioned amount 41% of the amount is generated towards education of society and 43% amount has been given for the medical and healthcare activities and remaining 16% has given to the GPU.

Table 3  ABSOLUTE CHANGE IN THE AMOUNT OF EDUCATION

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EDUCATION (Rs in cr)</th>
<th>ABSOLUTE CHANGE (Rs in cr)</th>
<th>%CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>4.40</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1.00</td>
<td>-3.39</td>
<td>-77.06%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>3.68</td>
<td>2.67</td>
<td>265.06%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>3.74</td>
<td>0.05</td>
<td>1.6%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>2.40</td>
<td>-1.34</td>
<td>-35.8%</td>
</tr>
</tbody>
</table>

Source: Data collected from Golden Jubilee Foundation during the study period

INTERPRETATION

The amount to be sanctioned for the development education sector is not constant. It is always depending on the percentage of profit earned by the corporation. No doubt half of sanctioned amount has been utilized for the educational activities but the sanctioned amount not increasing as per the previous base. In the beginning of the study period it was at the peak but in the rest of the periods it has been decreasing.

FINDINGS:

- (4.1) It is found that more priority has been given to the Education sector.
- (4.2) Nearly 44% of the total amount sanctioned by the LIC towards CSR has been spared for Education development purpose.
- 4.3 It is found that, looking at the needs of Medical and healthcare LIC has devoted nearly 50% of its total sanctioned amount.
- 4.4 It is realized that only meager amount (8%) of the total amount sanctioned has provided for General public utility sector.
4.10 It is noticed that proportionate amount has not been sanctioned for Educational development.

4.11 It is witnessed that amount sanctioned for the Medical and healthcare varies from years to years.

4.12 Contribution made to General public utility has decreased in beginning of the year and has increased at the end of the study period.

4.13 Total amount sanctioned by the LIC towards CSR was decreased in the beginning year and increase in the middle of year and decreased at the end of the study period.

4.14 During the year 2010-11 more number of beneficiaries has taken the educational benefits.

4.15 Since 2013-14 LIC started sanctioning the Educational fund to Institutions.

4.16 It is found that more number of patients have taken advantage of LIC medical fund during the year 2010-11.

4.17 During the year 2010-11 more number of beneficiaries have taken the advantage General public utility fund.

4.18 There were good number of Educational beneficiaries during the year 2010-11 but number of beneficiaries gradually decreasing thereafter

SUGGESTIONS:

LIC should give equal preference for other essential social services.

- Since the Educational development is the need of our LIC has to devote more fund for Education purpose.
- It should increase the contribution for General public utility.
- Need based priority should given.
- Proportionate amount should be sanctioned to Educational development.
- It is better to sanctioned some fixed amount of the profit towards CSR.
- LIC should take initiation to sanctioned the Educational fund individually than Institutionally.
- Instead of sanctioning the medical fund to the Institutions it is much better to sanctioned medical benefits individually.

CONCLUSION

The Ministry of Corporate Affairs (MCA) had introduced the corporate social responsibility guidelines in 2009. These guidelines have now been incorporated within the 2013 Act and have obtained legal sanctity. Section 135 of the 2013 Act, seeks to provide that every company having a net worth of 500crore INR, or more or a turnover of 1000crore INR or more, or a net profit of 5crore INR or more, during any financial year shall constitute the CSR committee of the board. The board shall ensure that the company must spend in every financial year at least 2% average net profit made during 3 preceding financial year, in pursuance of its CSR policy.
INTERNATIONAL TRADE AND ECONOMIC GROWTH

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ABSTRACT
International trade and economic growth are two concepts that go together, because international trade contributes to the growth of a country’s economy in several ways. Some of these ways include the effects of import and export, specialization, increased productivity and improved infrastructure. The exportation of goods to other countries can contribute to the growth of the exporting country by increasing the earnings of that country. The national economies of some countries are even dependent on and sustained by their exports. For instance, some oil-producing countries depend on the income from the export of crude oil and its derivatives to sustain their nations. Some of these countries actually plan their national budgets based on projections or calculations of expected income from the export of oil. Apart from crude oil, other countries also partially base their national budget on the income from items like agricultural products, precious stones and even technology. This represents one way in which international trade and economic growth are linked. According to a World Bank study, twenty-four developing countries that became more integrated into the world economy in the 1980s and 1990s had higher income growth, longer life expectancy, and better schooling. Per capita income in these countries, home to half the world’s population, grew by an average of 5 percent in the 1990s compared with only 2 percent in rich countries. China, India, Hungary, and Mexico are among the countries that adopted policies that allowed their people to take advantage of global markets. As a result, they sharply increased the amount of their GDP accounted for by trade. Real wages in these countries rose and the number of poor people fell.

KEYWORDS: International trade, economic growth, export, product, budget, technology.

INTRODUCTION:
There is no country in the world today which produces all the commodities it needs. Every country, therefore, tries to produce those commodities in which it has comparative advantage. It exchanges part of those commodities with the commodities produced by other countries relatively more efficiently. The relative difference in factor endowments, technology, tastes etc, among the nations of the world have greatly widened the basis of international trade. International trade and its impact on economic growth crucially depend on globalization. As far as the impact of international trade on economic growth is concerned, the economists and policy makers of the developed and developing economies are divided into two separate groups. One group of economists is of the view that international trade has brought about unfavorable changes in the economic and financial scenarios of the developing countries. According to them, the gains from trade have gone mostly to the developed nations of the world. Liberalization of trade policies, reduction of tariffs and globalization have adversely affected the industrial setups of the less developed and developing economies. As an aftermath of liberalization, majority of the infant industries in these nations have closed their operations. Many other industries that used to operate under government protection found it very difficult to compete with their global counterparts. The other group of economists, which speaks in favor of globalization and international trade,
come with a brighter view of the international trade and its impact on economic growth of the developing nations. According to them developing countries, which have followed trade liberalization policies, have experienced all the favorable effects of globalization and international trade. China and India are regarded as the trend-setters in this case.

WHAT IS INTERNATIONAL TRADE?

International trade is the exchange of capital, goods, and services across international borders or territories, which could involve the activities of the government and individual. In most countries, such trade represents a significant share of gross domestic product (GDP).

DEFINITION OF INTERNATIONAL TRADE:
The exchange of goods or services along international borders. This type of trade allows for a greater competition and more competitive pricing in the market. The competition results in more affordable products for the consumer. The exchange of goods also affects the economy of the world as dictated by supply and demand, making goods and services obtainable which may not otherwise be available to consumers globally.

CHARACTERIZES OF GLOBULE TRADE:
Without international trade, nations would be limited to the goods and services produced within their own borders. International trade is, in principle, not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or culture.

Another difference between domestic and international trade is that factors of production such as capital and labor are typically more mobile within a country than across countries. Thus international trade is mostly restricted to trade in goods and services, and only to a lesser extent to trade in capital, labor or other factors of production. Trade in goods and services can serve as a substitute for trade in factors of production. Instead of importing a factor of production, a country can import goods that make intensive use of that factor of production and thus embody it. An example is the import of labor-intensive goods by the United States from China. Instead of importing Chinese labor, the United States imports goods that were produced with Chinese labor. One report in 2010 suggested that international trade was increased when a country hosted a network of immigrants, but the trade effect was weakened when the immigrants became assimilated into their new country. First, many non economists believe that it is more advantageous to trade with other members of one’s nation or ethnic group than with outsiders. Economists see all forms of trade as equally advantageous. Second, many non economists believe that exports are better than imports for the economy. Economists believe that all trade is good for the economy. Third, many non economists believe that a country’s balance of trade is governed by the “competitiveness” of its wage rates, tariffs, and other factors. Economists believe that the balance of trade is governed by many factors, including the above, but also including differences in national SAVING and INVESTMENT.
INTERNATIONAL TRADE ECONOMIC GROWTH:

International Trade has positively influenced the economic growth of a country in the following ways:
International trade injects global competitiveness and hence the domestic business units tend to become very efficient being exposed international competition. Due to the integration with the world economy the entrepreneurs can have easy access to the technological innovations. They can utilize the latest technologies to enhance their productivity.
The developing countries have higher trade protectionism measures as compared to the developed countries. The countries that have adopted such measures are seen to reap the benefits of an open trade regime.
The products that are labor intensive like clothing, footwear, textiles etc are exported by the developing countries to both developed and underdeveloped countries. Such exports earn heavy tax revenue in countries like Mexico, India, China and many more.
International Trade has also brought in a reduction in the poverty level. India was a closed economy in the 1960s and 70s. There was not even 1% decline in the poverty level. The entire scenario changed with globalization and international trade. According to Prof. Jagdish hagwati the reduction in the poverty level is due to a pull up rather than a trickledown effect. The economic growth brought about by international trade can generate financial resources. Such resources can be used to set up anti poverty programs. Better education and health facilities can also be provided to the poor.

IMPORTANCE:
“International trade contributes to economic growth through its effects on human capital accumulation” was the primary hypothesis that was investigated in this study. To assess the hypothesis empirically, we employed the Neo-Classical growth model while incorporating some features of endogenous growth theories. We, thus, ended up in a model, in which the changes in human capital are sensitive to changes in the trade policies. The consequent model also mirrored the importance of absorption capacity (average years of schooling, imported capital) for the economic growth of a country. In this extended Neo-Classical growth model, growth of GDP per worker was associated with the human capital accumulation through formal education, human capital accumulation through learning-by-doing, physical capital, and population growth.
The empirical analysis estimated dynamic growth equations by using a panel data approach for a set of nine Asian countries over the period of 1972–2012. The overall evidence substantiates the fact that international trade enhances the accumulation of human capital and contributes to economic growth positively. The one noteworthy result is that interactive term of human capital accumulation through formal education (average years of schooling) and human capital accumulation through learning-by-doing (i.e. innovation rate) exhibits relatively stronger growth elasticity’s compared with individual term of innovation rate. This supports the idea that countries which foster trade liberalization and exports diversification policies, and have high absorption capacity (i.e. human capital), are able to benefit more from international trade in the form of human capital accumulation.
ROLE OF FOREIGN TRADE IN ECONOMIC DEVELOPMENT:

The role of foreign trade can be judged by the following faces:

1. **Foreign trade and economic development**: Foreign trade plays a very important role in the economic development of any country. Pakistan also exports a lot of agricultural products to other countries and imports capital goods from other countries. Therefore, it is not wrong to say that economic development of a country depends on foreign trade.

2. **Foreign exchange earning**: Foreign trade provides foreign exchange which can be used to remove poverty and other productive purposes.

3. **Market expansion**: The demand factor plays an important role in increasing the production of any country. The foreign trade expands the market and encourages the producers. In Pakistan, the home market is very limited due to poverty. It is necessary that we should sell our products in other countries.

4. **Increase in investment**: Foreign trade encourages investors to increase investment to produce more goods. As the rate of investment increases.

5. **Foreign investment**: Besides local investment, foreign trade provides incentives for foreign investors to invest in those countries where there is a shortage of investment.

6. **Increase in national income**: Foreign trade increases the scale of production and national income of the country. To meet the foreign demand, we increase production on a large scale, so GNP also increases.

7. **Decrease in unemployment**: With the rise in the demand of goods, domestic resources are fully utilized, and it increases the rate of development in the country and reduces unemployment in the world.

8. **Price stability**: Foreign trade helps to bring stability in price levels. All the goods which are short and prices are increasing can be imported, and those goods which are surplus can be exported. Thus, stability in prices.

9. **Specialization**: There is a difference in the quality and quantity of various factors of production in different countries. Each country adopts specialization in the production of those commodities in which it has a comparative advantage. So all trading countries enjoy profit through international trade.

10. **Remove monopolies**: Foreign trade also discourages monopolies. Where every monopolist increases the prices, government allows the import of goods to reduce the prices in the country.

11. **Removal of food shortage**: India is also facing the food shortage problem. To remove the food shortage, India has imported wheat many times. So due to foreign trade, we are solving this problem for many years.

12. **Agricultural development**: Agricultural development is the backbone of our economy. Foreign trade has played a very important role in the development of our agriculture sector. Every year, we export rice, cotton, fruits, and vegetables to other countries. The export of goods makes our farmers more prosperous. It inspires the spirit of development in them.

13. **Import of consumer goods**: India and Pakistan imports the various consumer goods from other countries, which are not produced inside the country. Today, the shortage of any commodity can be removed through international trade.
14. To improve quality of local products: Foreign trade helps to improve quality of local products and extends market through changes in demand and supply as foreign trade can create competition with the rest of the world.

15. External economics: External economics can also be achieved through foreign trade. The industries producing foods on large scale in Pakistan and India are enjoying the external economics due to international trade.

16. Competition with foreign producers: We can compete with the foreign producers in foreign trade so it improves the quality and reduces the cost of production. It is also an advantage of foreign trade.

17. Useful for the world peace: Today all the countries are tied in trade relations with each other. So foreign trade also contribute to peace and prosperity in the world.

18. Import of capital goods and technology: The inflow of capital goods and technology in the less developed countries has increased the rate of economic development, and this is due to foreign trade.

19. Import substitution: These countries not only produce import substitute, but also reduce deficit in balance of payment of their countries.

20. Better understanding: Foreign trade provides an opportunity to the people of different countries to meet, discuss, and exchange views and ideas related to their social, economic and political problems.

21. Dissemination of knowledge: Foreign trade is also responsible for dissemination of knowledge and learning from developed countries to under developed countries.

22. Interdependence: Foreign trade is responsible for creating economic depending and establishing economic interest in the economy of the countries having trade relations.

23. Factors productivity: Through foreign trade the productivity of labour and capital and organization increases. Demand make them mobile on national as well as international level which helps underdeveloped countries to develop and maintain a high level of growth of developed countries.

BENEFICIAL EFFECT:

1. Benefits for International Specialization:

   International trade enables a country to enjoy the advantages of international specialization according to comparative costs. Every country specializes and exports those commodities which it can produce cheaper in exchange for what others can provide at a lower cost. When a country specializes according to its comparative advantage, it gains an increase in real income and consequent rise in the standard of living of its people. J.S. Mill emphasized this aspect of international trade and maintained that trade according to comparative advantage, results in a ‘more efficient employment of productive forces of the world’ and this may be considered as the ‘direct economical advantage of foreign trade’.

2. Widening of Market and Raising Productivity:

   It is argued that the productivity gains arising out of extension of market is a consequence of foreign trade. Improvements in productivity result from greater division of labour, a higher degree of mechanization and greater possibility of innovation. It is said that foreign trade, by widening the extent of the market and the scope of the division of labour, permits a greater use of machinery, stimulates innovations, overcomes technical indivisibilities, raises the productivity of labour, and generally enables the trading country to enjoy increasing returns and economic development. J. S. Mill has categorized them as indirect dynamic benefits arising out of foreign trade.
3. Helpful for High Growth Potential:
Foreign trade can also help in the development of a country enabling it to exchange domestic goods saving low growth potential for foreign goods with high growth potential. Prof. J.R. Hicks emphasizing this growth promoting aspect of international trade observes that trade offers an opportunity for the exchange of goods with less growth potential for goods with more growth potential, thereby quickening the progress that results from a given effort on the saving sides. It provides an opportunity for importing capital goods and materials required for development purposes. The import of machinery, transport equipment, vehicles, power generation equipment, road building machinery, medicines, chemicals and other goods with high growth potential provides greater benefits to the developing countries.

4. Educative Effect of Trade:
It is maintained that international trade can serve as a vehicle for the dissemination of technological knowledge. A deficiency of knowledge can be a biggest handicap in the development of a country and this deficiency can be effectively removed through contact with more advanced economies i.e. by making possible through foreign trade. According to J. S. Mill, trade benefits the less developed country through ‘the introduction of foreign arts, which raise the returns derivable from additional capital to a rate corresponding to the low strength of the desire of accumulation’. Thus, foreign trade can have an educative influence on the people of developing countries and can thus help in bringing about technological and industrial revolution.

5. Capital Formation:
It is said that foreign trade helps to increase capital formation. The capacity to save increases as real income rises through the more efficient resource allocation associated with international trade. Foreign trade also provides stimulus for investment and thus it tends to raise the rate of capital formation. This stimulus comes from the possibility of realizing increasing returns in wider markets that foreign trade provides. Moreover, by allowing economies of large scale production, the access to foreign markets makes it profitable to adopt more advanced techniques of production.

6. Basis of Import of Foreign Capital:
International trade also helps in promoting development by creating suitable conditions for the import of foreign capital. Haberler argued that trade is a vehicle for the international movement of capital from the developed to the underdeveloped countries. The amount of capital that an underdeveloped country can obtain from foreign countries depends to a considerable extent on the volume of its trade. The larger the volume of trade of a country, the greater will be the volume of foreign capital that can be expected to become available to it. It is an established fact that it is much easier to get foreign capital for export industries because they have a built-in solution of the transfer problem.

7. Healthy Competition:
Foreign trade also helps in economic development by providing healthy competition and keeping in check inefficient monopolies. The more competitive an economy is, the more efficient it will be. According to J.S. Mill, “The foreign trade benefits an underdeveloped country indirectly by encouraging healthy competition and checking inefficient monopolies. Healthy, competition is essential for the development of the export sector of such economies and for checking inefficient exploitative monopolies that are usually established on the grounds of infant industry protection.”
8. Foreign Trade helps in Breaking Vicious Circle of Poverty:
The underdeveloped countries are characterized by the existence of vicious circle of poverty. It implies, low income, deficiency of demand and lack of demand accounts for low supply which in turn accounts for low income. But, international trade enables underdeveloped countries to produce more of those goods in which they enjoy greater comparative advantage. Consequently, production, income and employment in these countries increase leading to increase in demand. This increase demand is partially met by domestic production and partially by foreign imports. In this way, exports and imports of various products help in breaking the vicious circle of poverty.

9. Efficient Use of Means of Production:
International trade, it is felt, provides better ground for efficient use of various resources due to its comparative advantages. According to Prof. J.S. Mill it adds to the efficiency of production. In underdeveloped economies, agriculture is backward and subsistence farming is the rule. This, in turn helps to increase, the efficiency of means of production. The commercialization of agriculture becomes possible. Similarly, many new industries come into being and some of them are meant for the production of export goods only. Therefore, efficient use of means of production leads to all-round development of the economy.

10. Import of Capital Goods & Export of Primary Goods:
Another direct advantage of foreign trade for the economic development of underdeveloped countries is that these countries can industrialize themselves by importing necessary capital goods like machinery, semi-finished products and industrial raw materials from industrialized developed countries. In return, these countries can export primary goods and mineral resources and thus solve the problem of balance of payments. In this way, import of capital goods and export of primary goods are possible under foreign trade.

CONCLUSION:
Without international trade, nations would be limited to the goods and services produced within their own borders. International trade is, in principle, not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The products that are labor intensive like clothing, footwear, textiles etc are exported by the developing countries to both developed and underdeveloped countries. Such exports earn heavy tax revenue in countries like Mexico, India, China and many more. The role of foreign trade can be judged-Foreign exchange earnings, Agricultural development, Interdependence etc. International trade enables a country to enjoy the advantages of international specialization according to comparative costs. Every country specializes and exports those commodities which it can produce cheaper in exchange for what others can provide at a lower cost. The main difference is that international trade is typically more costly than domestic trade. There is no denying that international trade is beneficial for the countries involved in trade, if practiced properly. International trade opens up the opportunities of global market to the entrepreneurs of the developing nations. International trade also makes the latest technology readily available to the businesses operating in these countries. It results in increased competition both in the domestic and global fronts. To compete with their global counterparts, the domestic entrepreneurs try to be more efficient and this in turn ensures efficient utilization of available resources. Open trade policies also bring in a host of related opportunities for the countries that are involved in international trade.
REFERENCES:


ABSTRACT
Onion is one of the important nutritive vegetables having many end uses. Onion belongs family liliaceae. Its botanical name is ‘Allium cepa’. It is cultivated herb and grown in temperature regions having cool and moist climates.

Basavan Bagewadi taluka of Bijapur district area is famous for growing the onions. Telagi onions are famous onions all over Karnataka. In every newspaper, name of the Telagi onions is appearing in Market Section. Telagi is a key village in Basavan Bagewadi taluka in which onions are growing and it is also a collecting center of onions from different villages. Even though the onion cultivation is popular among the villagers of Basavana Bagewadi taluka, the returns to the cultivators are not high on account of various reasons. Since no systematic study was conducted in the study area in connection with production and marketing costs, problems and prospects of onions, the present study is undertaken.

The study is based on intensive inquiry of 45 growers from six villages of Basavana Bagewadi taluka. A schedule was prepared to get the information of production and marketing of onions towards different size holdings.

The main objective of the study is to trace out the problems and prospects in the production and marketing of onions and suggest the suitable measures to solve the problem of production and marketing and to increase the profitability.

For the purpose of convenience, the study is divided into two parts. First part explains the discussion towards costs and returns per acre of onions at local market on different size holdings; and second part depicts prospects to onion growers and suggestive measures to overcome production and marketing problems.
Since no systematic study was conducted in the study area in connection with production and marketing costs, problems and prospects of onions, the present study is undertaken.

OBJECTIVES

The following are the main objectives of the study.

• To ascertain the cost of production of onions.
• To find out the net returns to the cultivators by selling through different agencies.
• To trace out the problems and prospects in the production and marketing of onion.
• To suggest the suitable measures to solve the problems of production and marketing and to increase the profitability.

METHODOLOGY

Six villages in Basavan Bagewadi taluka, namely, Muttagi, Golasangi, Telagi, Kolhar, Masuti and Malaghan were selected for the intensive study. Cultivators or growers of onions were classified into three size groups viz small (0 to 2 Acres), medium (2 to 5 Acres) and big (5 acres and above). 15 growers from each size group were selected randomly. Hence, the study is based on intensive inquiry of 45 growers from six villages of Basavana Bagewadi taluka. A schedule was prepared to get the information of production and marketing of onions towards different size holdings. The first part was designed to get the information about the cultivation and cropping pattern and the second part was designed to collect the information about harvesting, storage, marketing etc. The survey method of direct interview with the growers was adopted to collect the information. Regarding marketing of onions, primary market like Golasangi and Telagi and secondary market like Bijapur and Hubli were selected. Commission Agents, Wholesalers, Retailers and Growers were consulted to study the pricing methods of onions.

DISCUSSION AND RESULTS:

1. Area, Yield and Harvesting

Harvesting of onions in the study area is same among all the growers. Harvesting of green onions usually starts in the month of February and March. As green onions are not stored, they are generally uprooted in the afternoon and are carried to local market early next day. Usually, small growers, who are in need of money urgently, are disposing the green onions. Similarly, mature onions are harvesting in the month of May. Usually big growers, medium growers and some small growers, who are not in need of money urgently, are disposing the mature onions.

The area and yield of onions in different villages in Basavan Bagewadi taluka during the 2015-16 are given in Table-1
TABLE-1
Average Area and Yield of Onions During the Year 2015-2016

<table>
<thead>
<tr>
<th>Village</th>
<th>Size Group</th>
<th>Growing Area in Acres</th>
<th>Yield in Quintals</th>
<th>Yield in Quintals Per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muttagi</td>
<td>Small</td>
<td>25</td>
<td>2,500</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>50</td>
<td>4,500</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Big</td>
<td>100</td>
<td>8,000</td>
<td>80</td>
</tr>
<tr>
<td>Golasangi</td>
<td>Small</td>
<td>120</td>
<td>12,000</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>150</td>
<td>12,000</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Big</td>
<td>200</td>
<td>15,000</td>
<td>75</td>
</tr>
<tr>
<td>Telagi</td>
<td>Small</td>
<td>70</td>
<td>5,600</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>80</td>
<td>6,000</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Big</td>
<td>250</td>
<td>17,500</td>
<td>70</td>
</tr>
<tr>
<td>Kolhar</td>
<td>Small</td>
<td>10</td>
<td>980</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>75</td>
<td>6,750</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Big</td>
<td>190</td>
<td>13,300</td>
<td>70</td>
</tr>
<tr>
<td>Masuti</td>
<td>Small</td>
<td>200</td>
<td>1,900</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>250</td>
<td>22,500</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Big</td>
<td>150</td>
<td>12,000</td>
<td>80</td>
</tr>
<tr>
<td>Malaghan</td>
<td>Small</td>
<td>300</td>
<td>24,000</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>80</td>
<td>6,000</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Big</td>
<td>150</td>
<td>10,500</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,450</td>
<td>1,98,130</td>
<td></td>
</tr>
</tbody>
</table>

Source: Personal interview with the cultivators.

Table-1 indicates that the yield of onions per acre is usually high among the small size holdings than medium and the big size holding as the much care is taken in the limited area. But the yield of onions per acre is low among the big size holding as compared to medium and small size holding. It ranges from 70 quintals per acre among the big size holdings to 100 quintals per acre among small size holdings. But the average yield of onions per acre among the small holdings, medium holdings and big holdings is 92 quintals, 82 quintals and 74 quintals respectively. It is depicted in the following Graph-1.
2. Costs and Returns Per Acre of Onions at Local Market on Different Size Holdings

There are two types of costs of onions in the study area. One is the production cost and another is the storage cost. Production cost includes ploughing, harrowing, ridges and furrows, bed preparation, transplanting, weeding, pesticides, watering labour, electricity, fertilizers, pruning, harvesting etc. Storage is another cost in the study area as the most of the cultivators can not carry the onions to the market as soon as it is harvested. Storage performs an important function in marketing as it tends to stabilize prices by carrying over produce from period of high production to the period of low production. Most of the cultivators are preparing the storage in the traditional system. Traditional storage of onions in the study area is called "Ilar" or "balat" i.e., temporary shed. Only two or three cultivators are preparing the commercial storage (i.e., Post Harvest Onion Complex) which is more costly and can not be possible for all the cultivators. Traditional storage(i.e., Balat or Ilar) cost includes cost on G.I. sheets, stone pillars, bamboo, wooden pillars, wire, labour cost etc.

The details of production cost, traditional storage cost and returns of onions per acre at local market on different size holdings are depicted in following Table-2.
TABLE – 2
Cost and Returns of Local Onions Per Acre (Amount in Rupees)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Different Size Holdings</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
<td>Medium</td>
</tr>
<tr>
<td>I.A) Production Costs :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron Ploughing</td>
<td>1,500</td>
<td>1,400</td>
</tr>
<tr>
<td>Wooden Ploughing</td>
<td>400</td>
<td>300</td>
</tr>
<tr>
<td>Breaking clods</td>
<td>400</td>
<td>300</td>
</tr>
<tr>
<td>Horrowing</td>
<td>400</td>
<td>350</td>
</tr>
<tr>
<td>Ridges and furrows</td>
<td>400</td>
<td>350</td>
</tr>
<tr>
<td>Bed preparations</td>
<td>500</td>
<td>450</td>
</tr>
<tr>
<td>Seedling propagation</td>
<td>3,000</td>
<td>2,500</td>
</tr>
<tr>
<td>Transplanting</td>
<td>2,500</td>
<td>2,250</td>
</tr>
<tr>
<td>Weeding</td>
<td>2,000</td>
<td>1,800</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Pesticides</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Electricity</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Watering labour</td>
<td>18,000</td>
<td>16,800</td>
</tr>
<tr>
<td>Harvesting</td>
<td>2500</td>
<td>2400</td>
</tr>
<tr>
<td>Carriage from main Field to Storage</td>
<td>2500</td>
<td>2300</td>
</tr>
<tr>
<td>Other charges i.e., interest on the working</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>capital(6,000), remuneration to the cultivators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rent of the land(10,000) etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost of Production</td>
<td>63,900</td>
<td>61,000</td>
</tr>
<tr>
<td>B) Storage Costs :</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron Sheets(7x,500)</td>
<td>3,500</td>
<td>3,500</td>
</tr>
<tr>
<td>Stone Pillars(8x500)</td>
<td>4,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Wooden Pillars</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>Sands</td>
<td>2,000</td>
<td>1,800</td>
</tr>
<tr>
<td>Bamboos</td>
<td>300</td>
<td>280</td>
</tr>
<tr>
<td>Wire</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Rope</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Labours</td>
<td>400</td>
<td>350</td>
</tr>
<tr>
<td>Other Charges</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Total Cost of Storage</td>
<td>12,300</td>
<td>10,830</td>
</tr>
<tr>
<td>1/3 of this Total*</td>
<td>4,100</td>
<td>3,610</td>
</tr>
<tr>
<td>Total Cost (A+B) of production and storage</td>
<td>68,000</td>
<td>64,610</td>
</tr>
<tr>
<td>II.A) Average Yield(qt)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Less**: Loss in weight due to spoilage or passage of time (25%)

<table>
<thead>
<tr>
<th></th>
<th>92</th>
<th>83</th>
<th>74</th>
<th>83</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>21</td>
<td>19</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

**Net Average Yield**

_B) Average Rates (Per qt)**

<table>
<thead>
<tr>
<th></th>
<th>69</th>
<th>62</th>
<th>55</th>
<th>62</th>
</tr>
</thead>
<tbody>
<tr>
<td>894</td>
<td>894</td>
<td>894</td>
<td>894</td>
<td></td>
</tr>
</tbody>
</table>

_Less*: Loss of interest for 3 Months at 10% p.a.

<table>
<thead>
<tr>
<th></th>
<th>22</th>
<th>22</th>
<th>22</th>
<th>22</th>
</tr>
</thead>
<tbody>
<tr>
<td>872</td>
<td>872</td>
<td>872</td>
<td>872</td>
<td></td>
</tr>
</tbody>
</table>

**III Total Returns (II.A X II.B)**

<table>
<thead>
<tr>
<th></th>
<th>60,168</th>
<th>54,064</th>
<th>47,960</th>
<th>54,064</th>
</tr>
</thead>
</table>

**IV. Net Return (III-I)**

<table>
<thead>
<tr>
<th></th>
<th>27,168</th>
<th>23,454</th>
<th>19,354</th>
<th>23,328</th>
</tr>
</thead>
</table>

**V. Input-Output Ratio (I:III)**

<table>
<thead>
<tr>
<th></th>
<th>1:0.88</th>
<th>1:0.84</th>
<th>1:0.76</th>
<th>1:0.84</th>
</tr>
</thead>
</table>

* Once the storage is prepared, it will be in operation for three years with minor repairs; hence, 1/3 of total storage cost is taken into consideration for calculation purpose.

** Average rates per quintal are calculated with the help of 3 months average local rates as below.

April 2016: Rs.600, Rs.700, Rs.550, Rs.600, Rs.800, Rs.900, =4,150
May 2016: Rs.710, Rs.750, Rs.800, Rs.780, Rs.850, Rs.900 =4,790
June 2016: Rs.1,100, Rs.1,200, Rs.1,150, Rs.1,200, Rs.1,300, Rs.1,200 =7,150

Total Rs = 16,090

Average rate = Rs.16,090/18 = Rs.894

---

**Graph - II**

_Historical Fluctuations in the Prices of Onions in the Hubli Market (April - June 2016)***

![Graph](image)
It is clear from the above table that total cost of production is higher on small farms followed by medium and big farms. Similarly total returns and net returns are higher on small farms followed by medium and big farms. Per acre average input-output ratio is 1 : 0.84 which is higher on small farms 1 : 0.88 followed by medium farms 1:0.84 and big farms 1:0.76

Per acre average input-output ratio depicts that return (Output) is less than investment (Input). It means the cultivator cannot get at least equal return to his efforts. Thereby he comes under loss which is not tolerable. Similarly, he cannot maintain his life and cannot repay the debts due to the money lenders and bankers. If the same input-output ratio is continued in the subsequent years or years to come, the cultivator’s debts becomes more and more and it becomes more burden on him. But he cannot escape from this burden, some times he will surrender for suicide.

3. Existing marketing pattern or system

Onions marketing practices are somewhat different from the marketing practices adopted for the sale of other perishables. The growers of the area make use of the various methods for the disposal of their produces. Sale of onions through different methods or agencies would involve varying costs on the part of the producers and bring varying returns to them. It is therefore necessary to study the marketing cost and returns for sale through different system or channels in order to discover the more economical method of sale. The Table-3 shows the marketing costs and net returns per quintal to the growers of onions by selling through various channels or methods.

![Table 3](image)
It is clear from Table-3 that the onion growers realized a net returns of Rs.779 from fifth method of sale at 'b' place followed by fifth method of sale at ‘a’ place Rs 774, fourth method of sale Rs 496, third method of sale Rs.463, second method of sale Rs.463 and first method of sale Rs.310. Inspite of greater returns from the terminal markets i.e., fifth and fourth method of sale, second method i.e., sale on farm (after storage) is economical and safer method of sale. Because terminal markets require marketing knowledge, quick transportation, risk bearing etc. But the growers of the onions do not have knowledge of marketing, proper communications, quick transportation and can not bear the risk of the business.

**Production and marketing problems of onion growers**

Onion is very important crop in the study area. It makes up and downs in the life of the cultivators. Many times its cultivation and marketing suffer from number of problems. Following are the major problems of production and marketing faced by the onion growers in the study area.

1) Majority of the respondent reported about non-availability of the electric power especially during the critical period of irrigation.
2) Lack of water source in the study area. Onion growers are purely depending upon the open-well or bore well for irrigation. But the water source would suddenly decline or stop during the critical position of the crop.
3) Lack of watering labour for the night work. Usually electric power will be supplied in the night especially in the month of February and March. During that period watering labourers are not ready to work in the night hours.
4) Supply of inferior quality of onions seeds, fertilizers and pesticides to the onions growers, leads to decline in production.
5) Natural calamities such as cyclone, disease etc. will also influence on the growth of onions crop. Sometimes they will severally affect the onion crop wholly or partially.
6) Lack of finance with cheaper rate of interest especially at the time of transplanting and weeding.
7) Non-availability of quick, convenient, desirable and cheaper rate of transportation facilities.
8) Lack of knowledge and contacts of the terminal markets.
9) Delayed returns from the terminal markets.
10) Greater marketing risks. When the onions are transported individually to the terminal market, some times rates may suddenly fall, at that time Grower cannot take back the onions from the terminal market or cannot keep the onions in the terminal market for a longer period. Invertibly he will sell the onions at very cheaper rate. Some times the rate cannot meet the transportation cost also.
11) Non-availability of cold storage to keep the onions in a good condition for the longer period to get the better price.
12) Non-availability of onion growers marketing co-operative societies in the study area to avoid the risk and reduce the marketing cost.
13) Non-availability of processing (dehydration) facility of the onions.

**Prospects to onion Growers and Suggestive Measures to overcome Production and Marketing Problems**

Keeping in view the difficulties encountered by the onion growers in the production and marketing activities, the following suggestions have been made for the better prospects of the onion growers.

1) Water supply should be made by the Government to the onion growers through the canals to overcome the difficulties of open-well and bore-well. Recently, the canals work has been started by the
Government to supply the water through the canals by the Krishna Project. In the years to come, the growers of the onion can accept better prospects towards water source through the canals.

2) Government should supply electric power regularly to the onions growers especially in the month of February and March. But this may not be possible due to acute shortage of electricity to the Government. Hence, the growers should make an alternative arrangement i.e., Solar Power should be made available to the borewell machines to supply the water to the onions.

3) Government should provide good quality onion seeds, fertilizers and feticides in the concessional rate to the onion growers through the Co-operative Societies.

4) Bankers should sanction crop loan to the onion growers to meet the expenses of onion crop.

5) Onion Growers Marketing Co-Operative Societies should be organized to contact the terminal markets. Such societies should arrange to collect the onions at the common assembly points, transport them to the terminal markets and deal directly with the wholesalers and retailers. This will help to reduce the marketing risk, eliminate unnecessary middlemen and help to secure higher returns to the onion growers.

6) Government should provide cold storage to the onion growers at the center point of the study area to store the onion for the longer period to secure better prices. It is noted that State Government has decided to construct cold storage at Golasangi, which is the main business center of the onion, to protect the interest of the onion growers. In the future days, the onion growers may take advantage of cold storage.

7) Day to day market price of onion should widely be delivered through communication medias like newspapers, radio, televisions etc.

8) Government should encourage for the export of onions to the foreign countries, otherwise it should purchase the onions at the reasonable rate to avoid the suicide of the growers when onion rate cannot meet even production cost.

9) Onion growers are advised to follow Sale on Farm (i.e., where the product is stored) Method’ (which is evaluated in the foregoing pages) for the sale of onions as it is most safer and economical method.

10) Dehydration plant is to be established by the Government or Private Agencies in the center place of the study area. This will assure protection to the onion growers who suffer much from the fluctuating onion prices and also assure availability of onions throughout the year to its consumers.

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SOCIO-ECONOMIC EMPOWERMENT OF WOMEN THROUGH SELF HELP GROUPS: A CASE STUDY

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Associate professor and Head of the Dept of Economics. M.E.S. College of Commerce,, Sirsi

Abstract

Poverty in India is widespread with the nation estimated to have one third of world's poor. In terms of financial exclusion, India's world rank is 4th with 135 million people. In 1992 NABARD launched a scheme to organize poor people into a group of 10-20 persons and linking that group with the banks. Under this scheme poor preferably the women are organized in SHGs with the help of Banks, NGOs, Panchayat members. They were made eligible for concessional refinance by NABARD. SHGs are believed to be the vehicle for women empowerment and poverty alleviation.

The women self help groups play an important role in the entrepreneurship development in the rural areas. This paper makes an attempt to explore the various aspects and impacts of Self Help Groups on socio-economic empowerment of women.

The study was undertaken in the North Kanara District of Karnataka with the objective of analysing the role of SHGs in women empowerment with the help of primary and secondary data. The socio-personal characteristics of women SHG members to understand the entrepreneurial and other activities taken up by women SHGs have been analysed. The impact of entrepreneurial activities on family living of SHG members and their business education have also been considered for analysis.

The analysis deals with level of income after joining the group which clearly depicts that increase in the level of income was reported by 95.00 per cent of the respondents after joining SHGs and only 5.00 per cent of the respondents indicated that there was no change in their income level even after joining SHGs i.e., it remained the same. Regarding social empowerment, communication skills and assertiveness before tended to be 39.3 per cent each which increased to 84.1 per cent and 77.3 per cent respectively after joining the SHGs. Majority (91.7%) of the respondents reported that it is the leader who deals with record writing.

With the present analysis, the hypothesis derived in the study i.e. Self help groups have substantially increased the business activities and income of the SHG members. has been proved and accepted.

Key words: Women Empowerment, Self Help Groups, Impact, Entrepreneurship Development, Business Education.

I. Introduction:

Poverty in India is widespread with the nation estimated to have one third of world's poor. In terms of financial exclusion, India's world rank is 4th with 135 million people. In 1992 NABARD launched a scheme to organize poor people into a group of 10-20 persons and linking that group with the banks. Under this scheme, poor preferably the women are organized in SHGs with the help of Banks, NGOs, Panchayat members were made eligible for concessional refinance by NABARD. SHGs are believed to be the vehicle for women empowerment and poverty alleviation.
The women self help groups play an important role in the entrepreneurship development in the rural areas. This paper makes an attempt to explore the various aspects and impacts of Self Help Groups on socio-economic empowerment of women.

Women development in recent years emphasised on providing equal opportunities to women by removing gender bias, empowering women and creating self-reliance among them. In the recent years, empowerment of women has been recognized as a central issue in determining the status of women. The participation of women in SHGs has made a significant impact on their empowerment both in social and economic aspects. Empowerment of women is essential for development of full potential of our total human resources.

The development of the women entrepreneurial skills gained its importance in India after the declaration of the International decade for women by the United Nations Organization, i.e. from 1975 to 1985. During the past few years in several parts of the country, the rural poor especially women are being organized into self-help groups (SHGs) in large numbers. According to a report by National Bank for Agriculture and Rural Development (NABARD), the number of active SHGs in India had touched a figure of 87.96 lakhs by 2014 with an average group size of 12-15 members, a population of around 15 million comprising mainly of women in this informal organized sector.

II. Significance of Self Help Groups:

The SHGs generally have members not exceeding 20 and each group selects among its members a leader called animator. The animator conducts meetings regularly every week.

In recent years, self help groups are emerging as alternative credit source to the poor. In self help groups, collective actions and solidarity is an important empowering mechanism. The empowerment of women through SHGs would lead to benefits not only to the individual women and women groups but also for the family and community as a whole through collective action for development.

Roul (1996) stated that an SHG is a group where members come together with certain objectives to manage their own funds and business affairs by themselves to achieve better control over their resources and to meet their credit needs.

Self help groups also play a very vital and crucial role towards empowering women in almost all the fields. In recent years, the group approach to various poverty alleviation programmes is getting recognition in India. Mostly, women are mobilized into groups for undertaking mutually beneficial social and economic activities. This approach aims at inculcating the habits of saving even in small amounts supplemented by borrowing from outside sources and rotation of saved and borrowed funds by lending within the groups.

III. Review of Literature:

Thakral, Shefali Verma et al (2010), had opined that microfinance is emerging as powerful instrument for poverty alleviation in the new economy and is being dominated by the SHG-Bank Linkage programme in India and a cost-effective mechanism for providing financial services to the ‘unreached poor’ which has been successful not only in meeting financial needs of the rural women but also strengthen collective self help capacities of the poor, leading to the empowerment. It has now turned into an empowerment movement among women across the country. The paper has emphasised on the impact of micro finance on poverty alleviation and socio-economic empowerment of women.
Sudipta; Sarkar, Debnarayan (2011), In his study, suggested that if women participating in the microcredit programme through SHGs sustain for longer period (8 years or more) then such programme might contribute to a higher level of women empowerment. Women's earnings from saving and credit was found to have positive and significant effect on nutritional status of the children of women members of SHGs and on the protein intake for the households.

Sabhlok, Smita G. (2011), had examined the significance of trust in women's collective efforts for development through SHGs. It explores the manner and forms in which trust manifests itself during periods of formation, activity and defunct stages of SHGs. For building social capital, development intervention for community is a must.

Swain, Wallentin et al (2012), evaluated the impact of economic and non-economic factors on women's empowerment of SHG member with the help of structural equality model (SEM). The results revealed that for the SHG members, the economic factor is the most effective in empowering women. Greater autonomy and social attitudes also have a significant impact on women empowerment.

L.Sriniwasan(2012), has observed that poor need money more than sympathy or empathy. Only financial help can empower the unprivileged section of the society. Families living below poverty line need multiple doses of credit to come above the poverty line. The significant savings of the poor become a source of credit for them.

V. Batra (2012), in his study covered 90 SHGs over the 3 sample districts in Haryana and identified the problems concerning management and governance of SHGs like irregularity in meetings, low level of skills and knowledge, absence of larger goals and lack of training. There are problems on part of banks for being unable to understand and accommodate the needs of SHGs in Haryana. To empower women and to reduce vulnerability literacy is very important.

Dr. Sahab Singh, Dr. Gaurav Thakur, Dr. P C Gupta (2013), have assessed that Micro enterprise is an effective instrument of social and economic development and a perfect solution to the growing unemployment among rural youth. It helps to generate employment for a number of people within their own social system and is best tool for rural women as it enables them to add to the family income while takes care of their own home and domestic animals centered task. Through micro-entrepreneurship women feel emancipated in so many things such as socio-economic activity, property rights, political participation, social equality, personal rights, market development, and societal development and at last development of the nation.

Dr. H Ramakrishna, Khaja Mohinuddeen J(2013), elaborates the importance and performance of SHGs in women empowerment. Major findings of the study are that SHG members have been empowered through microfinance activities and they have engaged themselves in self employment activities like papad and pickles making, dairy activities, agricultural activities etc. which has enhanced the quality and standard of their life. Microfinance can be synergetic if exercise through SHGs and may result in eradication of poverty and family problems.
IV. Need for Empowerment of Women.

By empowerment, women would be able to develop self-esteem, confidence, realize their potential and enhance their collective bargaining power. Women’s empowerment can be viewed as a continuum of several inter-related and mutually reinforcing components.

Women empowerment is needed for capacity building and skill development, especially the ability to plan, make decisions, organize, manage and carry out activities, to deal with people and institutions in the world around them. Participation and decision making power in the house, community and society can be possible with women empowerment.

Thus, empowerment is a process of awareness and capacity building, leading to greater participation, greater decision-making power and control the transformative action. The empowerment of women covers both individual and collective transformation. It strengthens their innate ability through acquiring knowledge, power and experience.

V. Objectives of the Study:

The present study has been designed to know the impact of self help groups on women empowerment with the following specific objectives:

1. To study the socio-personal characteristics of women of SHG members.
2. To understand the entrepreneurial and other activities taken up by women of SHGs.
3. To know the impact of entrepreneurial activities on income and family living of SHG members.
4. To find out the opinion of SHG members towards functioning and development of SHGs.
5. To identify the problems faced by members of self help groups in achieving the objectives of the group.
6. To suggest policy recommendations in the light of the findings of the study.

VI. Hypothesis:

The study intends to explore the following hypothesis

1. Self help groups have substantially increased the business activities and income of the SHG members, through business education.

VII. Data Source and Methodology:

This is a case study and based on primary and secondary data. The primary data was collected from 120 respondents by preparing suitable questionnaire. The secondary data has been collected from published books, reports and journals. Before and after approach has been used to study the impact of SHGs on the respondents engaged in different activities. The respondents were selected from 3 taluks of Karwar district by way of random sampling method i.e, 40 respondents from Honnavar taluk,40 respondents from Yellapur taluk and another 40 respondents from Halliyal taluk have been selected. Two reference periods have been taken to collect primary data. 2011-12 is the period before joining SHGs and 2014-15 is the period after joining SHGs.
The study was processed and analysed by using suitable statistical techniques like frequency, percentage, mean and indices etc. The paired t test has been applied for testing of hypothesis.

VII. Result Analysis

- **Progress of Women SHGs in India.**
  The progress of the women SHGs during the year 2013-14 has been presented in table 1 below.

- **Table 1: Progress of Women SHGs in 2003-14**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Total SHGs (lakh)</th>
<th>Women SHGs (lakh)</th>
<th>%age of Women SHGs to Total SHGs</th>
<th>Total Amount (crore)</th>
<th>Women SHGs Amount (crore)</th>
<th>% age of Women SHGs Amount to Total SHGs Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving linked SHGs</td>
<td>74.30</td>
<td>62.52</td>
<td>84.15</td>
<td>9897.42</td>
<td>8012.89</td>
<td>80.96</td>
</tr>
<tr>
<td>Credit Linked SHGs</td>
<td>13.66</td>
<td>11.52</td>
<td>84.33</td>
<td>24017.36</td>
<td>21037.97</td>
<td>87.59</td>
</tr>
<tr>
<td>Loan Outstanding</td>
<td>41.97</td>
<td>34.06</td>
<td>81.15</td>
<td>42927.52</td>
<td>36151.58</td>
<td>84.22</td>
</tr>
</tbody>
</table>

Source: Status of Micro Finance in India 2013-14, NABARD

Table 1 indicates the details of total number of women SHGs showing saving linked SHGs, credit linked SHGs and loans outstanding for the year 2013-14. It is clear that the total number of saving linked and credit linked exclusive women SHGs with banks were 84.15 percent and 84.33 percent, respectively. Further the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs was 81.15 percent as on 31st March 2014. It shows that a majority of women SHGs increased their participation in saving and credit is increasing out of total number of SHGs.

Table 2 states that highest number of SHGs financed through banks are located in southern region followed by eastern region. Total number of SHGs financed by bankers in northern region (including north eastern region) are 0.4 lakh in comparison to 8.75 lakhs of SHGs in southern region.

According to Table no3, 120 respondents were selected from the three taluks of karwar district i.e. 40 respondents each from Honnavar Yellapur and Halliyal taluks have been selected.
Table 2: No. of SHGs financed by banks during the years from 2009-10 to 2013-14 (No. Lakh).

<table>
<thead>
<tr>
<th>Region</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>0.37</td>
<td>0.42</td>
<td>0.31</td>
<td>0.31</td>
<td>0.24</td>
</tr>
<tr>
<td>North Eastern</td>
<td>0.49</td>
<td>0.39</td>
<td>0.51</td>
<td>0.25</td>
<td>0.16</td>
</tr>
<tr>
<td>Eastern</td>
<td>2.77</td>
<td>2.48</td>
<td>2.01</td>
<td>1.83</td>
<td>2.97</td>
</tr>
<tr>
<td>Central</td>
<td>0.78</td>
<td>0.49</td>
<td>0.58</td>
<td>0.64</td>
<td>0.66</td>
</tr>
<tr>
<td>Western</td>
<td>1.49</td>
<td>0.92</td>
<td>1.01</td>
<td>0.7</td>
<td>0.88</td>
</tr>
<tr>
<td>Southern</td>
<td>9.96</td>
<td>7.26</td>
<td>7.05</td>
<td>8.46</td>
<td>8.75</td>
</tr>
<tr>
<td>Total</td>
<td>15.86</td>
<td>11.96</td>
<td>11.47</td>
<td>12.19</td>
<td>13.66</td>
</tr>
</tbody>
</table>

Source: Status of Micro Finance in India 2013-14, NABARD

Table 3: Taluka-wise selection of the respondents.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>District</th>
<th>Taluk</th>
<th>Respondents selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Honnavar</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Yellapur</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Halliyal</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data collected from field survey.

It is clear from the Table no-4 that a majority of the respondents are illiterates, married and belonging to medium income group. Their extension contact and participation is very low.

Table 4.
Socio-economic profile of the respondents (N = 120)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Category</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>1</td>
<td>Age</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Young (from 18-35 years)</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>b. Middle (more than 35 – 50 years)</td>
<td>58</td>
</tr>
</tbody>
</table>
### 2. Marital status
- a. Married: 105, 87.5%
- b. Unmarried: 4, 3.3%
- c. Widow: 11, 9.2%

### 3. Educational status
- a. Illiterates: 53, 44.2%
- b. Primary school: 16, 13.3%
- c. Middle school: 16, 13.3%
- d. High school: 28, 23.3%
- e. College: 7, 5.8%

### 4. Family type
- a. Joint: 51, 42.5%
- b. Nuclear: 69, 57.5%

### 5. Family Income
- a. Low: 23, 19.2%
- b. Medium: 87, 72.5%
- c. High: 10, 8.3%

### 6. Respondents income
- a. Low: 27, 22.5%
- b. Medium: 81, 67.5%
- c. High: 12, 10.0%

### 7. Extension Participation
- a. Low: 47, 39.2%
- b. Medium: 29, 24.2%
- c. High: 44, 36.7%

### 8. Extension Contact
- a. Low: 40, 33.3%
- b. Medium: 54, 45.0%
- c. High: 26, 21.7%

Source: Primary data collected from field survey.
Table 5.
Entrepreneurial activities performed by SHG respondents. (N = 120)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Entrepreneurial activities</th>
<th>Respondents</th>
<th>Regularly</th>
<th>Occasional</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Frequency</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Vermicilli making</td>
<td></td>
<td>48</td>
<td>40.0</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>69</td>
</tr>
<tr>
<td>2.</td>
<td>Rawa making</td>
<td></td>
<td>25</td>
<td>20.8</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>93</td>
</tr>
<tr>
<td>3.</td>
<td>Chilli pounding</td>
<td></td>
<td>20</td>
<td>16.7</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>4.</td>
<td>Tailoring</td>
<td></td>
<td>19</td>
<td>15.8</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>5.</td>
<td>Papad making</td>
<td></td>
<td>12</td>
<td>10.0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>107</td>
</tr>
<tr>
<td>6.</td>
<td>Home products</td>
<td></td>
<td>12</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>108</td>
</tr>
<tr>
<td>7.</td>
<td>Roti making</td>
<td></td>
<td>11</td>
<td>9.2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>107</td>
</tr>
<tr>
<td>8.</td>
<td>Oil expelling</td>
<td></td>
<td>7</td>
<td>5.8</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>113</td>
</tr>
<tr>
<td>9.</td>
<td>Grocery shop</td>
<td></td>
<td>5</td>
<td>4.2</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>115</td>
</tr>
<tr>
<td>10.</td>
<td>Dall mill</td>
<td></td>
<td>3</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>117</td>
</tr>
<tr>
<td>11.</td>
<td>Purchase and sale of groceries</td>
<td></td>
<td>3</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>117</td>
</tr>
<tr>
<td>12.</td>
<td>Tailoring classes</td>
<td></td>
<td>3</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>117</td>
</tr>
<tr>
<td>13.</td>
<td>Bakery unit</td>
<td></td>
<td>3</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>117</td>
</tr>
<tr>
<td>14.</td>
<td>Kitchen gardening</td>
<td></td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>118</td>
</tr>
<tr>
<td>15.</td>
<td>Kasuti, painting and embroidery</td>
<td></td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>118</td>
</tr>
<tr>
<td>16.</td>
<td>Bangles selling</td>
<td></td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>118</td>
</tr>
<tr>
<td>17.</td>
<td>Vegetable vending</td>
<td></td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>118</td>
</tr>
<tr>
<td>18.</td>
<td>Selling of ready made garments and sarees</td>
<td></td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>118</td>
</tr>
<tr>
<td>19.</td>
<td>Flour milling</td>
<td></td>
<td>1</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>119</td>
</tr>
<tr>
<td>20.</td>
<td>Goat rearing</td>
<td></td>
<td>1</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>119</td>
</tr>
</tbody>
</table>

Source: Primary data collected from filed survey.

It is clear from the Table no 5 that a majority of the respondents are engaged in vermicelli making (40%) rava making (20.8%) and chilly pounding (16.7%). A very small number of respondents are engaged in flour milling (0.8%) and goat rearing (0.8%).

Table 6.
Utilization of profit earned by SHG respondents (N = 120)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Item</th>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Regular household expenditure</td>
<td>116</td>
<td>96.7</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Education of children</td>
<td>62</td>
<td>51.7</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Health purpose</td>
<td>29</td>
<td>24.2</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Celebrating festivals</td>
<td>27</td>
<td>22.5</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Consumption of nutritious foods</td>
<td>23</td>
<td>19.2</td>
<td></td>
</tr>
</tbody>
</table>
Regarding profit utilization by SHG members, it can be seen from Table 6 that majority (96.7%) of the respondents utilized money for their regular household expenditure followed by 51.7 per cent of respondents on education of their children, 24.2 per cent on health purpose, 22.5 per cent for celebrating festivals, 19.2 per cent on consumption of nutritious foods and 16.6 per cent of the respondents indicated that they used their profit earned for their children’s marriages. And lastly, only 5.8 per cent and 5.0 per cent of the respondents reported that their profit was utilized on renovation of the house and giving it to their husbands.

**Table 7. Level of income of the respondents after joining SHGs. (N = 120)**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Respondent</th>
<th>Level of income</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Increased</td>
<td>Level of income</td>
<td>114</td>
<td>95.0</td>
</tr>
<tr>
<td>2.</td>
<td>Remained same</td>
<td>Level of income</td>
<td>6</td>
<td>5.0</td>
</tr>
<tr>
<td>3.</td>
<td>Decreased</td>
<td>Level of income</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary data collected from filed survey.

The information in the Table 7 and diagram no-1 deals with level of income after joining the group which clearly depicts that increase in the level of income was reported by 95.00 per cent of the respondents after joining SHG and only 5.00 per cent of the respondents indicated that there was no change in their income level.
even after joining SHG i.e., it remained the same. None of the respondents reported that their income level decreased after joining SHG.

The Table 8 shows that, majority (91.7%) of the respondents reported that it was the leader who deals with record writing and only 8.3 per cent of the respondents reported that they have appointed an outsider for record writing. With respect to handling the money, 52.5 per cent of the respondents indicated depositing money in the bank was carried out by both leaders and members.

Table 8. Account keeping by the SHGs (N = 120)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Responsible person</th>
<th>Record writing</th>
<th>Handling money</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>1.</td>
<td>Leader</td>
<td>110</td>
<td>91.7</td>
</tr>
<tr>
<td>2.</td>
<td>Member</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Both</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.</td>
<td>Outsiders</td>
<td>10</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Source: Primary data collected from filed survey.

Table 9: Overall index of impact of the project in empowering SHG members (N = 120)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Index</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Confidence building</td>
<td>39.46</td>
<td>84.93</td>
</tr>
<tr>
<td>2.</td>
<td>Self esteem</td>
<td>38.20</td>
<td>80.65</td>
</tr>
<tr>
<td>3.</td>
<td>Decision making pattern</td>
<td>37.40</td>
<td>70.90</td>
</tr>
<tr>
<td>4.</td>
<td>Capacity building</td>
<td>38.90</td>
<td>79.50</td>
</tr>
<tr>
<td>5.</td>
<td>Psychological aspects</td>
<td>38.30</td>
<td>84.40</td>
</tr>
<tr>
<td>6.</td>
<td>Social empowerment</td>
<td>39.2</td>
<td>81.15</td>
</tr>
<tr>
<td></td>
<td>OVERALL INDEX</td>
<td>37.83</td>
<td>79.26</td>
</tr>
</tbody>
</table>

Source: Primary data collected from filed survey.

The table no 9 and the diagram no 2 reveals that the impact index is the highest in confidence building (84.93%), followed by social empowerment (81.15%), and lowest in decision making pattern which accounted to 70.90 percent. The overall index before was found to be 37.83 per cent and after implementation of the project, it has been increased to 79.26 per cent.

Diagram No-2: Overall index of impact of the project in empowering SHGs members.
It is clear from the present analysis that a majority of the respondents have been benefited after getting the membership of SHGs. Their socio-economic status has been improved considerably. Based on the paired t test value and the present analysis, the hypothesis derived in the study i.e. "Self help groups have substantially increased the business activities and income of the SHG members through business education", has been proved and accepted.

VIII. Findings:

• A majority of women SHGs increased their participation in saving and credit out of total number of SHGs.

• Highest number of SHGs financed through banks are located in southern region followed by eastern region. Total number of SHGs financed by bankers in northern region (including north eastern region) are 0.4 lakh in comparison to 8.75 lakhs of SHGs in southern region.

• The socio-economic profile of the SHG members revealed that 51.7 per cent were young aged while 48.3 per cent were middle aged.

• Most of the respondents were illiterates (44.2%), married (87.5%) and belonged to nuclear families (57.5%).

• Majority (72.5%) of the respondents had medium level of family income followed by low level income (19.2%). The results are similar with respondents income where majority (67.5%) of the SHG members belonged to medium level of income followed by low level income (22.5%).
Majority of the respondents were involved in entrepreneurial activities like vermicelli making (40.0%), rava making (20.8%) and chilli pounding (16.7%) regularly.

Regarding impact of the project on SHG members, the percentage of the respondents in case of all the indicators were low before has been increased to more than double after joining the SHGs. Overall index of impact before was 37.83 per cent which increased to 79.26 per cent after joining the project.

Majority (97.5%) of the respondents expressed the overall benefits that SHGs have become a dias for women to express their feelings followed easy availability.

The information deals with level of income after joining the group which clearly depicts that increase in the level of income was reported by 95.00 per cent of the respondents after joining SHG and only 5.00 per cent of the respondents indicated that there was no change in their income level even after joining SHG i.e., it remained the same.

Impact index seems to be highest in confidence building (84.93%), followed by social empowerment (81.15%), and lowest in decision making pattern which accounted to 71.9 per cent.

Majority (91.7%) of the respondents reported that it is the leader who deals with record writing.

SHG is an important tool for financial inclusion of poorer, weaker, and neglected sections of the community in India.

IX. Suggestions and policy recommendations:

A good number of respondents have been benefited out of SHGs. Therefore the government should increase the financial assistance to SHGs.

Proper steps should be taken to link all SHGs with Banks.

Proper measures should be taken to raise the educational status of the women of SHGs.

There is an urgent need to create awareness for greater participation of women in SHGs. This will empower women by improving their employability and entrepreneurship.

An increase in social recognition of self, status of family in the society, size of social circle and involvement in intra family and entrepreneurial decision making need to be improved.

SHGs should identify new avenues of business activities which are more profitable.

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FINANCIAL INCLUSION AND WOMEN EMPOWERMENT WITH SPECIAL REFERENCE TO SELF HELP GROUPS

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Abstract

In the current development paradigm and globalization, empowerment of the so far neglected target groups (women, poor, deprived etc.) has received an excessive importance. Micro-finance has become one of the most effective interventions for economic empowerment of the poor. Empowerment of rural women is nothing but development of self esteem, confidence, realization of their potential and enhancement of their collective bargaining power. Self-Help Group (SHGs) is a potential source to empower and institutionalize participatory leadership among the marginalized and to identify, plan and initiate development activities.

Providing economic support or loans to the rural women helps them to empower, not only economically but also socially, further this strengthens the whole society in general. Hence, the present study is placed in this context to examine the relationship between Self Help Groups and socio-economic development in general and women in particular and also to suggest suitable measures for the effective improvement of functioning of SHGs in improving the socio-economic conditions of the people. For the said purpose the primary data has been collected from field survey in North Canara district of Karnataka state.

SHGs enhance the equality of status of women as participants by empowering them and also now society is considering women as opinion leaders. The overall objective of the present micro level study is to analyze the economic empowerment of women through SHGs in north Kanara District of Karnataka and to study and demonstrate that SHGs are the best formal micro level finance institutions to generate additional employment and income for needy people by involving them in planning, decision making and management of sustainable natural resource. The study showed that many members as individual & also as group are involved in entrepreneurial work. It was also observed that there is lot of scope for SHGs to take up venture.

The study is to analyze the response of the SHG members towards women empowerment and financial inclusion. The study used tools like tables, charts etc for the analysis and interpretation of data. To conclude Self Help Groups (SHGs) are successful in the empowerment of women through entrepreneurial activities. Self-Help Groups are formed for the women’s socio-economic empowerment. It is essential to analyze the women’s participation in income generating activities by participation through Self-Help Groups.

KEY WORDS: SHGs, Empowerment, Entrepreneurship, Financial inclusion, Income generation.

I. Introduction:

Self-Help Group (SHG) is defined as a voluntary group valuing personal interactions and mutual aid as a means of altering or ameliorating the problems perceived as alterable, pressing and personal by most of its participants. The group-based model of self-help is ideally practiced for empowerment of women. Self-help as a strategy for social development places emphasis on self-reliance, human agency and action. It aims to mobilize people, to give them voice and build people’s organisations that will overcome barriers to participation and empowerment. Self Help Groups serve as a medium of delivering micro credit to the members.
A SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming together to save small amount regularly, which are deposited in a common fund to meet members emergency needs and to provide collateral free loans decided by the group. They have been recognized as useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift. SHGs enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life. The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment. Self-Help Groups are major means of women’s socioeconomic empowerment. SHGs increase savings habits of women, helps women to raise loans, encourage women to start their income generating activities and provide bank linkage so as to gain banking facilities and services. By doing so, they increase economic freedom of women and increase the status of women in their family and society. The SHGs have aimed at creating a common fund by the members through their regular savings, Flexible working system and pool the resources in a democratic way, Periodical meeting and the decision making through group meeting.

II. Women Empowerment
The SHGs helped women by providing independent sources of income outside the home which reduces the dependency on the husband’s income, by increasing the assertiveness of women and providing independent source of income with exposure to new sets of ideas, values and social support.

III. Review of Literature
Since recent past the empowerment of women has been a burning issue and has been discussed and debated by policy makers, sociologists, socio-economic reformists, feminists and philanthropists. As this study is aimed at analysing the empowerment of women through SHGs’ the views of the scholars who have recommended to provide financial services to the poorest of the poor women to achieve economic empowerment and ultimately empowering themselves in all spheres of socio-economic, political and cultural life. Hence in the light of this conceptual view many reviews on “Empowerment of women through SHGs” have been surveyed to examine the impact of Self Help Groups on empowerment of women.

Panda (2009), in his study observed that the participation of women in the self-help group was strongly determined by household income, employment, migration, saving and literacy positions.

Pandey and Rini Roberts (2011), examined the impact of participation in Self Help Groups on the empowerment of women in Chamarajnagar District of Karnataka using personal narrative method. The authors recommended that it is necessary to provide a convergence of inputs, ensuring a proactive involvement of women in the program, changing social norms and perceptions and anchoring with wider movements of social change.

Tripathy and Jain (2011), assessed the distributional implications of the world’s largest ever government operated micro-finance programme and examines the suitability of the Self Help Group (SHG)–micro- enterprise framework towards effective income generation. The statistical analysis indicates that while internal savings and group corpus have a positive and significant effect on the income growth of beneficiaries, bank credit does not have any such impact.
Amita Rani and Pawan Kumar Dhiman (2012), focused on the role of Self-Help Groups (SHG’s) in promoting entrepreneurial culture among the SHG’s members of Jakhal block district Fatehabad Haryana. It had also been found that among surveyed group members after starting SHG activities only 6 percent of the member’s family income increased more than INR 20,000 per annum, 55 percent’s income increased up to INR 20,000 annually, 26 percent’s income increased up to INR 10,000 and 13 percent members income had not improved in the post SHG period and forfeiting the objectives of the government policies.

Sahu Lopamudra and Singh (2012), made a community based qualitatively study in Pondicherry. It is found that the women SHG members have gained respect and trust in society and were able to plan for the future of their families. Self Help Groups played very important role in Women empowerment and should be promoted for economic development of the country.

Dhanalakshmi and Rajini (2013), looks at the literature around the self help groups (SHGs) movement in India. This paper reviews literature on the subject’s empowerment process in relation to a self-help group as well as related literature. It is important to note that most literature has been focusing on empowerment as the outcome not as the process.

According to Ramakrishna, et al (2013), Self-Help Groups are formed for addressing their common problems. They make regular savings habit and use the pooled savings for the benefit of their members through a structured process of essential financial intermediation like prioritization of needs, setting self-determined terms for repayment and keeping records. It builds financial discipline and credit history that then encourages banks to lend to them in certain multiples of their own savings and without any demand for collateral security.

Yadav (2013), conducted a study, the objective of which is to understand women empowerment through self-help-groups of Nagthane village. Thus the paper emphasizes that the SHGs are the effective instruments of women empowerment, and to made suggestions for well functioning of SHGs of women in general and Nagthane village.

Kappa Kondal (2014), conducted a study of women empowerment through Self-Help Groups in Gajwel Mandal of Medak District in Andhra Pradesh. Based on the analysis of women empowerment through self help groups in Gajwel, the major findings of this study revealed that, there is a positive impact of Self Help Groups on Women empowerment in Gajwel Mandal of Medak District in Andhra Pradesh.

IV. Objectives of the Study:
The present study has been made with the following objectives:
1. To know the present status of Self-Help Groups in India.
2. To analyses the impact of the SHGs on women empowerment with financial inclusion.
3. To suggest policy recommendations in the light of the findings of the study.

V. Hypothesis:
This study intends to explore the following hypothesis:
1. Self Help Groups are an effective instrument for the improvement of socio-economic conditions of SHGs members.

VI. Research Methodology and Data source
The study is based on both primary and secondary data. The primary data has been collected from sample SHG members by designing questionnaire in 3 talukas of North Kanara district viz., Kunta, Siddapur.
and Mundgod. 40 respondents from each talukas have been selected and the total sample size remained at 120. Two reference periods have been considered for collecting primary data. One is the year 2012-13 and another is 2014-15.

The sources of secondary data for the study are existing literature and data in websites, various publications of Central and State and other sources like books, magazines, newspapers, reports, articles, seminar papers published by universities and research institutions. Percentage and ratios have been widely used for analysis.

**Table 1: Progress of Women SHGs in the year 2003-14**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Total SHGs (lakh)</th>
<th>Women SHGs (lakh)</th>
<th>%age of Women SHGs to Total SHGs</th>
<th>Total Amount (crore)</th>
<th>Women SHGs Amount (crore)</th>
<th>% age of Women SHGs Amount to Total SHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving linked SHGs</td>
<td>74.30</td>
<td>62.52</td>
<td>84.15</td>
<td>9897.42</td>
<td>8012.89</td>
<td>80.96</td>
</tr>
<tr>
<td>Credit Linked SHGs</td>
<td>13.66</td>
<td>11.52</td>
<td>84.33</td>
<td>24017.36</td>
<td>21037.97</td>
<td>87.59</td>
</tr>
<tr>
<td>Loan Outstanding</td>
<td>41.97</td>
<td>34.06</td>
<td>81.15</td>
<td>42927.52</td>
<td>36151.58</td>
<td>84.22</td>
</tr>
</tbody>
</table>

Source: Status of Micro Finance in India 2013-14, NABARD

**Table 2: Taluka-wise selection of the respondents.**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>District North Canara</th>
<th>Taluk</th>
<th>Respondents selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Kumta</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>5.</td>
<td>Siddapur</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>6.</td>
<td>Mundgod</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>120</td>
</tr>
</tbody>
</table>

Source: Primary data collected from field survey

Table 1 indicates the details of total number of women SHGs showing saving linked SHGs, credit linked SHGs and loans outstanding for the year 2013-14. It is seen that the total number of saving linked and credit linked exclusive women SHGs with banks were 84.15 percent and 84.33 percent, respectively. Further the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs was 81.15 percent as on 31st March 2014. It shows that majority of women SHGs increased their participation in saving and credit is increasing out of total number of SHGs.

According to Table no 2, 120 respondents were selected from the three taluks of North Canara district i.e, 40 respondents each from Kumta, Siddapur and Mundgod taluks have been selected.
Table 3. Entrepreneurial activities performed by SHG respondents. (N = 120)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Entrepreneurial activities</th>
<th>Regularly</th>
<th>Occassionally</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Frequency</td>
<td>%</td>
<td>Frequency</td>
</tr>
<tr>
<td>1.</td>
<td>Chilli pounding</td>
<td>20</td>
<td>16.7</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>Rawa making</td>
<td>25</td>
<td>20.8</td>
<td>2</td>
</tr>
<tr>
<td>3.</td>
<td>Vermicilli making</td>
<td>15</td>
<td>12.5</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>Tailoring</td>
<td>19</td>
<td>15.8</td>
<td>1</td>
</tr>
<tr>
<td>5.</td>
<td>Roti making</td>
<td>11</td>
<td>9.2</td>
<td>2</td>
</tr>
<tr>
<td>6.</td>
<td>Home products(chutney powder, pickle, sweets, roti making)</td>
<td>12</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>Papad making</td>
<td>50</td>
<td>41.6</td>
<td>1</td>
</tr>
<tr>
<td>8.</td>
<td>Purchase and sale of groceries</td>
<td>3</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>9.</td>
<td>Vegetable vending</td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>10.</td>
<td>Selling of readymade garments and sarees</td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>11.</td>
<td>Kasuti, painting and embroidery</td>
<td>2</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>12.</td>
<td>Flour milling</td>
<td>1</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td>13.</td>
<td>Goat rearing</td>
<td>1</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td>14.</td>
<td>Tailoring classes</td>
<td>3</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>15.</td>
<td>Bakery unit</td>
<td>3</td>
<td>2.5</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary data collected from filed survey.

It is clear from the Table no 3 that a majority of the respondents are engaged in papad making (41.6%) rave making (20.8%) and chilly pounding (16.7%). A very small number of respondents are engaged in flour milling (0.8%) and goat rearing (0.8%).

Table 4. Level of income of the respondents after joining SHGs. (N = 120)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Respondents</th>
<th>Level of income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Respondents</td>
<td>Frequency</td>
</tr>
<tr>
<td>1.</td>
<td>Increased</td>
<td>100</td>
</tr>
<tr>
<td>2.</td>
<td>Remained same</td>
<td>15</td>
</tr>
<tr>
<td>3.</td>
<td>Decreased</td>
<td>05</td>
</tr>
</tbody>
</table>

Source: Primary data collected from filed survey.
Diagram No: 1 Level of income of the respondents after joining SHGs

The information in the Table 4 and diagram no-1 deals with level of income after joining the group which clearly depicts that increase in the level of income was reported by 83.33 per cent of the respondents after joining SHG and only 12.5 per cent of the respondents indicated that there was no change in their income level even after joining SHG i.e., it remained the same. 4.17% of the respondents reported that their income level decreased after joining SHG.

Table 5: Overall index of impact of the project in empowering SHG members (N = 120)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Index</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Decision making pattern</td>
<td>34.40</td>
<td>68.90</td>
</tr>
<tr>
<td>2.</td>
<td>Capacity building</td>
<td>39.60</td>
<td>86.32</td>
</tr>
<tr>
<td>3.</td>
<td>Confidence building</td>
<td>37.42</td>
<td>76.12</td>
</tr>
<tr>
<td>4.</td>
<td>Self esteem</td>
<td>35.20</td>
<td>82.17</td>
</tr>
<tr>
<td>5.</td>
<td>Social empowerment</td>
<td>36.52</td>
<td>86.15</td>
</tr>
<tr>
<td>6.</td>
<td>Psychological aspects</td>
<td>33.28</td>
<td>85.57</td>
</tr>
<tr>
<td></td>
<td>OVERALL INDEX</td>
<td>36.07</td>
<td>80.87</td>
</tr>
</tbody>
</table>

Source: Primary data collected from filed survey.

Diagram No-2 Overall index of impact of the project in empowering SHG members
The table no 5 and diagram no-2 reveals that the impact index is the highest in capacity building (86.32%), followed by social empowerment (86.15%), and lowest in decision making pattern which accounted to 68.90 percent. The overall index before was found to be 36.07 per cent and after implementation of the project, it has been increased to 80.87 per cent.

With the present analysis is clear that a majority of the respondents have been benefited after joining SHGs with the financial inclusion. Therefore the hypothesis derived in the present study i.e “Self Help Groups are an effective instrument for the improvement of socio-economic conditions of SHG members” has been proved and accepted.

Findings and conclusion

1. A majority of women SHGs increased their participation in saving and credit out of total number of SHGs.

2. It is clear from the Table no 3 that a majority of the respondents are engaged in papad making (41.6%) rave making (20.8%) and chilly pounding (16.7%). A very small number of respondents are engaged in flour milling (0.8%) and goat rearing (0.8%).

3. Regarding impact of the project on SHG members, the percentage of the respondents in case of all the indicators were low before has been increased to more than double after joining the SHGs. Overall index of impact before was 36.07 per cent which increased to 80.87 per cent after joining the project.

4. Increase in the level of income was reported by 83.33 per cent of the respondents after joining SHG and only 12.5 per cent of the respondents indicated that there was no change in their income level even after joining SHG i.e., it remained the same. 4.17% of the respondents reported that their income level decreased after joining SHG.

5. Impact index seems to be highest in capacity building (86.32%), followed by social empowerment (86.15%), and lowest in decision making pattern which accounted to 68.90 per cent.

6. Self Help Group is an important tool for financial inclusion of poorer, weaker and neglected sections of the community in India.

VI. Suggestions and policy recommendations.
1. A good number of respondents have been benefited out of SHGs. Therefore the government should increase the financial assistance to SHGs.

2. Proper steps should be taken to link SHGs with Banks.

3. An increase in social recognition of self, status of family in the society, size of social circle and involvement in intra-family and entrepreneurial decision making need to be improved.

4. SHGs should identify new avenues of business activities which are more profitable.

References

ABSTRACT

There are so many sectors of the economy which can make contribution to the economic growth. Export sector is one of the most important sectors which can accelerate the economic growth. The focus of this research paper is therefore to re-investigating the Export-led growth hypothesis in India by applying Ordinary Least Square (OLS) method to investigate the relationship between Gross National Product, Total Exports, Manufactured Exports and Investment. Times series data of the selected variables for the period of 1980-81 to 2013-2014 is used for analysis. The export-led growth hypothesis claims that exports positively contribute to economic growth. The rate of economic growth correlated more strongly with investment than total exports and manufacturing exports growth. Moreover, when the investment ratio was used as a second independent variable (with export growth), it was statistically significant (in equations with an insignificant total exports variable), suggesting that exports did not stimulate growth through an effect on investment. The results suggest that the observed association of exports and growth may be due to the effect of economic growth in stimulating exports, not the other way round.

Keywords: Export-led growth, Economic growth, Gross National Product, Total Exports, Manufactured Exports, Investment

INTRODUCTION

In the modern world, nations want to improve the living standards of their public. Improvements in the living standards come from economic development. Thus, economic development is the primary objective of all nations in this world. Economic development requires economic growth and structural adjustments. So, economic growth is essential for economic development. Here a question arises, that, how nations can promote economic growth? There are so many sectors of the economy which can make contribution to the economic growth. Export sector is one of the most important sectors which can accelerate the economic growth. This answer started a debate among economists, researchers, policy makers and think tanks, whether exports orientation leads to economic growth or economic growth lead to exports promotion. (Bashir, F., et al, 2015)

Thus, economists came up with different views at different times and the literature puts forward a debate for researchers and policy makers since the last few decades. One school of thought argues in favour of export-led growth hypothesis while the other school advocates for growth-led export hypothesis (Mishra P. 2012). In addition, the existing literature also provides the evidence that export promotion leads to economic growth and economic growth leads to export promotion, i.e., the bi-directional causality between exports and economic growth.
The aim of this paper is to re-investigate the export-led hypothesis in India for the period of 1980-81 to 2013-2014. The plan of the paper is as follows. Section-I is devoted to literature review. In Section-II we have discussed concept of exports-led hypothesis mechanisms. Section-III deals with methodology and model building. The results of model are presented and interpreted in Section-IV. The main conclusions emerging out of the study are presented in the Section V.

I. LITERATURE REVIEW

The view regarding the role of exports as one of the deterministic feature of economic growth is not new. It goes back to the Mercantilists and Classical school of thought. A vast literature is available on exports and economic growth. The studies diverge regarding the variables and time period. Some of these are offered below:

In 17th and 18th centuries a group of bankers, govt officials and philosophers (famously known as mercantilist) was of view that exports promotion is a powerful tool for a nation to become rich and influential. They established their view on the ground that export promotion would result in inflows of valued metals (gold and silver). Heaps of Gold and silver were the symbol of power and richness.

Classical economists Adam Smith (1776) and David Ricardo (1817) were of view that international trade has a major impact on economic development. They demonstrated that a country can increase exports of products in which they have comparative advantage and thus faster their development process.

Raymond Lubitz (1973) examined export-led growth in industrial economies. The author employs cross-section regressions for the period 1954-69 for eleven leading manufacturing exporters. Doubt is cast on both of these mechanisms of the export-led growth model. The results suggest that the observed association of exports and growth may be due to the effect of economic growth in stimulating exports, not the other way round.

Balassa, B. (1978) investigated the relationship between exports and economic growth in a group of eleven developing countries that have already established an industrial base. The period of investigation chosen is 1960-73. The study indicated that export growth favorably affects the rate of economic growth over and above the contributions of domestic and foreign capital and labour, thereby concluding that the benefit of export-orientation as compared to import substitution is greater in semi-industrialised countries.

Grossman and Helpman (1991) point out intervention in trade could raise long-run growth if protection encourages investment in research-intensive sectors for countries with an international advantage in these kinds of goods.

Bashir, F et al. (2015) investigated the export- led growth hypothesis in Pakistan. By Johansen Co-integration, Vector Error Correction Model and Granger causality, Extended Solow growth model is empirically analyzed in the case of Pakistan. Time series data is collected from 1972-2012 from Pakistan. The results of the study proved the export-led growth hypothesis in the case of Pakistan. It is found that gross capital formation, the employed labor force, consumer price index and in terms of trade are positively influencing economic growth in
the long run. Short run results are also evident in presence of exports led growth hypothesis in Pakistan. Johansen co-integration results show a strong long run relationship between exports and economic growth.

Sahni P and Atri V (2012) studied the mechanism of export-led growth in India. The authors chosen time series data from 1980-81 to 2008-09 for analysis. Ordinary Least square method is used to examine the results. The study confirmed the export-led growth hypothesis in India.

Adeleye J et al. (2015) examined the impact of international trade on economic growth in Nigeria, using net export and Balance of Payment as proxies for international trade while Gross Domestic Product represent economic growth. The study employed regression analysis as the method of analysis using co-integration and error correction modeling techniques to find the long-run relationship between economic performance and international trade. Only Total Export remains positive and significant while others remain insignificant. This indicates a major problem in the economy of the nation examined.

Singh, K. (2015) studied trade openness volatility of India’s export – an analysis. The analysis was based on the time series data for the period of 1987-88 to 2013-14. To estimate the diversification of India’s overall exports, the Herfindahl index also known as Herfindahl Hirschman index (HHI) method, a commonly used method of measuring industrial concentration has been used. The analysis showed that, there is clear indication that integration of Indian economy with world economy has increased constantly.

Venkatraja, B. (2015) the study investigates the causal relationship between export and gross domestic product over the period 1970-2013 using annual data. The study has employed certain econometric tools to analyse the behaviour of both the series. Unit root test has been applied to test for stationary of time series data. Johansen’s co-integration test reveals that Export and GDP are co-integrated and, thus, a long-run equilibrium relationship exists between them. The Granger causality test exhibits the presence of short run relationship between Export and GDP and the relationship appears to be unidirectional. Thus, the study provides adequate empirical evidences to accept the export-led economic growth hypothesis for India.

II. CONCEPT OF EXPORT-LED HYPOTHESIS

The export-led growth (ELG) hypothesis proposes that export promotes (or, causes) economic growth. Exports have played a crucial role in economic performance by contributing to gross domestic product (GDP) directly and indirectly through their contributions per medium of spread or carryover effects. This linkage is widely known as export-led growth (ELG) hypothesis (Choong C et al, 2007).

Verdoorn’s law, an attempt to quantify the relationship between the rate of growth of output and the rate of growth of productivity was initially identified by the Dutch economist Dr. P.J. Verdoorn in his paper, “Factors that determine the growth of labor productivity” which appeared in the Italian Journal L’Industria in 1949. This law explains that faster growth in output increases productivity due to increasing returns. Thus an economy with a rapid increase in demand will also experience rapidly increasing productivity. If money wages do not also rise by enough to offset the productivity increase, costs will fall and the country’s exports will also grow fast because of their competitiveness. This increase in exports in turn will stimulate demand and output growth, and the circle
is virtuously closed through further productivity gains. Moreover, export growth ensures that balance of payments difficulties will not cause a slowing of the growth rate. And the high growth rate and comfortable balance of payments will give business the confidence to maintain high levels of investment, this leads to a more modernized capital stock, and therefore higher productivity, which also increase the underlying growth rate and maintains a strong balance of payments, closing the circle in a second way. Further, Verdoorn’s law is usually associated to cumulative causation models of growth, in which demand rather than supply determined the pace of accumulation.

Thirlwall (1979) shows that for several countries the rate of growth never exceeds the ratio of the rate of growth of exports to income elasticity of demand for imports. This implies that growth is limited by the balance of payments equilibrium. This result is known as Thirlwall’s law.

In the Present Paper, we have examined for statistical testing two important elements of export-led growth mechanisms that are essential links in the model not only for advanced industrial countries but also for developing countries:

i) The first is that export growth will stimulate industries with significant economies of scale.

ii) The second is that export growth, by ensuring a strong balance of payments will encourage investment.

The export economies-of-scale argument is tested by comparing total exports and manufactured exports as explanatory variables of economic growth. If the manufactured exports, the carriers of economies of scale is more closely related to economic growth as compared to the total exports, then the export-led growth works through economies of scale. If the correlation with total exports is stronger, we cannot reject the export-led model, although the virtuous circle working through demand increases and economies of scale is less compelling. The second element of export-led model is that a virtuous circle operates through export demand on investment, and consequently technological progress and productivity; this mechanism is consistent with a better showing for total export variable. The significant correlation of exports and growth in an equation containing a significant investment variable weakens the second element of export-led theory.

III. METHODOLOGY AND MODEL BUILDING

The choice of variables depends on the choice made by the investigators Raymond Lubitz (1973) and Sahni P and Atri V (2012).

This paper used the data of gross national product, total exports, manufactured exports and investment (Investment defined as Gross Fixed Capital Formation) from Handbook of statistics on the Indian economy by Reserve bank of India (various issues). We selected the time span from 1980-81 to 2013-14. We used GNP (Y) as dependent variable and total exports (X), manufactured exports (Xm) and Investment (I) as independent variables.

The general functional model for the mechanisms of export-led growth can be written as:

\[ Y = f(X) + u \]

Where \( Y = \text{GNP} \)}
Xi = X (Exports), Xm (Manufactured Exports) and I (Investment)

More precisely, the variable to the left-hand side represents the dependent variable, while those to the right-hand side are referred to technically as explanatory variables and u referred as error term.

Furthermore, if we take the derivative of the functional model expected relationship the each exogenous variable is predicted to have with the endogenous variable. For the study, \( \partial Y/\partial X > 0, \partial Y/\partial Xm > 0, \partial Y/\partial I > 0 \) this implies that all the exogenous variables are expected to have a positive relationship with the endogenous variable.

In order to test the mechanisms of export-led growth in case of India, we will re-examine the following functional equations approach by Sahni A and Atri V (2012):

1. \( Y = f (X) \)
2. \( Y = f (Xm) \)
3. \( Y = f (I) \)
4. \( Y = f (X, Xm) \)
5. \( Y = f (X, I) \)
6. \( Y = f (Xm, I) \)

By presenting in natural logarithm form, the above model becomes;

\[ \ln Y = b_0 + b_1 \ln X + u \] ................................. (1)
\[ \ln Y = b_0 + b_1 \ln Xm + u \] ................................. (2)
\[ \ln Y = b_0 + b_1 \ln I + u \] ................................. (3)
\[ \ln Y = b_0 + b_1 \ln X + b_2 \ln Xm + u \] ................................. (4)
\[ \ln Y = b_0 + b_1 \ln X + b_2 \ln I + u \] ................................. (5)
\[ \ln Y = b_0 + b_1 \ln Xm + b_2 \ln I + u \] ................................. (6)

In the present study, instead of using linear regression equations we have used Natural logarithmic equations hence the study is concerned with isolating the effects of changes in explanatory variables on economic performance i.e. Gross National Product (Y).

**IV. RESULTS AND DISCUSSION**

The empirical results of regression analysis have been presented in the following table 1:
The results are shown in Table 1. Equation (1) deals with the relationship between level of GNP and level of total exports with a corrected R² of 0.98 and a highly significant t and F. The regression equation also indicates that an average 1% increase in exports is associated with 0.68% jump in Gross National Product (GNP). This implies that India’s growing exports have made a positive contribution to the process of economic growth in India during the period under study 1980-81 to 2013-14. The Regression Equation (2) shows that manufactured exports (Xm) are also positively related with Gross National Product during the period 1980-81 to 2013-14. The equation (3) indicates that investment variable is the most powerful factor in explaining the performance of Gross National Product in India during the period 1980-81 to 2013-14. The value of regression coefficient took the expected positive sign and it is also found to be statistically significant indicating the importance of investment variable in the process of economic growth. The relative importance of the investment variable is better than total exports and manufactured exports. F-test is also found to be statistically significant at 5% level of significance. Investment variable perform better than the total exports equation (3) which in turn is better than manufacturing exports alone.

When total exports (X) and manufactured exports (Xm) were run together equation (4), Xm took on a positive sign. It implies that manufactured exports contribute significantly to economic growth. The economy of scale mechanism operates when Xm is more statistically significant than X. The same result emerged when total exports were run together.
exports values were used, although in that case, X fell below 5% significance. But here in case of India, correlation between total exports and economic growth is stronger in comparison to manufactured exports. Therefore, the mechanism of economies of scale is less compelling in India because the Indian manufacturing is still primarily geared to domestic consumption. Therefore, its growth is limited by domestic demand. For the increasing production to meet export demand there needs to be substantial productivity improvement. In addition, manufacturing output growth is input driven rather than efficiency driven during the period under study. The equation can still mean that a strong export performance, by fostering entrepreneurial confidence will enhance investment, saving the export-led growth hypothesis. Hence, we accept the existence of Export-Led growth Hypothesis in India.

However, the significance (at 5%) of I in equations (5) and (6) that is when exports were also in the equation. In these equations, investment variable has been run together with total exports(X) in equation (5) and also with manufactured exports (Xm) in equation (6). In both these equations, the investment variable out class the performance of total exports and manufactured exports as the value of regression coefficient and magnitudes of t-statistics are larger than total exports (X) and manufactured exports (Xm). This implies that the positive relationship of exports to growth does not run through the effect on investment, because investment has an independent significant effect on economic growth. This is in conformity with an earlier study Attri V.N, “Export - Led Growth in India; (1980-81 to 2008-09)” published in the International Journal of Marketing and Technology, 2012. As Lubitz (1973) has pointed out, if exports are supposed to promote growth because of the encouragement to investment, this effect should be accounted for by the weak investment variable when run in an equation with total exports (X) and manufactured exports (Xm) whereas the results in equations (5) & (6) represents the opposite case. The significant correlation of exports and level of GNP containing a significant investment variable weakens the second mechanism of export-led growth.

The results of correlations analysis have been presented in the Table 1B (See. Appendix). It should be noted that the correlation between Gross national product, total exports, manufactured exports and investment is equal to +0.926, +0.983 and +0.993 respectively as presented in Table 1B. A strong correlation was found between the four variables under study and it was significant at p = 0.01 (1-tailed). The positive correlation relationship between Gross national product, total exports, manufactured exports and investment indicates that if Gross National Product is increase, the total exports, manufactured exports and investment also improve.

In contrast, negative correlation was not found between Gross national product, total exports, manufactured exports and investment. Though, rate of economic growth correlated more strongly with investment than total exports and manufacturing exports growth. Moreover, when the investment ratio was used as a second independent variable (with export growth), it was statistically significant (in equations with an insignificant total exports variable), suggesting that exports did not stimulate growth through an effect on investment.

V. CONCLUSION

This paper has empirically examined the export-led growth in India using gross national product as the dependent variable and total exports, manufactured exports and investment as independent variables from 1980-81 to 2013-14. The study clearly indicates that there exists a significant and positive relation between exports
and Gross National product for the whole period under study i.e. 1980-81 to 2013-14. The study supports Export-Led Growth Hypothesis in India over the period 1980-81 to 2013-14 as the coefficient of manufactured exports (Xm) in equation (4) emerge stronger and insignificant in relation to total exports (X). Investment emerges the most powerful variable in affecting the process of economic growth. It seems that exports play an important role, only after a particular stage of economic growth has been attained through domestic investment. The study reveals that none of the mechanisms of export-led growth i.e. economies of scale (via manufactured exports) and balance of payments effect on investment (export-investment link) are not proved statistically in case of India during the period under study. Our study confirms the results of the export-led growth mechanisms in industrial economies investigated by Lubitz Raymond (1973) and Sahni P and Atri V (2012). Exports may be the handmaiden to economic growth in India rather than the engine of economic growth.

REFERENCES


APPENDIX

Table 1A: Gross National Product, Total Exports, Manufactured Exports and Investment (1980-81 to 2013-14) (Rs. in Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross national product</th>
<th>Total exports</th>
<th>Manufactured exports</th>
<th>Investment</th>
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<td>132865</td>
<td>6711</td>
<td>3837.54</td>
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</tr>
<tr>
<td>1981-82</td>
<td>155198</td>
<td>7806</td>
<td>4078.33</td>
<td>32045</td>
</tr>
<tr>
<td>1982-83</td>
<td>172703</td>
<td>8803</td>
<td>3985.19</td>
<td>36384</td>
</tr>
<tr>
<td>1983-84</td>
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<td>9771</td>
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<tr>
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<td>10895</td>
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</tr>
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<td>1988-89</td>
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2004-05  2855331  375340  272872.2  895980
2005-06  3249554  456418  321260.8  1112602
2006-07  3760285  571779  384261.4  1343843
2007-08  4281795  640172  414457.7  1605440
2008-09  4906167  840755.1  566402.2  1852354
2009-10  4488314  845555  498041.3  1594475
2010-11  4863886  1142922  580823  1769792
2011-12  5201163  1465959  665267.7  1986645
2012-13  5416658  1634318  720624  2002047
2013-14  5673857  1905011  810847.8  2204565

Source: Handbook of statistics on Indian economy (Various Issues), published by Reserve Bank of India.

Figures 1 (figures based on Table 1A)

| Source: Drawn using Eviews 9.5 (Student lite) |

| Table 1B: Correlation Matrix between Explanatory Variables |

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<tr>
<th></th>
<th>Gross national product</th>
<th>Total exports</th>
<th>Manufactured exports</th>
<th>Investment</th>
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<td>.983**</td>
<td>.993**</td>
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<td>.000</td>
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<tr>
<td><strong>Total exports</strong></td>
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<td><strong>Manufactured exports</strong></td>
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</tr>
<tr>
<td>Pearson Correlation</td>
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<tr>
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<td>.947**</td>
<td>.992**</td>
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**. Correlation is significant at the 0.01 level (1-tailed)

(Source: Computed using SPSS)
FINANCIAL INCLUSION FOR INDIAN AGRICULTURAL GROWTH: AN ALTERNATIVE ANALYSIS

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Abstract

In agriculture, millions of small farmers live on the precipice, starved of credit. In the absence of bold structural reforms of land digitization and tenancy certification to enable credit to the tiller, the problem is likely to persist. Agricultural distress can only be addressed satisfactorily by instituting universal crop insurance for small and marginal farmers at a heavily subsidized rate by the government, the money for which can be funded by doing away with the current interest subsidy scheme that has distorted the agricultural credit system and seems to have impeded long-term investment. The issue of gender exclusion can be addressed by a welfare scheme for the girl child linked to education. Similarly, this study provides exclusion based on beliefs can be explored by delivering simple interest free financial products through a separate window in conventional banks.

Introduction

Finance is a powerful intervention for economic development. Access to finance, especially for the poor, is empowering because financial exclusion often leads to broader social exclusion. Yet, formal finance does not appear to have adequately permeated vast segments of our society, although progress is being made. To advance the process, the Reserve Bank has granted ‘in principle’ approval to a multitude of players in the financial ecosystem to establish Payments Banks and Small Finance Banks. The recently announced Jan Dhan Yojana by the government marks a landmark in the quest for universal financial access. The government is also focusing on paying benefits directly into these accounts. This will ensure that a big chunk of the accounts opened under various schemes, which are presently dormant, witness ‘movement’, thereby integrating access with use. These are very heartening developments. Several Committees in the recent past have opined on our quest for a more inclusive financial regime. The thrust of their recommendations was towards having an enabling regulatory framework, improving delivery systems and exploiting its possible synergies. At the Reserve Bank Conference on Financial Inclusion in April 2015, the Hon’ble Prime Minister urged the Reserve Bank to take the lead in encouraging financial institutions to set concrete targets for financial inclusion to help transform the quality of life of the poor. Against this backdrop, this Committee on Medium-term Path on Financial Inclusion (CMPFI) was set up to devise a measurable and monitorable action plan for financial inclusion that encompasses both households and small businesses.

The Committee sets a much wider vision of financial inclusion as ‘convenient’ access to a set a basic formal financial products and services that should include savings, remittance, credit, government-supported insurance and pension products to small and marginal farmers and low-income households at reasonable cost with
adequate protection progressively supplemented by social cash transfer besides increasing the access for micro and small enterprises to formal finance with greater reliance on technology to cut costs and improve service delivery, such that by 2021 over 90 per cent of the hitherto underserved sections of society become active stakeholders in economic progress empowered by formal finance. Thus, the financial inclusion initiative as envisaged by the Committee is much broader in scope, going beyond the traditional domain of the Reserve Bank. Meaningful financial inclusion is not feasible without government-to-person (G2P) social cash transfer. There is also an opportunity to usher in next-generation reforms by replacing agricultural input subsidy with income support, which increases the personal disposable surplus of the poor on a regular basis and could place the inclusion effort on a solid foundation.

With the Jan Dhan, Aadhaar and Mobile (JAM)) trinity taking hold, there is an ideal opportunity to seamlessly integrate access and use and, in the process, ensure that leakages in financial transfers are substantially lowered. Innovative delivery channels, such as mobile wallet and e-money coupled with regulatory changes to allow interoperability across banks and non-banks, seem to hold the key to a more efficient payment system and reduce the fascination for cash. Banks need to integrate the Business Correspondent (BC) model into their business strategy and with help from technology can develop a low-cost, reliable, ‘last mile’ delivery channel that could win the trust of the common person. Biometric identification coupled with the provision of credit information to credit bureaus can help build a more robust credit system that can then be used as the basis for obtaining loans at reasonable costs while avoiding the pitfalls of over-indebtedness. For micro and small enterprises, professionals who can evaluate the creditworthiness of these firms by acting as intermediaries with the bank can help alleviate the significant credit gap in this sector.

While financial products have their benefits, there is a clear danger of mis-selling, which could damage marginalized segments that have an uncertain cash flow. Efforts on financial education need to be strengthened, including product-driven financial literacy so that the poor are not short-changed. Grievance redressed for customer complaints in banks needs some imaginative thinking. The overall governance structure would have to be more business-like, focused on delivery. Traditional, group-based microcredit has had limited success at enabling farmers to expand the cultivation of risky but profitable cash crops. Evidence suggests that this is mainly because of its mechanisms for borrower selection and enforcement of repayment. This column proposes a new approach that leverages local intermediaries and aligns their incentives with farmer profits, to generate better outcomes for agricultural production and incomes.

**Chase of financial inclusion**

While providing the poor with bank accounts could possibly bring many benefits, it is useful to take a step back and think about the ultimate goal. Although formal banks may be willing and able to open bank accounts for everyone and thus provide the technology by which the poor could conduct financial transactions, the underlying problem is that the poor have limited access to formal finance. While banks may be willing to route transfers through the new bank accounts, they are unlikely to want to start lending to all their new account-holders. As is well-known, formal banks find it difficult to identify the good borrowers. Government-led rural credit programmes have largely failed because they are unable to incentivise the borrowers to repay (RBI 1998, Sarkar 1999, and Pradhan 2013, describe the problems of non-performing assets arising from priority sector loans). The PMJDY, as currently formulated, is unlikely to solve this problem. However, as we argue below, merely providing access to finance in rural areas is also not enough. It is important also to consider who within the rural
settings receives access, and on what terms. That, in turn influences how the finance is utilised, and its effect on the development indicators that we care about.

Microcredit, both as delivered by microfinance institutions (MFIs) and by bank-financed self-help group (SHG) schemes, has significantly improved the poor’s access to credit, and has done so in a financially sustainable manner. It utilises innovative ways of harnessing local relationships and social capital to identify poor but creditworthy borrowers, and incentivises them to repay their loans. Repayment schedules are rigid and instalments are due at a high frequency, often starting just a few weeks after the loan is given out. Groups are jointly liable for loan repayment, which encourages intensive monitoring by peers, and by MFI and bank officials, and discourages a borrower from investing the loan in risky projects. But agriculture is a risky business, and most agricultural projects have relatively long gestation lags. For most cash crops, revenues are realised only three or four months after planting, and so if the loans are used for agricultural working capital, borrowers must find other (costly) ways to keep up with their repayments. This can help to understand recent experimental results that microcredit does not significantly increase the incidence of entrepreneurship, or of productive activities that cause incomes to increase (see, for example, Banerjee et al. 2014a for evidence from India, and Karlan and Zinman 2010 for evidence from the Philippines. Banerjee 2013 and Banerjee et al. 2014b review the literature on the impact of microfinance on the lives of the poor).

Promoting cultivation of risky cash crops: A new approach

Clearly a radically different approach is needed if we are to increase rural financial inclusion in a way that enhances agricultural incomes. One approach is to modify the existing microcredit model by leveraging the information that local intermediaries have about the creditworthiness of rural borrowers. These individuals could be recruited as commission agents and asked to recommend borrowers to the lender. Their commissions would depend on the loan repayment behaviour of the borrowers they recommend. In turn this would incentivize them to identify suitable borrowers and monitor their loan repayment. If these intermediaries are traders or sellers of inputs, they could also help farmers with production and marketing, and enable them to increase their output. To promote their use for agriculture these loans would also need to be modified in other ways. Loan disbursement and durations would need to be synchronized with crop cycles. Instead of making a group of borrowers jointly liable for the loan, borrowers would be liable individually, so that they are not held back from investing in high-risk high-return projects. Compulsory group meetings and savings requirements also discourage productive borrowers from participating in microcredit, so these would need to be removed as well.

But the proof of the pudding is in the eating. So to see how such an approach would work in practice, we designed the TRAIL (Trader-Agent Intermediated Lending) scheme, and collaborated with an MFI to implement it in a set of randomly selected villages in West Bengal (Maitra et al. 2014). The MFI lent to individuals rather than groups. Loans were designed to be flexible and to encourage responsible behaviour: borrowers could use the loans for any purpose they wished, but the durations matched the cash crop cycles, and future credit lines were linked to past loan repayments. A local intermediary, identified from a list drawn up of traders/lenders/shopkeepers, who each had an established business and a sizeable clientele within the village, was randomly chosen to be the MFI’s agent. He recommended borrowers to the MFI, a random subset of whom then received the TRAIL loans. The interest rate on the loans was set at 18% per year, below the average informal market rate of 25%. Agents stood to earn 75% of the loan repayments as their commission. Importantly, the scheme also provided borrowers with index insurance against unexpected low crop yields or revenues. In another set of randomly selected villages the MFI introduced its own, traditional group-based lending (GBL) approach that involved joint liability, monthly group meetings, and savings requirements. Even the GBL loans had four-
month durations, and the same 18% interest rate.

**Trader-Agent Intermediated Loans vs. group-based lending** We then used detailed survey data from 2,400 households to analyse the impact of the TRAIL loans on borrowers’ cultivation, output and incomes. We find that TRAIL loans caused borrowers to expand their cultivation of potatoes and produce 17% higher output. As a result, their imputed profits from potatoes increased by 20%. Importantly, they were not substituting away from other crops; instead overall farm incomes increased by 25%. In contrast, the GBL loans had no effect on the average acreage, output and profits from agriculture. What caused these differential impacts? Our analysis shows that not only did agents recommend individuals who had borrowed from them in the past, but within this group, they tended to recommend the more productive, and therefore safer, borrowers. TRAIL borrowers had rates of return on potato cultivation in excess of 80%, and paid lower than average interest rates in the informal credit market. In the absence of a similar screening mechanism, both low- and high-productivity borrowers participated in the GBL scheme.

Our results are also consistent with the hypothesis that agents assisted borrowers through advice about cultivation, and provided marketing services to them, since that in turn would have increased agents’ business profits. However, importantly, we do not find any evidence that the TRAIL agent exploited the borrowers. The TRAIL design limited the agent’s direct involvement in loan disbursal and recovery: his role was limited to recommending borrowers, and then receiving the commissions that varied with their repayment behaviour. Although we cannot rule out lump sum transfers from borrowers to the agent behind-the-scenes, we do not find evidence that he extracted borrower’s benefits by paying lower prices for produce he bought from them, or charging higher prices for inputs he sold to them.

From the lender’s operational and financial perspective, the TRAIL scheme outperformed the GBL scheme: initial take-up rates were higher, average repayment rates across six cycles were slightly higher (98% vs. 91%), and at the end of six cycles 80% of the original borrowers continued to participate, as opposed to 60% in the GBL scheme. The costs of administering the TRAIL scheme were also considerably lower because the TRAIL loans did not require monthly meetings or monitoring by MFI officials. Thus the scheme had a larger impact on credit access, generated larger revenues, and imposed lower costs on the MFI, making it unambiguously more cost-effective than the group-based lending scheme.

**Implications for credit policy design**

The Malegam Committee (RBI 2011) recommended that instead of banks lending directly to the rural poor, rural lending should take place through self-help groups (SHGs), with Banking Correspondents and Facilitators (BC and BFs) acting as intermediaries. However there is no consensus on how the loan intermediaries should be identified, what their exact role should be, and what contractual terms they should have. Policymakers are understandably concerned about the power and influence these agents may wield, and the consequences of the abuse of such power.

This study provides evidence on one approach to this issue. To realize high production growth and impact borrower incomes, loan durations could be extended to match crop cycles, and the focus could be shifted away from group liability to individual liability. The savings in administrative costs would allow the lender to charge substantially lower interest rates. Local intermediaries could be incentivized as in TRAIL to secure their cooperation, while ensuring checks and balances to prevent their exploiting the borrowers. Such an approach has the potential to increase financial inclusion while also making a significant dent on poverty and promoting agricultural growth.
Joint Liability Groups have a key role in agricultural finance

Joint Liability Groups (JLG) scheme was initiated by NABARD with the expectation of enhancing credit flow in agriculture, especially for share croppers/tenant farmers who do not have land rights. By the end-March 2015, over 1.1 million were provided with a cumulative credit disbursement of ₹ 112 billion. Yet, the progress in financing farmers under the JLG scheme has been rather slow and uneven across regions (Chart 3.2). Unless credit flows to the tiller, agricultural production will not improve.

Interest subsidy should be phased out and ploughed back into an affordable universal crop insurance scheme. With a view to ensuring the availability of agriculture credit at a reasonable cost, the Government of India had introduced an interest subvention scheme at 2 per cent for short-term crop loans of up to ₹ 300,000. Additionally, a 3 per cent incentive is given for prompt repayment of loans, lowering the effective cost further. The interest subvention claims paid by the government have been increasing rapidly over time (Chart 3.1). The scheme is for short-term crop loans, and as a result it discriminates against long-term loans and thereby, does not incentivise long-term capital formation in agriculture, which is essential to boost productivity. Second, as discussed earlier, subsidised credit does not always flow to the actual cultivator. Third, subsidised credit increases the probability of misuse.
Kisan Credit Card provides a way for flexible agri-credit delivery

Crop loans are generally disbursed by the banks through the mode of Kisan Credit Card (KCC). The KCC scheme provides a short-term credit limit with simplified renewal every year up to the fifth year, after which a maximum permissible limit is arrived at. The KCC has an inbuilt consumption component that the Committee believes is essential for the subsistence of small and marginal farmer. The KCC scheme also lends itself well to built-in government sponsored (personal) insurance, with a nominal premium.

There is the related issue of agricultural credit as a percentage of total bank credit declining over the years, although 72% of the population lives in rural areas, most of them dependent on agriculture and allied activities for their livelihood. The norm of earmarking 18% net bank credit to agriculture is rarely followed. According to Reserve Bank of India data, the share of agricultural advances to net bank credit ranged between 14.5% and 17.2% of the net bank credit between 2003 and 2009, in the case of public sector banks; it was 10.9% to 15.9% in the case of private banks. The share of agricultural and allied activities in the gross bank credit was in the region of 12% during the last five years, as shown in the accompanying table.

Table-1

<table>
<thead>
<tr>
<th>Outstanding up to</th>
<th>Agriculture and allied activities</th>
<th>Percentage in total</th>
<th>Total bank credit</th>
</tr>
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<tr>
<td>Mar-05</td>
<td>124,269</td>
<td>11.88</td>
<td>10,45,954</td>
</tr>
<tr>
<td>Mar-06</td>
<td>173,875</td>
<td>12.04</td>
<td>14,43,920</td>
</tr>
<tr>
<td>Mar-07</td>
<td>230,180</td>
<td>12.49</td>
<td>18,41,878</td>
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</table>
Another worrisome trend is that specialized institutions set up to meet the credit needs of farmers and weaker sections are moving away from that role, at a time when the government is talking about strengthening the credit delivery system and financial inclusion. The share of cooperatives -- which were once synonymous with agricultural institutional credit -- in total agricultural credit has dropped to a mere 12.8% in 2006-07, from 33.9% in 2002-03 and over 50% about a decade ago. The wide network of cooperatives -- there are over 100,000 outlets all over India -- would have led them to occupy a dominant position in agricultural credit had reforms been aimed at helping the farm sector.

It is paradoxical to talk about ‘inclusive growth’ whilst our policies and practices tread the path of exclusion. The reforms have not only resulted in reduced access to credit by farmers, particularly small and marginal farmers, they have also hiked banking and credit costs for this section. Measures like no-frills accounts and kisan credit cards have proved useless to farmers. In November 2005, the RBI asked banks to open accounts with small or no deposits, covering all households, as part of financial inclusion. By November 2008, tremendous progress was reported: 155 out of 355 campaign districts were said to have achieved ‘financial inclusion’. But the opening of bank accounts did not bring any tangible benefits to the poor. A study, jointly conducted by the College of Agricultural Banking of the RBI and the Chennai-based Centre for Microfinance of the Institute of Financial Management and Research, found that 85% of accounts opened were inoperative; 72% of accounts had zero or minimum balance, and only 15% of accounts studied had a balance of over Rs 100. The experience with kisan credit cards is the same. Although an impressive number of cards were issued -- 86,359,000 by 2009, according to data compiled by the National Bank for Agriculture and Rural Development (NABARD) -- most of the cards are not used as credit cards. Instead, agricultural cash credit (ACC) borrowers are converted to KCC holders without changing the lending procedure.

Source: RBI’s Annual Report 2006-07 and 2008-09

### Table 2

<table>
<thead>
<tr>
<th></th>
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<td>Cooperatives</td>
<td>9,378</td>
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<td>26,875</td>
<td>31,425</td>
<td>39,404</td>
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<td>(62.00)</td>
<td>(33.97)</td>
<td>(30.89)</td>
<td>(25.07)</td>
<td>(21.83)</td>
<td>(20.00)</td>
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<td>831</td>
<td>6,070</td>
<td>7,581</td>
<td>12,404</td>
<td>15,223</td>
<td>20,434</td>
<td>25,312</td>
<td>26,724</td>
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</table>
Regional rural banks -- originally conceived as ‘social banks’ and defined as ‘region-based, rural-oriented, low-cost tiny commercial banks with a social approach’ -- have 73 metropolitan and 751 urban branches among a combined total of 15,029 branches, as of March 2008. What business did these banks have in urban and metropolitan areas? While their outstanding credit, as of September 2007, is Rs 52,449 crore, their rural credit is only Rs 35,003 crore. Similarly, their deposit portfolio of Rs 85,311 crore contains urban deposits of Rs 32,866 crore.

While cooperatives have been losing ground, commercial banks have increased their share from 33% in 1992-93, the year from which banking reforms started taking root, to nearly 78% in 2008-09. Earlier, they were not considered suitable for rural lending owing to their commercial approach and high cost of operation. This shows how the viability concerns of lending agencies are taking precedence over the social approach of protecting agriculture. Commercial principles are now widely applied to lending to a sector that’s responsible for providing livelihoods and food to the nation. Similarly, regional rural banks (RRBs), which are exclusively set up to provide credit to weaker sections in rural areas, have changed character after the reforms introduced in 1992-93. Their responsibility of priority sector lending has been brought down to the level of other commercial banks, the focus being on the financial viability of RRBs rather than financial aid to farmers. As a result, RRBs are now mandated to earmark only 10% of their lending to weaker sections, from the original 100% -- a complete U-turn. If RRBs are to function as commercial banks there is no need for them to exist as separate entities.

### Closure of rural branches

Commercial banks as a bloc are showing an urban bias. They are either closing rural branches or shifting them to urban centres. According to RBI data, the number of rural branches of scheduled commercial banks (including RRBs) has come down by 4,313, from 35,389 branches in 1993 to 31,076 by March 2008. In contrast, the number of new urban and metropolitan branches has increased by 5,829 and 7,155 respectively. The change is seen -- both in the reduction of rural and increase in urban branches -- not only in relative share but in absolute numbers also (see Table 2). Overall, even with a total of 76,050 bank branches the population-to-branch ratio has gone up to 15,000 from around 12,500, which was the ratio in the early-1990s. The focus being on profitability,
the social objective of providing banking services to the people is taking a back seat although we hear a great deal about ‘inclusive growth’. While there are more than 600,000 settlements in India, only 30,000 have bank branches -- RBI Governor Dr D Subba Rao himself pointed this out recently.

It is well documented that the current agricultural crisis is the result of a host of factors including declining public investment in agriculture, rising input prices, an unresponsive institutional mechanism, non-remunerative product prices, and the absence of extension services. Farmer suicides are seen to be the consequence of farmers unable to clear their debts, mainly to private sources. This itself indicates the failure of institutional credit to meet the needs of farmers, particularly small and marginal ones.

Impact of financial exclusion

There is a huge social impact of financial exclusion. Complete financial exclusion results in poverty, and this creates social exclusion. The result of social exclusion is again financial exclusion and thus a vicious cycle is created. This also creates financial discrimination and even worse, financial exploitation of the poorer sections of the society. At a micro level, the divide between haves and have-nots keeps widening, while at a macro level, this affects national and economic growth. **Who are the financially excluded**, While technically anyone with limited or no access to appropriate financial services is considered to be financially excluded, this happens more in some sections of the society. Financial exclusion is more prevalent among the poor, the uneducated, the unemployed, ethnic minorities, women, aged and the disabled.

CONCLUSION

Government has been broadcasting its success in doubling institutional credit to the agricultural sector. But these numbers have little meaning: 85% of accounts opened were inoperative, 72% had zero or minimum balance, and only 15% had a balance over Rs 100. It is paradoxical, writes P S M Rao, to talk about ‘inclusive growth’ when our policies and practices tread the path of exclusion. “National Sample Survey Organization (NSSO) data reveals that 45.9 million farmer households in the country (51.4%), out of a total of 89.3 million households, do not access credit, either from institutional or non-institutional sources. Further, despite the vast network of bank branches, only 27% of total farm households are indebted to formal sources (of which one-third also borrow from informal sources). Farm household’s not accessing credit from formal sources as a proportion of total farm households is especially high at 95.91%, 81.26% and 77.59% in the northeastern, eastern and central regions respectively. Thus, apart from the fact that exclusion in general is large, it also varies widely across regions, social groups and asset holdings. The poorer the group, the greater is the exclusion.” According to the Ministry of Agriculture’s Agricultural Census Division data, 63% of the total 159.9 million hectares of operational holdings in 2001 was held by marginal farmers with less than 1 hectare of land. Small farmers with plot sizes totaling 1-2 hectares made up 18.9% of the holdings, which means that small and marginal farmers together account for a high 81.9% of operational holdings.

Further, it is difficult to ignore those who are classified as semi-medium farmers with holding sizes of 2-4 hectares of land, and constituting about 11.7% of total holdings, since most farmers who committed suicide in Vidarbha were in this category. The extent of land held by them did not yield enough produce to meet their minimum needs, let alone deliver a surplus to repay their debts. This is because land productivity is low; although these farmers are categorised as being above small-farmer level, they cannot be expected to be much above the poverty line.

This suggests that the bulk of farmers do not get institutional credit. Moreover, those who do cannot meet all
their requirements; this means most farmers have to depend on informal sources of credit and then bear the high cost of interest and harsh terms. The rate of interest from non-institutional sources, according to the government’s own admission, ranges between 24% and 48% per annum. Interest rates in backward areas are higher than in developed centres, and the rate charged to poor people who have no collateral is more than the rate charged to rich farmers. Thus, poor farmers lose whatever small assets they have in the process of debt redemption. In order to ensure actual credit supply to the agricultural sector, the Committee recommends the introduction of Aadhaar-linked mechanism for Credit Eligibility Certificates. For example, in Andhra Pradesh, the revenue authorities issue Credit Eligibility Certificates to Tenant Farmers (under ‘Andhra Pradesh Land Licensed Cultivators Act No 18 of 2011’). Such tenancy /lease certificates, while protecting the owner’s rights, would enable land-less cultivators to obtain loans. The Reserve Bank may accordingly modify its regulatory guidelines to banks to directly lend to tenants /lessees against such credit eligibility certificates. Interest subsidy should be phased out and ploughed back into an affordable universal crop insurance scheme.

REFERENCE
RBI (1998), ‘Committee on Banking Sector Reforms (Narasimham Committee II)’, Reserve Bank of India.
A STUDY ON IMPACT OF SELF HELP GROUP ON WOMEN

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Abstract
Empowerment of women is a holistic concept. It is multi-dimensional In its approach and covers social, political, social aspects. Of all these facets of women’s development, economic empowerment is of utmost significance in a long-lasting and sustainable development of society. Self- Help Groups are the voluntary organizations which credit to the members and facilitate them to enter into entrepreneurial activities. The Present study attempted performance of women Self Help Groups and its socio economic impact on members as well as perception of it SHGs in Bagalkot District [Karnataka].

Objectives

- To trace the genesis and development of SHGs in Bagalkot District
- To evaluate the performance of the sample SHGs in Bagalkot District selected for the study
- To Examine the role of SHG’s in promoting economic empowerment of Women

Government of India has initiated a variety of programmes for the welfare and empowerment of women. The Department of Human Resource Development has the prime responsibility of coordinating and Monitoring different programmes. A large number of committees and A commission has been appointed to examine the empowerment of women.

Self-help group is a voluntary group formed to attain some Common goals, most of its members have similar social identity, heritage, caste or traditional occupations and come together for a common cause and manage resource for the benefit of the group members.
Total Number of SELF HELP Groups for the year 2015-16

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<tr>
<th>Sl.No</th>
<th>Name of the Taluka</th>
<th>Schedule Caste</th>
<th>Schedule Tribe</th>
<th>Minority</th>
<th>Others</th>
<th>Total Groups</th>
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<td><strong>69</strong></td>
<td><strong>3165</strong></td>
<td><strong>4010</strong></td>
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Source: Women and child Development office Bagalkot
<table>
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<th>Sl. No</th>
<th>Name of the Taluka</th>
<th>Total No. Of Groups</th>
<th>Schedule Caste Women No’s</th>
<th>Schedule Tribe Women’s No’s</th>
<th>Minority Women</th>
<th>Others</th>
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<td>4612</td>
<td>1104</td>
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<td>64925</td>
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Source: Women and child Development office Bagalkot
Total Loan Disbursed in the year 2015-16

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<tr>
<th>Sl.No</th>
<th>Name of the Talluka</th>
<th>Self Help Groups</th>
<th>Total Savings [in crores]</th>
<th>Total groups received loan from bank</th>
<th>Total loan from banks</th>
<th>Total groups received reviving fund</th>
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<td>996</td>
<td>10.67</td>
<td>103</td>
</tr>
<tr>
<td>6.</td>
<td>Mudhol</td>
<td>635</td>
<td>5.50</td>
<td>635</td>
<td>6.45</td>
<td>635</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4010</td>
<td>40.68</td>
<td>3973</td>
<td>41.38</td>
<td>401</td>
</tr>
</tbody>
</table>

Source: Women and child Development office Bagalkot

**Distribution of Members According to Amount of Savings**

<table>
<thead>
<tr>
<th>(No. of Members)</th>
<th>Amount of Savings</th>
<th>Before Joining SHG</th>
<th>After Joining SHG</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Less than 3000</td>
<td>433 (75.96)</td>
<td>378 (66.31)</td>
</tr>
<tr>
<td>2.</td>
<td>3000 - 6000</td>
<td>82 (14.38)</td>
<td>137 (24.03)</td>
</tr>
<tr>
<td>3.</td>
<td>Above 3000</td>
<td>55 (9.64)</td>
<td>55 (9.64)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>570</td>
<td>570</td>
</tr>
</tbody>
</table>

Source: Primary Data

It is evident from the above Table that 82 (14.38 per cent) sample members could save more than Rs.3000 to Rs.6000 before joining the SHG whereas 137 (24.03 per cent) members could save more than Rs.3000 to Rs. 6000.
after joining the SHGs. This shows an increase in the savings of the members. It is interesting to note that all members are able to save before and after joining the SHGs.

**AMOUNT OF BORROWING**

The SHG members are below the poverty line and normally their financial condition is pathetic. The membership in the SHGs provides them opportunity to borrow from banks. The banks are also ready to sanction the loan to the members to help them to get away from the jaws of poverty. All poverty alleviation programmes providing credit generally aim at escalating the customers’ base and enhancing the quantum of loan per borrower. The SHGs helped the members to improve their economic activities by borrowings from the banks.

The distribution of the sample members according to the loan amount before and after joining the SHGs is shown in the below table

**Distribution of Members Based on the Amount of Borrowing**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Activity</th>
<th>Before Joining SHG (Rs)</th>
<th>After Joining SHG (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Production Loan</td>
<td>4720 (46.18)</td>
<td>14395 (56.96)</td>
</tr>
<tr>
<td>2.</td>
<td>Consumption Loan</td>
<td>5499 (53.81)</td>
<td>10877 (43.04)</td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>10219</td>
<td>25272</td>
</tr>
</tbody>
</table>

It could be seen from Table 5.4 that on an average, a member borrowed Rs.25272 after becoming a member of an SHG compared to Rs.10219 borrowed before becoming a member of an SHG, registering a twofold increase. It is interesting to note that loan borrowed for consumption decreased after joining the SHGs. On the other hand the amount borrowed for productive purposes increased from Rs.4720 (46.18 per cent) before becoming members of the SHGs to Rs.14395 (56.96 per cent) after becoming members of the SHGs. This indicates that there is a shift from consumption purposes to productive purposes after associating with SHGs.

**Conclusion**

The enhancement in members’ participation due to group activities was quantified through the comparison of the different parameters before and after they became members of the SHGs.

This Research paper has showed that group members Savings has increased and borrowing capacity has also increased after they became members.

Higher percentage of women under study were impacted positively by being members of SHGs. The socio-economic empowerment of women is also reflected in the development programme of the country. In this part of the report, an attempt has been made to analyze the socio-economic profile of beneficiaries of SHGs of Bagalkot district.
ABSTRACT

Just you look into the distribution of workforce across the economic sectors of the India; the thing you could find is nearly 50% of working population is engaged in primary sector which is the combination of agriculture and core industries. But the problem is although “one among two” is engaged in agriculture, we Indians are not so advanced in agriculture as other countries.

There are plenty of problems in Indian Agriculture which are required to be solved, the techniques used in farming, the poor seeds and fertilizers, the illiterate and rural farmers, and especially the marketing of agriculture products.

Agri-Business is a supplementary to the traditional agriculture and it’s a modern term which includes agrichemicals, breeding, crop production (farming and contract farming), distribution, farm machinery, processing, and seed supply, as well as marketing and retail sales.

“In India to feed the 100 individuals we need 50 farmers, whereas 2 farmers of Australia are enough to satisfy the food needs of the same” Why..?“Nearly 50% of working population is engaged in primary sector but the contribution of primary sector towards GDP is comparatively lesser than the Secondary and tertiary sector” Why..?“Farmers suicides accounts for 11.2% of all suicides in India” Why..?.

This paper is an attempt to answer and find the possible solutions for the problems involved in agriculture and to focus on the implementation of the new technology in the field of agriculture to support the programs like Make in India, Digital India and skill India which indirectly strengthens the Indian Economy.

Key Words: Agriculture, Agri-Business, Crops, Farmers.
Meaning of Agriculture and Agri-business

Agriculture is merely defined as food production, which is also known as farming, but after the commercialization of the agriculture the food production became a part of Agri-Business (scientific agriculture).

“The Agri-Business is the combination of farm supporting industries such as seed, fertilizers, feeding, insurance etc. and food processing and distribution industries such as transportation, storage and retailing etc.”

Overview of Indian Agriculture

Agriculture plays a vital role in Indian economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. India has Monsoon climate in which a year has been divided into two distinct seasons namely summer and winter. Rainfall occurs mainly in summer. India is the top producer country of many crops. The major crops in India can be divided into four categories:

• Food grains (Rice, Wheat, Maize, Millets and Pulses)
• Cash Crops (Cotton, Jute, Sugarcane, Tobacco, and Oilseeds)
• Plantation Crops (Tea, Coffee, Coconut and, Rubber)
• Horticulture crops such as Fruits and Vegetables.

On the basis of seasons, the crops in India have been divided into Kharif, Rabi and Zaid crops.

Kharif crops: This is the summer crop or monsoon crop in India. Kharif crops are usually sown with the beginning of the first rains in July, during the south-west monsoon season. Ex: Paddy, Cotton, Sugarcane, etc.

Rabi crop: This is the spring harvest or winter crop in India. It is sown in October last and harvested in March April every year. The major Rabi crops are Wheat, Peas and Barley.

Zaid crops: This crop is grown in some parts of country during March to June. Prominent examples are Muskmelon, Watermelon etc.

India is the largest producer, consumer and exporter of spices and spice products. India’s fruit production has grown faster than vegetables and that lead India to become the second largest fruit producer in the world. India’s horticulture output, comprising fruits, vegetables and spices, has reached to a record high of 283.5 million tons in 2014-15.

India’s position of Production and Productivity of major crops

<table>
<thead>
<tr>
<th>Crop</th>
<th>Production Rank</th>
<th>Productivity Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>2nd</td>
<td>30th</td>
</tr>
<tr>
<td>Wheat</td>
<td>2nd</td>
<td>22nd</td>
</tr>
<tr>
<td>Groundnut</td>
<td>2nd</td>
<td>40th</td>
</tr>
<tr>
<td>Maize</td>
<td>7th</td>
<td>35th</td>
</tr>
<tr>
<td>Fruits</td>
<td>2nd</td>
<td>*</td>
</tr>
<tr>
<td>Vegetables</td>
<td>2nd</td>
<td>**</td>
</tr>
</tbody>
</table>
*10% Share in world’s production
**9% Share in World’s production

The above is the overview of Indian agriculture, and while studying Indian agriculture it is necessary to study about the farmers of India.

The Status of Farmers in India

According to the Lokniti sample survey 2013 followings are the findings about the farmers of India.

• 5350 agricultural families around country have undergone this survey.
• Agriculture is the main occupations and source of income for 82.6% families other 17.4% are depend upon other sources for their livelihood.
• 65% families have 2 or more members working in agriculture and the women.
• 86% families own their own land, in that 47% of the family owns less than 2 acres of land.
• Around 70 to 75% of the farmers are unaware of the schemes of the government related to farming.
• 76% of the farmers don’t sell their crops to govt. purchase centers due to low profit and the behaviours of the govt. officials etc.
• 70% of the farmers use local seeds for farming.
• 77% of the farmers do not have scientific storage facilities.
• 87% farmers are not associated with any co-operative societies.
• Only 15% of the farmers completed their matriculation and 85% remain uneducated.
• 80% of the farmers have not been using any modern equipment for farming.
• 50% farmers are below the poverty line.
• Farmers suicides accounts for 11.2% of all suicides in India.

Major problems of Agriculture in India and Possible Solutions

The research reveals following are the major problems in Indian agriculture and the possible solution for those problems.

1. Low quality seeds: The basic problem which is being faced by Indian farmers is that the poor quality of the seeds. Seed is basic input to attain higher crop yields and sustained growth in agriculture production. Unfortunately, good quality seeds are out of reach of the majority of farmers, especially small and marginal farmers mainly because of exorbitant prices of better seeds.

Solution: The government has to provide good quality seeds to farmers at reasonable prices. The government may appoint or enter into a contract with some expert farmers only to produce the quality seeds and further for the proper distribution of those produced quality seeds to all the farmers in the country.

2. Finance: Indian Government has been providing better financial schemes and assistance to the farmers that is unquestionable, but the thing is whether those schemes and assistance is reached the farmers..? Whether the provided finance is utilized for agriculture..? As per the Lokniti survey 2013 less than 20% of the loan taken
for agriculture is used for the purpose of agriculture and remaining 20% is being used for personal purposes of the farmers.

Solution: Most of the farmers do not even aware of the thing that there is financial assistance for farmers by Govt. so educating farmers about the financial schemes of government is the first responsibility. And the System of providing finance needs to be authoritarian and it’s the duty of officials to make sure that the finance is being invested on agriculture only.

3. Irrigation: Although India is the second largest irrigated country of the world after China, only one-third of the cropped area is under irrigation. Irrigation is the most important agricultural input in a tropical monsoon country like India where rainfall is uncertain, unreliable and erratic India cannot achieve sustained progress in agriculture unless and until more than half of the cropped area is brought under assured irrigation.

Solution: The reason behind why only 1/3rd of the cropped area is under irrigation is because of lack of interest among farmers and the most important is there are no proper amenities for irrigation. There are rivers but there are no proper canals, there is ground water but there are no proper bore wells. Drip irrigation and sprinklers are very rare. It is required to encourage those farmers who are not showing interest in converting their dry lands into irrigated lands and proper facilities are need to be given.

4. Sub-Division and Fragmentation of Holding: Due to the growth of population and break-down of the joint family system, there has occurred continuous sub-division of agricultural land into smaller and smaller plots. At times small farmers are forced to sell a portion of their land to repay their debt. This creates further sub-division of land. Sub-division, in its turn, leads to fragmentation of holdings. When the size of holdings become smaller and smaller, cultivation becomes non-economic. As a result a major portion of land is not brought under the plough.

Solution: It is taking place because the farmers are not aware of the economies of large scale and dis economies of small scale production. Educating them to not to split their holdings even in case of breakdown of joint families to avail the economies of large scale.

5. Other Problems: There are various other problems of Indian agriculture.

- The systems and techniques of farming,
- The marketing of agricultural products.

- System and techniques of farming

1. Ignorance of crop rotation: Successful conduct of agricultural operations depends upon a proper rotation of crops. If cereals are grown on a plot of land its fertility is reduced to some extent. This can be restored if other crops such as pulses are grown on the same plot on a rotational basis. Most farmers in India are illiterate and do not understand this important point. Since they are not aware of the need for crop rotation they use the same type of crop and, consequently, the land loses its fertility considerably.

2. Inadequate use of manures and fertilizers: Inadequate use of manures like cow-dung or vegetable refuse and chemical fertilizers makes Indian agriculture much less productive than Japanese or Chinese agriculture. Most of the farmers in India are illiterates they do not know about suitability of fertilizers.

3. Inadequate use of efficient farm equipment: The method of cultivation in most areas of India is still primitive. Most farmers continue to use native plough and other accessories. However, the problem is not one of
shortage of modern machinery. The real problem is that the units of cultivation are too small to permit the use of such machinery.

The Marketing of agricultural products.

The problems involved in marketing of agriculture products are not the direct problems for Indian Agriculture but they are the difficulties being faced by Indian farmers which are indirectly inhibiting Indian Agriculture so it is necessary to resolve the problems involved in Indian Agriculture to improve the agriculture production and productivity.

1. Forced sales: It is because of the inability of most of the farmers to wait for long after harvesting their produce. The average Indian farmers are poor and indebted that they cannot afford to wait till he gets reasonable higher prices.
2. Transport problems: One of the most important components necessary for the growth of agricultural marketing is communication and transport. But most of the Indian villages cannot be reachable easily till date.
3. Inadequate storage facilities: The rural areas in India are not provided with the scientific and systematic warehouses; so it is not possible for the farmers to store their produce.
4. Superfluous Middlemen and Malpractice: Indian agriculture marketing is dominated by the private traders and agents who in terms gain in between the farmers and the ultimate consumers. Many market surveys revealed that middlemen take away about 48% of the price of the rice and 52% of the price of the groundnut and 60% of the price of potatoes.

Solutions: APMCs are required to be regulated properly and supervision is needed. The Indian Agricultural products do not have any advertisements like foreign foodstuff (Pizza, Burger, etc.) so if we advertise our domestic produce of foodstuffs in metropolitan cities then the youth may aware of different options available in Indian food system and they may tend towards it.

Marketing is one and marketing of marketable agriculture surplus of a country is another, Indian eatables, fruits and vegetables have good demand in foreign country but it is required to select a market where we will get higher profits and export to such countries. It is the need of present to apply the digitalism and information technology into marketing of agriculture products where we can sell the agriculture produce at a good price and without middlemen.

Farmers Suicide

The farmer suicide is the phenomenon which became more common in India. The farmer’s suicide in India accounts 11.2% of total suicides. Following are the different reasons for the farmer’s suicide.

1. Only 17% of the farmers’ suicides take place because of the failure of crops and remaining 83% farmers commit suicide due to various reasons.
2. Debt burden is another solid reason for suicide of farmer.
3. Family problems and disputes also stand as a reason for farmers’ suicide.

Solutions: The farmers need be educated with the “Meaningful crop insurance policies, various modern techniques of farming (Crop rotation, farming equipment), and most necessarily about the importance of irrigation in farming then the rain failure will be having less impact on suicide of farmer.
Conclusion

Indian economy consists of 3 sectors namely; primary which is the mixture of both agriculture and its related activities, secondary which consists of medium and long scale manufacturing industries and the tertiary sector that consists of all other service industries. Although more than 50% of the working population is engaged in primary sector its share in GDP is comparatively lesser than the share of other two sectors in the same and the reasons weather and climate, lack of modernization, lack of irrigation, poor quality seeds and fertilizers etc.

This paper is an attempt to give the possible solutions to such problems, and to reduce the rate of farmers’ suicide in India. Applying mechanization, digitalismin the field of agriculture and providing proper education to the farmers are the best possible solutions.
CUSTOMERS’ SATISFACTION TOWARDS ONLINE SHOPPING WITH SPECIAL REFERENCE TO SANKESHWAR TOWN IN BELGAVI DISTRICT
Dr. D. D. Kulkarni

Abstract
The development of Information Technology has brought vibrant changes in the economy through e-retailing. In the last few decades, internet has revolutionized e-railing at the tip of finder of customers. With growing inclination and economic growth, online retailing has increased drastically. People today can shop literally within minutes, be it their office, or home and most importantly, at any time of the day at their leisure. With the fast growing technology, online shopping is emerging in India at a very faster rate. 90 per cent of online shoppers are planning to buy more products which are a reflection of the positive experience of users. Online shopping result into convenience which in turn save time and money.

Keywords: Online shopping, level of Satisfaction, Internet, E-tailers

Introduction:
India has seen the shifting paradigm from unorganized retail into organized retail then e-retail. This paradigm shift is basically due to fast urbanization, globalization, insurance and loan facilities which accelerated the pace. An increasing number of global companies are eyeing the rapidly e-commerce market in India as improvements are made and India’s economy grows. India is starting to appear on ‘e-business organizations’ lists of key international markets. The changing consumer lifestyles supported by the younger population base of India, have given a boost to the e-commerce business.

As per Google India survey 2012, online shopping in India, saw 128 per cent growth in interest from the customers in the year 2011 to 2012 in comparison to only 40 per cent growth in 2012 to 2011, making 2012 the tipping point for online shopping in India. As per research, 90 per cent of online shoppers are planning to buy more products on online which reflect on the positive experience of the users. The growth of online shopping widens the total market size considering it is expected to grow significantly in the coming years. The forthcoming decade expects the sector to offer much more revolutionary practices such as transacting with the help of pay tm, debit cards and credit cards.

Review of Literature:
Jyoti Arora (2013) discussed on prospects of online relating and also focused on advantages to consumer and challenges of online retailing. Reena Malik (2014) opines that the collision of the virtual and physical world is fundamentally changing consumers’ purchasing behaviors. Deepak Tiwar & al (2014) conclude that e-retail would benefit society at large, more so the end users in terms of better product choices and price.

Objectives:
• To ascertain the benefits of e-retailing.
• To find out the level of satisfaction of online shoppers.
• To suggest for further growth of online shopping.

Research Methodology:
The study is exploratory in nature. The study is based on primary as well as secondary data. The primary data is collected through a schedule from the respondents selected on stratified random sampling. The size of sample is 50. The collected data is properly classified, and analyzed with help of statistical tools such as percentages. The secondary data is obtained from journals, reference books, website and newspaper. Chi-square test is used to test the level of satisfaction of online shoppers in relation to the demographic characters.
Limitation of study:
- The study is confined to Sankeshwar town and the finding of the study cannot be generalized.
- The opinion of the respondents may be biased.

Hypotheses:
A. The level of age does influence on frequency of usage of internet.
B. There is no significant association between the level of income and satisfaction of online shopping.
C. The type of products purchases does not determine the level of online shopping satisfaction.

Growth of Indian e-commerce market:
Increasing broadband internet and 3G and 4G penetration, increasing standard of living, upward mobile middle class with high disposable incomes, availability of wide range of products, busy lifestyles, urban traffic congestion, lack of time for offline shopping, lower prices and growth of online market place model with sites like Flipkart, Amazon, Snapdeal increase in the number of buyers and sellers. Customers can buy and sell 24 X 7. Customers find convenience as the simple click makes to get the desire products at their doorstep through track id. A fast-paced urban lifestyle, dual income families and parking space constraints at major malls have contributed to online shopping shift in the perception of customers.

Benefits of online retailing:
- Customer convenience
- Comparison of products
- Virtual showroom bearing less cost
- Easy mode of payment
- Right of rejection vested with buyer
- Anytime anywhere services
- Discount and value added services

Analysis of Data:

Table 1: Demographic profile of respondents

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>41</td>
<td>82</td>
</tr>
<tr>
<td>Female</td>
<td>09</td>
<td>18</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25 Years</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td>26-35 Years</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td>36-45 years</td>
<td>03</td>
<td>06</td>
</tr>
<tr>
<td>Above 45 years</td>
<td>03</td>
<td>06</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUC</td>
<td>04</td>
<td>08</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>27</td>
<td>54</td>
</tr>
<tr>
<td>Post graduates</td>
<td>19</td>
<td>38</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Job</td>
<td>18</td>
<td>36</td>
</tr>
<tr>
<td>Private Job</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Students</td>
<td>17</td>
<td>34</td>
</tr>
<tr>
<td>Level of Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than Rs 50000</td>
<td>21</td>
<td>42</td>
</tr>
</tbody>
</table>
It is revealed from table that 82 per cent of the respondents are male and remaining is female. There is an equal percentage of respondents belong to 18-35 years. Out of the total respondents, 27 are undergraduates. 36 per cent of the respondents are government job holders and followed by students. 42 per cent of the respondents have income of Rs 5000 to Rs 200000.

**Table 2: Frequency of access to internet**

<table>
<thead>
<tr>
<th>Frequency of access</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everyday</td>
<td>32</td>
<td>64</td>
</tr>
<tr>
<td>Weekly</td>
<td>05</td>
<td>10</td>
</tr>
<tr>
<td>Monthly</td>
<td>03</td>
<td>06</td>
</tr>
<tr>
<td>Occasionally</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field work

It is deduced from table that 64 per cent of the respondents access internet everyday whereas 20 per cent of them browse internet occasionally. The mobile data enables the browsing every day. The cost of mobile data is economical which is provided by service providers.

**Table 3: Place of Access of Internet**

<table>
<thead>
<tr>
<th>Place of Access</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>College</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>Home</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field work

It is professed from table that out of total respondents, 44 per cent of them access internet at home and an equal percentage of respondents browse internet at college as well as other places where Wi-Fi connection is there. Respondents found home as convenient place of access for internet because they can access during leisure time. It is revealed from personal discussion that Wi-Fi connected railway station, bus-stand are also places of convenient for access of internet.

**Table 4: Influence of Online Marketing**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self interest</td>
<td>27</td>
<td>54</td>
</tr>
<tr>
<td>Advertisement</td>
<td>08</td>
<td>16</td>
</tr>
<tr>
<td>Family members</td>
<td>07</td>
<td>14</td>
</tr>
<tr>
<td>Friends</td>
<td>08</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field work

It is made known from table that 54 per cent of the respondents have influenced by self interest. An equal percentage of respondents are attracted towards online shopping due to advertisement and friends. The
respondents have shown self-interest in online shopping due to heavy discounts on purchase of products, varieties of merchandise and convenience to buy. The advertisements in print as well as electronic media have created stimulus in online shopping.

**Table 5: Type of products**

<table>
<thead>
<tr>
<th>Type of products</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Books</td>
<td>06</td>
<td>12</td>
</tr>
<tr>
<td>Cloths</td>
<td>09</td>
<td>18</td>
</tr>
<tr>
<td>Electronics</td>
<td>21</td>
<td>42</td>
</tr>
<tr>
<td>Other products</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field work

It is observed from table that 42 per cent of the respondents have bought electronics gadgets such as mobiles, pen drives, tabs, power bank and I-pod. 28 per cent of them have purchased other products such as footwear, baby care products. Only 12 per cent have bought books. It is concluded that the electronic gadgets have highly influenced in purchase decision of the respondents.

**Table 6: Amount spent on online shopping**

<table>
<thead>
<tr>
<th>Amount spent</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs 1000</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Rs 1000- Rs 5000</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Rs 5000 to Rs 10000</td>
<td>07</td>
<td>14</td>
</tr>
<tr>
<td>Above Rs 10000</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey

It is revealed from table that out of total respondents, 30 per cent of respondents have spent Rs 1000 to Rs 5000 on online shopping whereas an equal percentage of respondents have expended less than Rs 1000 and above Rs 10000. It is concluded that the income of the respondents has an influence on online shopping.

**Table 7: Problems of online shopping**

<table>
<thead>
<tr>
<th>Problems</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheap Quality</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Delay in delivery</td>
<td>19</td>
<td>38</td>
</tr>
<tr>
<td>Product mismatch</td>
<td>06</td>
<td>12</td>
</tr>
<tr>
<td>None of these</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field survey

It is stated from table that 38 per cent of the respondents have experienced delay in delivery of merchandise. 24 per cent of them have been delivered cheap quality of goods. However, 26 per cent of them have not faced any problem. It is inferred that the major problem in online shopping is delay in delivery of goods.
Table 8: Quality of products delivered

<table>
<thead>
<tr>
<th>Rate of Satisfaction</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied</td>
<td>35</td>
<td>70</td>
</tr>
<tr>
<td>Moderately satisfied</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Highly satisfied</td>
<td>02</td>
<td>04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field survey

It is drawn from table that out of total respondents 70 per cent have expressed satisfaction with respect to quality of products delivered. 26 per cent of them have moderate satisfaction and only 4 per cent are highly satisfied.

Table 9: Satisfaction towards timely delivery of goods

<table>
<thead>
<tr>
<th>Level of Satisfaction</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly dissatisfied</td>
<td>02</td>
<td>04</td>
</tr>
<tr>
<td>Satisfied</td>
<td>32</td>
<td>64</td>
</tr>
<tr>
<td>Moderate</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Highly satisfied</td>
<td>03</td>
<td>06</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field work

It is known from table that 64 per cent respondents have been delivered the goods in time. 26 per cent of them have expressed moderate satisfaction while 4 per cent of them are highly dissatisfied with regard to timely delivery of products.

Table 10: Satisfaction towards warranty/guarantee of the products

<table>
<thead>
<tr>
<th>Level of Satisfaction</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly satisfied</td>
<td>05</td>
<td>10</td>
</tr>
<tr>
<td>Moderate</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>None</td>
<td>02</td>
<td>04</td>
</tr>
<tr>
<td>Not Satisfied</td>
<td>07</td>
<td>14</td>
</tr>
<tr>
<td>Satisfied</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field survey

It is professed from table that 40 per cent of the respondents have moderate satisfaction towards warranty/guarantee of the products. 4 per cent of the respondents have not expressed anything. 32 per cent of them are satisfied with warranty of products.

Table 11: Overall satisfaction towards online shopping

<table>
<thead>
<tr>
<th>Level of Satisfaction</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>None</td>
<td>01</td>
<td>02</td>
</tr>
<tr>
<td>Not Satisfied</td>
<td>02</td>
<td>04</td>
</tr>
<tr>
<td>Satisfied</td>
<td>36</td>
<td>72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Source: Field survey

It is revealed from table that 72 per cent of the respondents have expressed satisfaction towards online shopping while 22 per cent of them have moderate satisfaction. 4 per cent of them are not satisfied. The reasons for dissatisfaction are that delay in delivery of products, high cost of merchandise, lack of offers etc.

Table 12: Age and frequency of access of internet

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Every day</th>
<th>Monthly</th>
<th>Weekly</th>
<th>Occasionally</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 years</td>
<td>13 (59)</td>
<td>02 (9)</td>
<td>03 (14)</td>
<td>04 (18)</td>
<td>22 (100)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(37)</td>
<td>(67)</td>
<td>(60)</td>
<td>(40)</td>
<td>(44)</td>
<td></td>
</tr>
<tr>
<td>26-35 years</td>
<td>15 (68)</td>
<td>01 (5)</td>
<td>02 (9)</td>
<td>04 (18)</td>
<td>22 (100)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(47)</td>
<td>(33)</td>
<td>(40)</td>
<td>(40)</td>
<td>(44)</td>
<td></td>
</tr>
<tr>
<td>36-45 years</td>
<td>02 (67)</td>
<td>00</td>
<td>00</td>
<td>01 (33)</td>
<td>03 (100)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(6)</td>
<td></td>
<td></td>
<td>(10)</td>
<td>(06)</td>
<td></td>
</tr>
<tr>
<td>Above 45 years</td>
<td>02 (67)</td>
<td>00</td>
<td>00</td>
<td>01 (33)</td>
<td>03 (100)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(06)</td>
<td></td>
<td></td>
<td>(10)</td>
<td>(06)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32 (64)</td>
<td>03 (06)</td>
<td>05 (10)</td>
<td>10 (20)</td>
<td>50 (100)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td></td>
</tr>
</tbody>
</table>

Chi-square value 2.4526
Degrees of freedom 09
Chi-square critical value 16.919

Source: Field survey

Figures in parentheses indicate the percentage to the total of rows and columns

It is professed from table that 59 per cent of respondents who are in the age group of 18-25 and 68 per cent of them having age of in between 26-35 years access internet every day. It is concluded that the youngest respondents have more accessibility to internet due to use of smart phones with Wi-Fi connectivity. The calculated chi-square value is less than its critical value at 5 per cent level of significance. Hence, it is derived that the level of age of respondents does not influence the frequency of usage of internet.

Table 13: Level of Income and Satisfaction

<table>
<thead>
<tr>
<th>Income</th>
<th>Moderate</th>
<th>None</th>
<th>Not satisfied</th>
<th>Satisfied</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs 50000</td>
<td>03 (14)</td>
<td>00</td>
<td>02 (10)</td>
<td>16 (76)</td>
<td>21 (100)</td>
</tr>
<tr>
<td>50000-200000</td>
<td>01 (9)</td>
<td>01 (9)</td>
<td>00</td>
<td>09 (82)</td>
<td>11 (100)</td>
</tr>
<tr>
<td>200000-500000</td>
<td>07 (50)</td>
<td>00</td>
<td>00</td>
<td>07 (50)</td>
<td>14 (100)</td>
</tr>
<tr>
<td>Above 500000</td>
<td>00</td>
<td>00</td>
<td>00</td>
<td>04 (100)</td>
<td>04 (100)</td>
</tr>
</tbody>
</table>
It is witnessed from table that out of total respondents, 42 per cent of respondents have less than income of Rs 50000. Respondents who have the income above Rs 50000 are fully satisfied. 14 per cent of respondents who have income below Rs 50000 are moderately satisfied. Further, it is proved from the chi-square that there is no significant association between level of income and satisfaction towards online shopping as the calculated value of chi-square (11.07365) is lower than its critical value (16.919) at 5 per cent level of significance for 9 degrees of freedom.

It is revealed from table that 72 per cent of respondents are satisfied by online shopping. 89 per cent of them who have bought cloths are satisfied. 33 per cent of the respondents who purchased electronics are moderately satisfied. Further, the calculated value of chi-square is 11.23838 and its critical value at 5 per cent level of significance is 16.919 for 9 degrees of freedom. Hence, it is concluded that the type of products purchased does not influence the level of satisfaction.

**Findings of study:**
- 64 per cent of respondents access internet daily.
- The self-interest of respondents has high impact on online shopping.
- There is more demand for electronic gadgets in online shopping.
- The level of income influences the shopping.
The major problem in online shopping is delay in delivery of merchandise. Most of the respondents have expressed moderate level of satisfaction towards timely delivery of merchandise. Online shoppers have moderate satisfaction towards warranty of products. Most of respondents are satisfied by online shopping. The level of satisfaction and income of respondents differ from each other. The type of products does not influence the level of satisfaction.

Suggestions:

Improvement in logistics arrangement:
The e-tailers need to buy merchandise from the manufacturers. They should arrange for delivery of merchandise through improving logistic arrangement. Every movement of goods must be intimated to buyers through sms alerts. The e-tailers should have their own logistics or else should have tie up with them.

Reduction in shipping charges:
Some of e-tailers are charging high shipping charges for purchase of merchandise below Rs 1000. This leads to dissatisfaction among the buyers. The e-tailers should be unbiased irrespective of worth of purchase. The shipping charges affect the emotions of customers which turns them towards organized retailing.

Online shopping in vernacular language:
Presently, online shopping is available in foreign language i.e. English. If it is made available in vernacular language, online shopping can reach to maximum customers. The native language has a longer impact on mind of customers.

Offers for FMCG:
E-tailers provide great offers for electronic gadgets. FMCGs are part of life of consumers. The high amount of offers and heavy discount force the customers to increase market share of online shopping. This leads to customers’ delightedness.

Scope for Groceries:
None of the e-tailers ensure scope for groceries in online shopping. They should provide for purchase of the same as like hyper markets. This not only increases the share of market but also supports the community of farmers. This boosts the development of agriculture sector as farmers get fair price for agricultural produces.

Conclusion:
Online shopping has created a new wind in the country. The population dividend of the country is technosavy. E-tailing is sunrise industry as most of dot com companies are entering into market. They have abundant scope in rural market. If they formulate strategies towards rural market, definitely, it doubles the market share of online shopping.

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• www.flipkart.com

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ADVERTISING INDUSTRY IN INDIA – THE PROSPECTIVE

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Abstract

Advertising industry in India is growing at a very past pace it has got bright future and can add to development of Indian economy. Many advertising firms have been opened in India –small as well as big. Growing income level, shift in lifestyle increase in use of smart phones, online shopping, brand awareness, availability of products, healthy policies of Indian Government are some of the factors due to which the future of advertising industry is bright and advertising is a worldwide business activity today and its importance increases as more corporations go international vast expenditure are spent each year by corporations on advertising to achieve their corporate objectives.

Introduction:

It is known fact that there should be an element of creativity in an advertisement. This creativity is to create something new, unique, extremely attractive and appealing to the consumers. In fact, advertising itself is a creative process. It is the outcome of long term planning and hard work on the part of the copy writer & creative director who prepares & shapes the final copy of advertisement.

The objectives of this review study are to find out the role of creativity in advertising in Indian market. How creativity impacted the television ads. How advertisers can create distinctive effects through creative dimension especially in today’s media landscape where advertisers find it even more challenging to break through the clutter of competing ads in order to shape consumers attitudes and intentions. One of the strategy alternative strategies to greater advertising spending may be more creative advertising. Understanding the fact that creative ideas do not come over night they are required to be developed through systematic thinking.

The Indian advertising market has been growing at extremely fast pace since last 5 to 7 years, to a consistent economic growth of around 9% and huge rise in the number of Multinationals entering India in last few years. Television is going to be a better medium for these multinationals to reach out the growing Indian middle class consumers. It also reveals that one single advertisement telecast during the India Pakistan cricket match ensures that the product / brand is seen by at least 200 million TV viewers (approx. ) And so an amount of Rs.3, 50,000/- tag would be the charge for a ten second ad is justified then. If calculated, it comes to roughly 2 rupees per 1,000 viewers which seems to be dirt cheap.

Influence in each individual’s lives and of various media of advertising, television advertising plays an important role. Any creative person can communicate an information in any or combined forms of motion,
sounds, words, color, personality and stage setting to express and demonstrate ideas to large and widely distributed audience. T.V. advertisements usually play a role in either introducing a product or reinforcing the familiarity to the product and also convincing to purchase the product. Advertisements are among the most visible of the marketing strategy and have been the subject of a great deal of attention in the last ten to fifteen years. Advertisement cannot only change emotions both traditional media and the internet is easily ignored by the audience or is perceived with little value.

Meaning and definition:

According to American Marketing Association "advertising is any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor”.

According to Gardner, “Advertising is the means of mass selling that has grown up parallel with and has been made necessary to mass production”.

History of advertising

The dawn of Indian Advertising marked its beginning when hawkers called out their wares right from the days when cities and markets first began. It was then that the signage’s, the trademarks, the press ads and the likes evolved.

Concrete advertising history began with classified advertising. Ads started appearing for the first time in print in Hickey’s Bengal Gazette which was India’s first newspaper. Studios mark the beginning of advertising created in India as opposed to being imported from England. Studios were set up for bold type, ornate fonts, fancier, larger ads. Newspaper studios trained the first generation of visualizes and illustrators

Major advertisers during that time were retailers like Spencer’s, Army & Navy and White away and Laidlaw. Retailers’ catalogues that were used as marketing promotions provided early example. Patent medicines: The first brand as we know them today was a category of advertisers. Horlicks becomes the first ‘malted milk’ to be patented in 1883.

B Dataram and Co. claims to be the oldest existing Indian agency in Mumbai which was started in 1902. Later, Indian ad agencies were slowly established and they started entering foreign owned ad agencies. Ogilvy and Mater and Hindustan Thompson Associate agencies were formed in the early 1920s. In 1939, Lever’s advertising department launched Dalda – the first major example of a brand and a marketing campaign specifically developed for India. In the 1950s, various advertising associations were set up to safeguard the interests of various advertisers in the industry. In 1967, the first commercial was aired on Vividh Bharati and later in 1978; the first television commercial was seen. Various companies now started advertising on television and sponsoring various shows including Humlog and Yeh Jo Hai Zindagi.

In 1986, Mudra Communications created India’s first folk-history TV serial Buniyaad which was aired on Doordarshan; it became the first of the mega soaps in the country. Later in 1991, First India-targeted satellite channel, Zee TV started its broadcast. 1995 saw a great boom in media boom with the growth of cable and satellite and increase of titles in the print medium. This decade also saw the growth of public relations and events and other new promotions that various companies and ad agencies introduced. Advertising specific websites were born, one of them being agency faqs now known as a faqs.
Growth of Advertising in India

Advertising as we understand today has its origin in the early historical period. It has made steady progress over centuries. Its need or importance is growing along with the growth and expansion of business activities. Many significant changes have taken place during the process of evolution of advertising. Like other countries, advertising has a long history in India. However, advertising was officially recognized as a medium of mass communication only in the 18th century. The first newspaper “BENGAL GAZETTE” was published in India in 1780. By 1786, there were four weekly newspapers and monthly magazines published in Calcutta. Advertising on radio started in India in 1950’s. Advertising on radio proved to be a powerful medium useful for creating new markets. Commercial Broadcasting has informed and entertained people for more than 40 years. In 1928, two advertising agencies were started in India. The importance of advertising started increasing only after the Second World War. The Association of Advertising Agencies of India (AAAI) was established in 1945. The Audit Bureau of Circulation (ABC) was started in 1948. T.V. started in India in September 1959. In addition to DD Metro now we also many other channels on television like Zee T.V., STAR PLUS, COLORS, ETC. cable T.V. and many more such channels for Advertising purpose. Introduction of satellite T.V. has made a revolution in the advertising field in India. The progress of advertising in terms of quality, creativity and coverage is extremely fastening India since 1950 due to the introduction of new advertising media. Ample of scope is available for advertising due to industrial growth.

Market size:-

India’s advertising industry is expected to grow at a rate of 16.8 per cent! year-on-year to Rs 51,365 crore (US$ 7.54 billion) in 2016, buoyed by positive industry sentiment and a strong GDP growth of 7 per cent and above. Print contributes a significant portion to the total advertising revenue, accounting for almost 41.2 per cent, whereas TV contributes 38.2 per cent, and digital contributes 11 per cent of the total revenue. Outdoor, Radio and Cinema make up the balance 10 per cent.

The online advertising market in India is expected to touch Rs 3,575 crore (US$ 538.09 million) in 2015 from Rs 2,750 crore (US$ 413.92 million) in 2014. Of the current Rs 2,750 crore (US$ 538.09 million) digital advertisement market, search and display contribute the most - search advertisements constitute 38 per cent of total advertisement spends followed by display advertisement at 29 per cent, as per the study.

The Internet's share in total advertising revenue is anticipated to grow twofold from eight per cent in 2013 to 16 per cent in 2018. Online advertising, which was estimated at Rs 2,900 crore (US$ 436.50 million) in 2013, could jump threefold to Rs 10,000 crore (US$ 1.51 billion) in five years, increasing at a compound annual rate of 28 per cent.

It is interesting to note that Indians paid Rs 25,200 crore (US$ 3.79 billion) to access the Internet in 2013, a figure greater than the Rs 22,300 crore (US$ 3.36 billion) that print medium garnered in subscription and advertising.
Statistics and facts about the advertising industry in India:

Between 2013 and 2018, India is projected to be the second fastest growing advertising market in Asia, topped only by China. The Indian market is expected to grow 10.7 percent annually. However, PwC projected that in 2018 ad spend would not play as significant a role in Indian economy as it would in other Asian countries. According to the forecast, the share of ad spend in Indian gross domestic product in 2018 will amount to 0.45 percent, whereas in Hong Kong, for example, the value is expected to reach 1.07 percent.

Advertising revenue in India from 2008 to 2020*(in billion Indian rupees):

This statistics present the advertising revenue generated in India from 2008 to 2020 and provides a projection of the revenue until 2020. It is predicted that the revenue will amount to 547 billion Indian rupees in 2016.

Scope of Advertising Industry in India:-

- India has a rich pool of strategic planning, creative and media services personnel: Indeed, Indian advertising industry has been exporting senior-level talent to many countries, particularly to the Gulf, South-East Asia, China, the UK and the US. Indian talent is recognized and respected in global agency networks.
- No other country has access to so many trained management graduates who can provide strategic inputs for brand and media planning.
- Indians are multicultural: we learn at least two languages and that gives us a head start in understanding cultural diversity.

Recent Developments:-

- Indian Railways has appointed Ernst & Young (EY) as a consultant to discover its advertising potential, which is in line with the Railway Budget proposal of increasing non-fare earnings to over Rs 5,000 crore (US$ 733.6 million) in five years.
- MoMark Services, a mobile based customer engagement platform for small and medium businesses, has raised US$ 600,000 from YourNest Angel Fund and LNB Group, to scale up its product offerings and talent acquisition.
- Tata Motors has appointed renowned football player Lionel Messi as the global brand ambassador for Tata cars and utility vehicles globally, with an aim to tap the youth market and expand visibility and presence of Tata Motors in newer markets.
- Advertising agency J Walter Thompson has launched its global digital agency network ‘Mirum’ in India which will provide services such as strategy and consulting services, campaigns and content, experience and platforms, analytics and innovation and product development, with the target to increase non-traditional media revenues to 40-45 per cent from 35 per cent currently.
DDB Mudra Group has planned to launch ‘Track DDB’, a brand that addresses the data-led world of marketing communications, which will provide services like creative, data and digital analytics, database marketing, CRM, digital and mobile marketing in India.

All India Radio (AIR) has appointed ‘releaseMyAd’ as a virtual agency to let advertiser’s book ads for all of AIR’s station online.

Google is all set to help India implement Prime Minister Mr Narendra Modi’s "Digital India" initiative, and the government has a well laid out plan to realise it, said Google's Chief Internet Evangelist Mr Vinton G. Cerf. Digital India is Rs 1.13 trillion (US$ 16.58 billion) government initiative that seeks to transform the country into a connected economy, attract investment in electronics manufacturing, and create millions of jobs and support trade.

As companies look for better productivity and increasing efficiencies in a tough market environment, market research firm Nielsen has launched its first consumer neuroscience lab in India at its Mumbai headquarters. The neuroscience lab will augment the company's research capabilities in packaging and research, improving their effectiveness.

MPS North America LLC, the US subsidiary of Bengaluru-based publishing solutions provider MPS Ltd, has acquired Electronic Publishing Services Inc. (EPS), a New York-based firm with interests in content creation, art rendering, design and production. The deal will allow MPS to strengthen its foothold in North America.

Jaipur-based Girnar Software Private Limited, which owns and operates the website CarDekho.com, announced that it has raised US$ 50 million in its second round of funding. The funding was led by Hillhouse Capital with participation from Tybourne Capital and Sequoia Capital.

ZipDial has become the first Indian technology product startup to be bought by Twitter in what is the third such deal led by a global corporation following the acquisitions by Facebook and Yahoo. The ZipDial deal is expected to cost Twitter US$ 34-35 million. This feature is expected to help Twitter reach people who will come online for the first time in countries such as Brazil, India and Indonesia, mostly using a mobile device.

Telecom major Axiata's subsidiary, Axiata Digital Advertising (ADA) has formed a joint venture with US-based advertising tech firm Adknowledge to get into the US$ 47 billion digital ad market in the Asia Pacific region and has identified India as a 'key' market.

Impact of Advertising

Advertising plays an important role in today’s competitive business world. It provides benefits to Manufacturers, Retailers, Customers, Salesman and Society as well.

- Introduces a New Product: Advertising is used to introduce a new product in the market. It helps to compete with establish brands and, thereby, ensures the survival and success of new product.
- Creates Demand for Product: Advertising creates demand for the product. Advertising spread information about the product or services and makes consumers aware about it through various mass media which makes positive effect on the mind of the people and create demand for the product.
- Expand Market: It helps in expanding local markets, to national level and even to International level. Trading at national and international level is impossible without advertising
• Assists Personal Selling: Advertising reaches a prospect before a salesman could. The prospect is well informed through advertising. Makes the salesman’s job easier.
• Building Brand Image: The purpose of repeat advertisings is to make people more brands conscious. Once good brand image is developed, buyers generally become brand loyal. Money spent on advertising is a long term investment to build brand and company image.

CONCLUSION

Advertising industry in India has got bright prospects. There are many factors which can and are contributing to the growth of this industry. Growing income level, shift in lifestyle, Increase in use of smart phones, online shopping, brand awareness, availability of products, healthy policies of Indian Government are some of the factors due to which the future of advertising industry is bright. But to have healthy growth, Indian govt. must ensure that the malpractices of marketers like deceptive ads, misleading ads, unethical ads are curtailed so that power of advertising is properly used to inform and persuade the consumer.

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GREEN BANKING

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Abstract

In the environment friendly society “Go Green” mantra has become relevant in each and every aspect of business. There is a wave of change with all business activities to not only focus on profit but also on people and planet. Due to environment consciousness and awareness businesses can no longer run after profits only. There is a move towards green economy and in every sphere organizations have to be environmentally sensitive. One such area is Green Banking. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. Broader view is having green criteria as a lending principle. Banking industry is generally not considered as polluting industry. But it impacts the environment in terms of increasing energy consumption (lighting, air conditioning), paper consumption. This paper attempts to conduct a review of literature on Green Banking and find the major problems in implementation of this green phenomenon. Public sector banks are keener in adopting green practices as compared to private banks.

Keywords: Green Banking, Lending Principle, Net Banking, Sustainability

1. Introduction

With increasing awareness and environment consciousness businesses can no longer run after profits only. It will be unwise for them to ignore the concern for the society and the environment. Green movement for protection of environment has brought about a change in the way business is managed. There is a move towards green economy where each and everyone be it customer, employees, employer or general public are concerned about the environment. The desire to engage one in environment friendly green practices has expanded to the organizations also. Sustainability is the key issue. In this new era it becomes essential to address the green issues. Now each action is required to be environmentally responsible. Green is the word now ‘Green Computing’, ‘Green Banking’, ‘Green Strategic Management’ and so on.

In the environment friendly society “Go Green” mantra has become relevant in each and every aspect of business. There is a wave of change with all business activities to not only focus on profit but also on people and planet. With the changing consumer expectation, stricter environment regulation, compliance requirements even the banking sector cannot escape this wave of change.

2. Objectives of the Paper

The objective of the paper is to study the green philosophy in banking. The study includes following aspects.

- Concept of Green Banking.
- Need for Banking.
- Avenues of Green Banking.
- Review of existing literature.
- Benefits of Green Banking.
• Steps in Green Banking.
• Agencies Promoting Green Banking and Sustainability.
• Green Banking Initiatives by Indian Banks.

3. What exactly is in Green Banking?
Green Banking is not a separate bank. Green Banking means ensuring environment friendly practices in banking sector and thereby reducing internal and external carbon footprints. Banking industry is generally not considered as polluting industry. But it impacts the environment in terms of increasing energy consumption (lighting, air conditioning), paper consumption. A broader view of this is that banking industry is linked to the external environment as it provides funds to others and hence finances their activities. Banks are a source of funds. So they can contribute to environment by ensuring environmentally responsible investment and a carefully evaluated lending.

Green Banking therefore covers two aspects. The first one being judicious use of all resources, energy and reducing carbon footprints and second being encouraging and financing only environment friendly investment. So Green Banking is not only about making sustainable use of resources but also about environment friendly dispensation of credit. A proper scrutiny of all projects that are financed in terms of environment is another major element of Green Banking.

The concept of Green Banking emerged in 2009 with coming of the first Green Bank based in Mt. Dora, Florida, United States. The Institute for Development and Research in Banking and Technology established by RBI defines Green Banking as:

‘Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment.’

Considering the nature of banking processes and infrastructures, this report offers guidelines for greening banking in two levels.

• Making day-to-day business operations, banking products and services greener by following simple practices and making them environmentally friendly.
• Making IT infrastructure (including data center) and physical infrastructure (including buildings) greener and taking initiatives so that a bank could itself generate electricity for its own consumption.

Green Banking can be implemented by a proper use of technology. The various ways in which banks have adopted through this wave of change are:

• Sending payment slips, reimbursement slips electronically.
• Online Net Banking System.
• Paying bills online.
• Opting for Mobile Banking.
• Paper Recycling.
• ATM.
• Green Checking Accounts.
• Conduct meeting through Video Conferencing.
Green Banking is relatively new. So what is required is consumer awareness, education and training programs to familiarize the customer on use of the new technologies and facilities introduced in light of Green Banking.

4. Why Green Banking?
The reasons for moving towards green mantra in banking sector in this fast changing environment

- Going green provides competitive advantage.
- Consumers are more interested in environment friendly goods and services.
- The wave of globalization has increased awareness of investors and they now opt for environment friendly investment.
- Stricter government regulations are in place now.
- Government agencies demand a greater disclosure.

So on account of all these banks are required to manage their day- day operations considering the environment impact and also finance only those alternatives which are having a positive impact on the planet.

5. Major Avenues of Green Banking
As highlighted by Institute for Development and Research in Banking Technology established by RBI the major avenues of Green Banking are:

- Green Process which means that each unit and activities should be environment friendly. Few among these are paperless transaction, maintaining contacts with customer through online means, offering banking products in a way to have minimal environmental impact.
- Green Products and Services like electronic banking, electronic paperless statements etc.
- Green Strategies which means explaining the key stakeholders about environmental values, setting a green policy and publicizing it etc.

6. Review of Literature:
Green Banking aims at greener and a clean future. As stated earlier what is needed in context of this new concept is consumer awareness. According to RBI (IRDBT, 2014), green banking is to make internal bank processes, physical infrastructure and IT infrastructure as effective and efficient as possible, with zero or minimal impact on the environment. They had introduced green rating standards for Indian banks, which are termed as ‘Green Coin Ratings’. Under this rating system, banks are judged on the basis of carbon emissions from their operations and on the amount of recycling, refurbishment and reuse material being used in their building furnishings and in the systems used by them like servers, computers, printers, networks, etc. They are also being judged on the amount of green projects finance by them and rewards or recognitions given to borrowers for turning their businesses greener.

Sahoo and Nayak (2008) explore the relevance of Green Banking and site international experience in this respect. The researchers find that there has not been much initiatives by banks in India and thus policy measures are needed to promote Green Banking in India. The researchers reveal that none of the Indian banks have adopted equator principle and none of them is signatory to UNEP financial initiative statement. Indian banks should use environmental criteria for funding projects.

Bahl, Sarita (2012) conducted an empirical study on “Green Banking – The new strategic imperative” tried to find out the most significant strategies while going ahead with green banking by using Garrett’s ranking
technique. Researcher found that Carbon footprint reduction by Green building had been given top priority in green banking strategies and green banking financial products has also been given due weightage. However, Paper less banking and using mass transportation system has been rated low as green banking strategies.

Jha and Bhome (2013) conduct a similar survey as stated above to check and thereby create consumer awareness on Green Banking. Conducting interviews and using specially structured questionnaires for survey they state certain steps needed in Green Banking. Online Banking, Green Checking Accounts (ATM, Special Touch Screens), Green loans (low rate to those who wish to buy solar equipments) for supporting environment friendly residential projects, power saving equipments, Green Credit Cards, Paper Saving Mobile Banking are among few steps suggested by them. Green Banking will ensure organization’s move towards sustainability.

Rajput, Kaur et al. (2013) aims to understand how Indian banks respond to environmental changes and the action taken in respect of Green Banking. They find that there is a small group of banks in India that lead in environmental aspect. Response of Indian banks towards international initiative for environment is sluggish. In the United Nation Environment Programme Finance Initiative there is no single Indian signatory. Using factor analysis they conclude that risk of failure of business to peers and lack of RBI mandates are the obstacles to moving towards sustainability. The gaps in India are the awareness and consciousness on the environmental issues. Carbon Disclosure Projects- India requires public disclosure of emissions. This disclosure project is active in India. But the response is very less as only 8 signatories are there. The researchers feel that current management system needs to be integrated with the environmental and sustainable issues.

Yadav and Pathak (2013) study the Green Banking approaches opted by privat and public bank for environment sustainability. Using case study approach they find that Indian banks have understood the relevance of taking positive steps towards the environment. Moreover results of the study conducted reveals that public sector banks have taken more initiatives as compared private sector with exception of ICICI bank. In private sector only ICICI bank’s approach is a sustainable approach.

Sharma, Gopal et al. (2014) attempt to study the level of consumer awareness of Green Banking initiative in India with special reference to Mumbai. From the primary survey they conducted they find that surprisingly even those people who are using online facilities provided by their banks nearly three fourth of them are unaware of the term Green Banking. They find that among those who are aware of Green Banking term consider it mainly related to online bill payment and cash deposit system.

Jaggi (2014) studies the initiative by SBI and ICICI on Green Banking. SBI has introduced a Green Channel Counter, no queue banking, enhanced commitment towards achieving carbon neutrality, online money transfer, wind farms. Green Products and Services initiative of ICICI Bank includes instant banking (anytime, anywhere), vehicle finance and home finance. Moreover these banks have taken other steps for energy conservation like duplexing (two side printing), recycling, CFLs, carpool etc.

Sudhalakshmi and Chinnadorai (2014) present the status of Indian Banks in respect of Green Banking and state that though goes green mantra is essential for emerging economies like India but significant efforts have not been taken. Banks are required to include their green aspect in the lending principle. Every step taken today will mean a better global environment in future. So a policy measure to promote Green Banking is needed in India. Indian banks are running behind time in adoption of this green phenomenon. Serious steps are required to be taken in this regard.

Nath, Nayak, & Goel (2014) reviewed articles using secondary data with an intention to analyze the green banking initiatives taken by Indian banks. For the study purpose eight top performing banks are considered, it consists of four public banks, namely State Bank of India, Punjab National Bank, Bank of Baroda and Canara
Bank and four private sector banks namely ICICI bank, HDFC Bank, Axis Bank and Kotak Mahindra bank in India.

The study was conducted by Khedekar (2014) with an intention to study the concept of banking with technology. The study identified four public and four private banks, which taking initiatives towards green banking system. The study revealed the eight selected banks, namely SBI, Punjab National Bank, Bank of Baroda, Canara Bank, ICICI Bank, HDFC Bank Ltd, Axis Bank Ltd and Kotak Mahindra Bank have adopted green banking strategies in its activities thereby reducing paper consumption as well as reducing their carbon footprint in the area of waste management.

Bihari & Pandey (2015) studied the concept of green bank in the Indian context. The study covered following aspects, namely, identified the steps required to adopt green banking, focused on the awareness level of the green banking concept among bank employees, general public and put effort to create awareness about green banking among the bank employees and the general public.

7. Research Methodology:
This paper reviews the literature on the basis of secondary data collected from various sources such as articles, research papers, annual reports, sustainability reports, company’s official websites etc. For analyzing the green banking initiatives taken in India top performing banks (on the basis of net profit in year 2014) are selected in both public and private sector.

8. Benefits of Green Banking:
1. Avoids Paper Work: Paperless banking almost all banks in India are computerized or operate on a core banking solution (CBS). Thus there is ample scope for the banks to adopt paperless or less paper for office correspondence, audit, reporting etc. these banks can switch over to electronic correspondence and reporting thereby controlling deforestation.
2. Creating Awareness to Business People about Environment: Many NGOs and environmentalists are propagating environment consciousness among the public in general by arranging awareness programs and organizing seminars etc. Banks may associate themselves by sponsoring such programs. Besides, many corporate bodies are organizing similar program in their own line of business such as “free pollution check program” organized by a car manufacturer. Banks may tie with such corporate. These will help to brighten the image of the bank.
3. Loans at Comparatively Lesser Rates: Banks can also introduce green bank loans with financial concessions for environment friendly products and projects such as fuel efficient vehicles, green building projects, housing and house furnishing loans to install solar energy system etc.
4. Environmental Standards for Lending: Banks follow environmental standards for lending, is really a good idea and it will make business owners to change their business to environmental friendly which is good for our future generations

9. Steps in Green Banking
From the empirical study, it is found that following are some of the steps that can be taken for going green in banking:
1. Go Online:- Online banking is the developing concept in young and corporate India. Online banking helps in additional conservation of energy and natural resources. Online Banking includes:
a. Paying bills online,
b. Remote deposit,
c. Online fund transfers and
d. Online statements.

It creates savings from less paper, less energy, and less expenditure of natural resources from banking activities. Customers can save money by avoiding late payments of fees and save time by avoiding standing to queues and paying the bill from home online.

2. Use Green Checking Accounts:- Customers can check their accounts on ATM or special touch screens in the banks. This can be called as green checking of account. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees etc.

3. Use Green Loans for Home Improvements:- The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to the customers who would like to buy solar equipments. The rate of interest is as low as 4% p.a. Before you undertake a major home improvement project, study if the project can be done in an eco-friendly manner and if you might qualify for a green loan from a bank Green loan are perfect for energy-saving project around the house.

The new Green Home Loan Scheme from SBI, for instance, will support environmentally friendly residential projects and offer various concessions. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits –a 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.

4. Power Savings Equipments:- Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential. Banks can also make a feasibility study to make rain water harvesting mandatory in all the Bank’s owned premises. In December 2009 Indusind Bank inaugurated Mumbai’s first solar-powered ATM as part of its ‘Green Office Project’ campaign titled ‘Hum aur Hariyali’.

5. Use Green Credit Cards:- Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.

6. Save Paper:- Bank should purchase recycled paper products with the highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. Whenever available, vegetable-based inks are used instead of less environmentally friendly oil-based inks.

7. Use of Solar and Wind Energy:- Using solar and wind energy is one of the noble cause for going green. State Bank of India (SBI) has become the first bank in the country to venture into generation of green power by installing windmills for captive use. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.

8. Mobile Banking:- Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from you phone. One the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks introduced this paper-less facility.
10. AGENCIES PROMOTING GREEN BANKING AND SUSTAINABILITY:

The financial sector’s growing adherence to environmental management system is attributed to direct and indirect from international and local NGOs multi lateral agencies. Following are the agencies promoting green banking and sustainability at the international and regional level.

INTERNATIONAL FINANCE CORPORATION (IFC):
It is a member of the World Bank group established in 1956 and its environmental unit was set up in 1991 for reviving each project for environmental assessment and to promote the sustainable group in developing countries by providing advisory services to governments and business, private sector financial services and mobilizing funds in international financial markets. It also helps them to improve corporate governance and environmental performance, create jobs and contribute to their local economies.

UNITED NATIONS FRAME WORK CONVENTION ON CLIMATE CHANGE (UNFCCC):
The UNFCCC is an international treaty made in 1992. This was formed to confer what the countries could do to limit the average increase in global temperature and the resulting climate change. Later, countries realized that emission reduction provisions in the convention were in adequate. Hence they launched negotiations to strengthen the global response to climate change and two years later, adopted the Kyoto Protocol. This protocol legally binds developed countries to emission reduction targets. The protocol’s first commitment period started in 2008 and ended in 2012. The second commitment period began on 1st January 2013 and will end in 2020.

UNITED NATIONS ENVIRONMENT PROGRAMME AND FINANCE INITIATIVE (UNEP FI):
The UNEP FI is an international public-private partnership establishment. Over 200 institutions, including fund managers, insurance and banks work with UNEP to now the impacts of social and environmental considerations on financial performance. The UNEP induces the financial institutions in the implementation of sustainability principles at all levels of operations through the incorporation of Economic, Social & Governance (ESG) in a risk analysis. It has formulated and developed Principles of responsible performance. The UNEP induces the financial institutions in the implementation of sustainability principles at all levels of operations through the incorporation of Economic, Social & Governance (ESG) in a risk analysis. It has formulated and developed Principles of Responsible Investment (PRI) which has over 900 signatories.

BANK TRACK:
It is the international network of civil society groups which is tracking the investments and operations of private sector commercial banks and their impact on people and the planet. Bank track along with civil society organizations has proven track record in companying and monitoring private sector banks. The main aim is to initiate and promote changes in the operations of bank so that while conducting their business they should consider the ecological well being of the society and be accountable for the activities of their stake holders.

INDIAN GREEN BUILDING COUNCIL (IGBC):
IGBC was formed in the year 2001 with a vision to build a sustainable environmental and to facilitate India to be one of the global leaders in green buildings by 2025. The activities of the council enabled in market transformation in green building materials, technologies and concepts. Green building ratings are nationally and internationally accepted benchmark for the operation, construction and design of high performance of green buildings. It provides architects, consultants, owners, project managers and facility managers the tools they need for designing, operation and construction of green buildings.

11. Green Banking Initiatives by Indian Banks:
Banks include both public sector banks and private sector banks. Public sector banks are those where majority stake (more than 50%) is held by the government and public sector banks are those where majority stake is held by the private shareholders. Various green initiatives had taken by public sector and private sector banks in India.

**Public Sector Banks**

1. **State Bank of India (SBI)**
   - SBI had launched Green Channel Counter (GCC) facility at their branches in 2010 to change the traditional way of paper based banking (SBI, 2014).
   - The bank had also collaborated with Suzlon Energy Ltd for the generation of wind power for selected branches by setting of windmills in Gujrat, Tamil Nadu and Maharastra (Business Standard, 2014).
   - It has become a signatory to the Carbon Disclosure Project in which they undertake various environmentally and socially sustainable initiatives through its branches spread across the length and breadth of the country (WWF-INDIA, 2014).
   - Export Import Bank of India (EXIM) and SBI entered into an agreement to jointly provide long term loans up to 14 years to Spain based company Astonfield Renewable Resources and Grupo T-Solar Global SA for building solar plant in India (Yadav & Pathak, 2013).

2. **Bank of Baroda** – According to the annual report of BOB (2013), they had taken various green banking initiatives such as: -
   - While financing a commercial project, BOB is giving preference to environmentally friendly green projects such as windmills, biomass and solar power projects which help in earning the carbon credits.
   - The organization had made considerable changes in their lending policy, i.e. it is compulsory for industries to obtain ‘No Objection Certificate’ from the Pollution Control Board and also they are not extending any finance to environmental hazardous industries which are using ozone depletion substances such as halos-1211, 1301,2402 used in foam products, chlororofluoro carbon CFC 11,12,113, solvents in cleaning and aerosol products.
   - The bank had taken several technological initiatives such as compliance with e-business guidelines, use of internet banking, mobile banking to promote paperless banking and also increasing the installation of ATM’s in most of uncovered areas to reduce the petrol or diesel consumption in travelling and helps in maintaining a clean environment.
   - As a part of green initiative, they had made changes to desktop virtualization; backup consolidation and server virtualization improve data center operational efficiency.
   - The bank is also promoting measures for pollution control and environmental conservation.

3. **Canara Bank** – According to Canara Bank (2013), the bank had taken many green initiatives such as: -
   - As a part of green banking initiative, the bank had adopted environmental friendly measures such as mobile banking, internet banking, tele-banking, solar powered biometric operations etc.
   - Canara bank had set up e-lounges for high-tech banking facilities like internet banking, pass book printing kiosk, ATM, online trading, tele-banking and cash/cheque acceptor.
• The bank had implemented e-governance for HRM function and several other administration areas to reduce the paperwork.

• In terms of Lending policy, they are giving due preference and weightage to projects which can earn carbon credits like solar energy projects, windmills, etc.

• The bank is also not extending any finance to the units which are producing ozone depletion substances such as chlorofluoro carbon, carbon tetrachloride, aerosol products, solvents etc.

• While appraising any project, the organization insists the manufacturing units which are emitting toxic pollutants, to install water treatment projects to process such pollutants and they also ensure that the borrower to obtain No Objection Certificate (NOC) from central or state pollution control board.

Private Sector Banks

1. ICICI Bank Ltd – ICICI bank had adopted ‘Go Green’ initiative, which involves activities such as Green products/offerings, Green engagement and green communication with customers as per ICICI Bank (2014): Green Products and Services: The bank is offering green products and services like

   • **Instabanking:** It is a service which gives convenience to the customers to do banking anywhere and anytime through internet banking, mobile banking, IVR banking, etc. This reduces the carbon footprint of the customers as they do not require the physical statement or travel to the bank branches.

   • **‘Vehicle Finance’**: They are offering 50% waiver on processing fee of auto loans on the car models which uses alternate sources of energy like the Civic Hybrid of Honda, Tata Indica CNG, Reva electric cars, Mahindra Logan CNG versions, Maruti’s LPG version of Maruti 800, Omni and Versa and Hyundai’s Santro Eco.

   • **Home Finance** – The bank had reduced the processing fee for the customers who are purchasing homes in LEED certified buildings.

2. HDFC Bank:

   a. HDFC bank is taking up various measures in reducing their carbon footprints in the area of waste management, paper use and energy efficiencies as per HDFC Bank (2013):

   b. The bank is encouraging their employees to prevent any wasteful use of natural resources and emission of greenhouse gasses.

   c. They are reducing the use of paper through issuing e-transaction advices to their corporate customers, communicating through electronic media with their high net worth customers and encouraging e-statements to their retail customers.

   d. The bank is also promoting energy conservation by replacing conventional lighting with CFL, switching off all the lights after 11 pm at all the branches and establishing green data centers with state of the art technologies.

   e. The organization is exploring renewable energy by setting up of 20 solar ATMs with a pilot ATM set up in Bihar, and by replacing batteries in ATMs with Lithium-ion batteries.

   f. They are also managing their waste by tying up with vendors for recycling of paper and plastic.

   g. The bank is procuring green products which are compliant with the norms of the Central Pollution Control Board and which are rated by Energy Star.
3. **Axis Bank Ltd**: AXIS bank implementing several initiatives in green banking such as per Axis Bank (2013):

- In August 2011, the bank had initiated the process of collecting all the dry waste generated from the corporate office and thirty-four branch offices in Mumbai, and recycle it to notepads, notebooks, and envelopes. Till date, more than 1,00,000 kgs of paper has been recycled and converted to 12,000 notebooks, notepads, and envelopes which are used at corporate office and branches of the bank;
- The corporate office of the bank, located in Mumbai, is designed and constructed as a Platinum LEED certified ‘Green Building’;
- Car pooling has been initiated by a bank to reduce carbon footprint; o They are also encouraging their customers to use e-statements and other electronic communications to reduce paper consumption;
- Annual reports are being sent through emails;
- The organization had initiated Independent ATM Deployment (IAD) model in which ten solar based ATM has been set up in Coimbatore circle.

**Conclusion:**

Banks are responsible corporate citizens. Banks believe that every small “GREEN” step taken today would go a long way in building a greener future and that each one of them can work towards better global environment. “Go Green” is an organization wide initiative that is moving towards banks, their processes, and their customers. The purpose is to provide cost efficient automated channels and to build awareness and consciousness of environment, nation, and society. Green banking is really a good way for people to get more awareness about global warming; each businessman will contribute a lot to the environment and make this earth a better place to live. Although these companies may differ with regard to their stated motivations for increasing green products and services (e.g. to enhance long-term growth prospects, or sustainability principles on which a firm is based), the growth, variation, and innovation behind such developments indicate that we are in the midst of a promising drive towards integrating green financial products into mainstream banking. Possible policy measures and initiative to promote green banking in India has become the need of the hour. In a rapidly changing market economy where globalization of markets has intensified the competition, banks should play a pro-active role to take environmental and ecological aspects as part of their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. The banking and financial sector should be made to work for sustainable development. As far as green banking in concerned, India’s banks are running behind time and it is the need of the hour to think it seriously for the sustainable growth of the nation.

**REFERENCES:**

BANKING SECTOR REFORMS IN INDIA: A COLLECTIVE STUDY OF HISTORY AND ITS OPERATIONS

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ABSTRACT
No country can have a healthy economy without a sound and effective banking system. The Banks always remain the main participants of the financial system in any country. The Banking sector offers several facilities and opportunities to their customers and, therefore, it should be able to meet the new challenges posed by technology and other internal and external factors. With the establishment of the first Bank in India by British, the Banking sector has made rapid progress in various phases. Before the establishment of banks, the financial activities were handled by money lenders and individuals and due to that people had to suffer a lot because of ignorance and many other reasons. So as to overcome such problems the organized banking sector was established which was fully regulated by the government. In India, Reserve Bank of India (RBI) is the main governing authority and has been bestowed with extensive powers to work as Central banking authority. The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act 1935. As it is evident that most of Indian population resides in rural areas therefore banking sector had to make a number of reforms in its working in order to survive for its existence. As from the origin of banking sector in India, continuously growth is quite evident. Nowadays Indian banking system is working very efficiently in the country. In this paper, an attempt has been made to know the history and growth of banking sector by dwelling upon its growth in various phases. This paper is a small contribution to the existing vast knowledge of banking industry and will be useful for bankers, Industrialist, policy maker and researchers.

Keywords: Nationalization Movement, Liberalization, Banking Structure in India, Government policy, Growth of Banking, Regulations, RBI & functions, IBA & functions, HRM & retention of employees and customers, social, ethical and environmental aspects.

INTRODUCTION
A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. But there is also an existence of non-banking institutions that provides certain banking services without meeting the legal definition of a bank. A banking system is also referred as a system provided by the bank which offers cash management services for customers and reporting the transactions of their accounts and portfolios, throughout the day. Now with the overgrowing rise of economy in India, the banking system should not only be hassle free but it should also be able to meet the new challenges posed by the technology and any other external and internal factors. For the past three decades, India’s banking system has made several outstanding achievements to its credit. The Banks are the main participants of the financial system in India. The Banking sector offers several facilities and opportunities to their customers. All the banks safeguard the money and provide basic facilities such as loans, credit, and other payment services including checking accounts, money orders, and cashier’s cheques. In addition, banks also offer investment and insurance products.
India cannot have a healthy economy without a sound and effective banking system. The banking system should be hassle free and able to meet the new challenges posed by technology and other factors, both internal and external. In the past three decades, India’s banking system has earned several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to metropolises or cities in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main aspects of India’s growth story. The government’s regulation policy for banks has paid rich dividends with the nationalization of 14 major private banks in 1969. Banking today has become convenient and instant, with the account holder not having to wait for hours at the bank counter for getting a draft or for withdrawing money from his account.

Need of the Banks:

Before the establishment of banks, the financial activities were handled by money lenders and individuals. At that time the interest rates were very high. Again there were no security of public savings and no uniformity regarding loans. So as to overcome such problems the organized banking sector was established which was fully regulated by the government.

The following functions explain the need of the Bank and its importance:

1. To provide the security to the savings of customers.
2. To control the supply of money and credit.
3. To encourage public confidence in the working of the financial system, increase savings speedily and efficiently.
4. To avoid focus of financial powers in the hands of a few individuals and institutions.
5. To set equal norms and conditions (i.e. rate of interest, period of lending etc) to all types of customers.

History of Banking in India:

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases:

1. Early phase of Indian banks, from 1786 to 1969
3. New phase of Indian banking system, with the reforms after 1991

Phase one: Early phase of Indian banks, from 1786 to 1969: The first bank in India namely, “General Bank of India,” was set up in 1786 by the British. Subsequently, two other banks namely “Bank of Hindustan” and “Bengal Bank” were formed after that. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840), and Bank of Madras (1843) as independent units and called them Presidency banks. These three banks were merged in 1920 and the Imperial Bank of India, a bank of private shareholders, mostly Europeans, was established. Allahabad Bank was established, exclusively by Indians, in 1865. Punjab National Bank was set up in 1894 with headquarters in Lahore. Between 1906 and 1913, a number of other banks, i.e., Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. The Reserve Bank of India came in 1935. During the first phase, the growth in banking sector was quite slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1,100 banks in total existing only in India, but most of them were small. This was creating a lot of confusion among people regarding their choices and believes. Therefore, in order to streamline the functioning and activities of commercial banks, the Government of India came up with the Banking Companies Act, 1949, which was later
on changed to the Banking Regulation Act, 1949 as per amending Act of 1965 (Act No. 23 of 1965). This act bestowed The Reserve Bank of India (RBI) with extensive powers for the supervision of banking in India as the Central banking authority. But still, even after all that improvement in banking industry; the general public had lesser confidence in banks. As an aftermath, deposit mobilization was slow. Moreover, people were more inclined towards Postal department because they believed that the savings bank facility provided by them was comparatively safer, and funds were largely given to traders.

**Phase two:** Nationalization of banks and the banking sector reforms, from 1969 to 1991: After Independence in 1974, the government took major initiatives to reform the banking sector. In 1955, Indian government nationalized the Imperial Bank of India and started offering extensive banking facilities, especially in rural and semi-urban areas. The government constituted the State Bank of India and gave it powers to act as the principal agent of the Reserve Bank of India (RBI) and to handle banking transactions of the Union government and state governments all over the country. After that, seven other banks owned by the Princely states were nationalized in 1959 and were made subsidiaries of the State Bank of India. In 1969, 14 commercial banks in the country were nationalized. Subsequently, 07 more banks were nationalized in 1980. As a result, 80 percent of the banking sector in India came under the direct ownership of government.

**Phase Three:** New phase of Indian banking system, with periodic reforms after 1991: This phase is the most important as it introduced many more products and facilities in the banking sector as a part of the reforming process. In 1991, under the chairmanship of M. Narasimham, a committee was set up, which worked for the liberalization of banking practices. The result of committee’s efforts are quite evident as now, the entire country is flooded with foreign banks and their ATM stations. Now all the banks are more concerned to give a satisfactory service to customers in comparison to the previous times. With the emergence of phone banking and net banking, the entire system has become more convenient and swift. Now time is given more importance in all money transactions.

**Nationalization Movement of Banks:** By the 1960s, the Indian banking industry has emerged as an important tool to facilitate the development of the Indian economy. At the same time, it has also emerged as a large employer, and a result a debate started concerning about the possibility to nationalize the banking industry. Indira Gandhi, the-then Prime Minister of India expressed the intention of the Government of India (GOI) in the annual conference of the All India Congress Meeting in a paper entitled "Stray thoughts on Bank Nationalization". The paper was received with positive enthusiasm. Thereafter, her move was swift and sudden, and the GOI issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. Jayaprakash Narayan, a national leader of India, described the step as a "Masterstroke of political sagacity". Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August, 1969. A second step of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second step of nationalization, the GOI controlled around 91% of the banking business in India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. After this, until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

**Liberalization in Banking Sector:** In the early 1990s, the-then Narsimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. The policy came to known as New
Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later on merged with Oriental Bank of Commerce, Axis Bank (earlier as UTI Bank), ICICI Bank and HDFC Bank. This was a great initiative and along with the rapid growth in the economy of India, it revolutionized the banking sector which witnessed rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 49% with some restrictions. The new policy transformed the banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for the traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more. Today, in terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets as compared to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage instability but without any fixed exchange rate.

The Banking Structure in India: The commercial banking structure in India consists of scheduled and unscheduled commercial banks. Scheduled banks contain a list of those banks that are included in the second schedule of Reserve Bank of India (RBI) Act, 1935. As on June 30, 1999, there were 300 scheduled banks in India having a total network of 64,918 branches. The scheduled commercial banks in India comprise State Bank of India and its associates (8), nationalized banks (19), foreign banks (45), private sector banks (32), co-operative banks, and regional rural banks. Before the nationalization of Indian banks, the State Bank of India (SBI) was the only nationalized bank, which was nationalized on July 1, 1955, under the SBI Act of 1955. After the nationalization of banks in India, the branches of the public sector banks rose to approximately 800 percent in deposits and advances took a huge jump by in 11,000 percent.

Table 1: Nationalization Process of Banks in India.

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Name of Bank</th>
<th>Year of nationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State bank of India</td>
<td>1955</td>
</tr>
<tr>
<td>2</td>
<td>SBI Subsidiaries</td>
<td>1959</td>
</tr>
<tr>
<td>3</td>
<td>14 Major banks of India</td>
<td>1969</td>
</tr>
<tr>
<td>4</td>
<td>07 banks with deposits over rs 200 crores</td>
<td>1980</td>
</tr>
</tbody>
</table>

Types of Banks in India:

In India, banks are segregated in different groups. Each group has its own benefits and limitations in its operations. Each one has its own dedicated target market. A few of them work in the rural sector only while others work both in rural as well as urban areas. Many banks are operating in cities only. Some banks are of Indian origin and some are foreign players. Banks in India can be classified into:

1. Public Sector Banks
2. Private Sector Banks
3. Cooperative Banks
4. Regional Rural Banks
5. Foreign Banks
One aspect to be noted is the increasing number of foreign banks in India. The RBI has shown certain interest to involve more foreign banks. This step has covered the way for a few more foreign banks to start business in India.

**Government policy on Banking Industry (Source:-The federal Reserve Act 1913 and The Banking Act 1933):** Banks operating in most of the countries must adhere to heavy regulations, rules enforced by Federal and State agencies to govern their operations, service offerings, and the manner in which they grow and expand their facilities to better serve the public. A banker works within the financial system to provide loans, accept deposits, and provide other services to their customers. They must do so within a climate of extensive regulation, designed primarily to protect the public interests. The main reasons why the banks are heavily regulated are as follows:

1. To protect the safety of the public’s savings.
2. To control the supply of money and credit in order to achieve a nation’s broad economic goal.
3. To ensure equal opportunity and fairness in the public’s access to credit and other vital financial services.
4. To promote public confidence in the financial system, so that savings are made speedily and efficiently.
5. To avoid concentrations of financial power in the hands of a few individuals and institutions.
6. To provide the Government with credit, tax revenues and other services.
7. To help sectors of the economy that they have special credit needs for e.g. Housing, small business, and agricultural loans etc.

**Growth of Banking:** Zhao, Casu and Ferrari (2008) used a balanced panel data set covering the period of 1992-2004 and employed a Data Envelopment Analysis (DEA) based Malmquist Total Factor Productivity (TFP) index. The empirical study indicated that, after an initial adjustment phase, the Indian banking industry experienced sustained productivity growth, which was driven mainly by technological progress. Banks' ownership structure does not seem to matter as much as increased competition in TFP growth. Foreign banks appear to have acted as technological innovators when competition increased, which added to the competitive pressure in the banking market. Finally, results also indicate an increase in risk-taking behaviour, along with the whole deregulation process. It was found in the study of Goyal and Joshi (2011) that small and local banks face difficulty in bearing the impact of global economy therefore, they need support and it is one of the reasons for merger. Some private banks used mergers as a strategic tool for expanding their horizons. There is huge potential in rural markets of India, which is not yet explored by the major banks. Therefore ICICI Bank Ltd. has used mergers as their expansion strategy in rural market. They are successful in making their presence in rural India. It strengthens their network across geographical boundary, improves customer base and market share.

**Regulations for Indian banks:** Currently in most jurisdictions commercial banks are regulated by government entities and require a special bank license to operate. Usually the definition of the business of banking for the purposes of regulation is extended to include acceptance of deposits, even if they are not repayable to the customer’s order—although money lending, by itself, is generally not included in the definition. Unlike most other regulated industries, the regulator is typically also a participant in the market, i.e. a government-owned (central) bank. Central banks also typically have a monopoly on the business of issuing banknotes. However, in some countries this is not the case. In UK, for example, the Financial Services Authority licenses banks, and some commercial banks (such as the Bank of Scotland) issue their own banknotes in addition to those issued by the Bank of England, the UK government's central bank. Some types of financial institutions, such as building
societies and credit unions, may be partly or wholly exempted from bank license requirements, and therefore regulated under separate rules. The requirements for the issue of a bank license vary between jurisdictions but typically include:

- Minimum capital
- Minimum capital ratio
- Fit and Proper’ requirements for the bank’s controllers, owners, directors, and/or senior officers
- Approval of the bank’s business plan as being sufficiently prudent and plausible.

**Reserve Bank of India (RBI):** The central bank of the country is the Reserve Bank of India (RBI). It was established in April, 1935 with a share capital of 5 crores on the basis of the recommendations of the Hilton Young Commission. The share capital was divided into fully paid shares of 100 rupees each, which was entirely owned by private shareholders in the beginning. The government held shares of nominal value of 220,000 into its custody. Now, as it is already mentioned that the RBI commenced its operation on April 1, 1935, under the Reserve Bank of India Act, 1934. The Act (II of 1934) under which it was constituted provided the legislative basis for the functioning of the Bank. The bank was constituted to meet the following requirements:

- Regulate the issue of currency notes
- Maintain reserves with a view to securing monetary stability
- Operate the credit and currency system of the country to its advantage

**Functions of the RBI:**

The Reserve Bank of India Act of 1934 had entrusted all the following important functions of a central bank to the Reserve Bank of India. The list of the functions is as following:

1. **Bank of Issue:** Under Section 22 of the Act, the Bank has the sole right to issue currency notes of all denominations. The distribution of one-rupee notes and coins and small coins all over the country is undertaken by the Reserve Bank as an agent of the government.
2. **Banker to the Government:** The second important function of the RBI is to act as the government’s banker, agent, and adviser.
3. **Bankers’ Bank and Lender of the Last Resort:** The RBI acts as the bankers’ bank. Since commercial banks can always expect the RBI to come to their help in times of banking crisis, the RBI becomes not only the banker’s bank but also the lender of the last resort.
4. **Controller of Credit:** The RBI is the controller of credit, i.e., it has the power to influence the volume of credit created by banks in India. It can do so through changing the Bank rate or through open market operations.
5. **Custodian of Foreign Reserves:** The RBI has the responsibility to maintain the official rate of exchange. Besides maintaining the rate of exchange of the rupee, the RBI has to act as the custodian of India’s reserve of international currencies.

**Supervisory Functions:** In addition to its traditional central banking functions, the RBI has certain non-monetary functions of the nature of supervision of banks and promotion of sound banking in India. The Reserve Bank Act, 1934, and the Banking Regulation Act, 1949, have given the RBI wide powers of supervision and control over commercial and co-operative banks, relating to licensing and establishments, branch expansion, liquidity of their assets, management and methods of working, amalgamation, reconstruction, and liquidation.
Environmental Concerns: It is quite clear from the recently formed Copenhagen Climate Council (CCC) that there is a severe need for environmental awareness among all the countries of the world. CCC published Thought Leadership Series on Climate Change which is a collection of inspirational, concise and clearly argued pieces from some of the world's most renowned thinkers and business leaders on climate change. The objective of the pieces is to assist in enhancing the public and political awareness of the actions that could have a significant impact on global emissions growth and to disseminate the message that it is time to act. The Thought Leadership Series was aimed at explaining and spreading awareness of the key elements in the business and policy response to the climate problem. The rationale for the Thought Leadership Series was to change the focus of people.

Social and Ethical Aspects: There are some banks, which proactively undertake the responsibility to bear the social and ethical aspects of banking. This is a challenge for commercial banks to consider these aspects in their working. Apart from profit maximization, commercial banks are supposed to support those organizations, which have some social concerns. Benedikter (2011) defines Social Banks as “banks with a conscience”. They focus on investing in community, providing opportunities to the disadvantaged, and supporting social, environmental, and ethical agendas. Social banks try to invest their money only in endeavors that promote the greater good of society, instead of those, which generate private profit just for a few. He has also explained the main difference between mainstream banks and social banks that mainstream banks are in most cases focused solely on the principle of profit maximization whereas, social banking implements the triple principle of profit-people-planet. Goyal and Joshi (2011) have concluded in their study on social and ethical aspects of Banking Industry that Banks can protect themselves as a socially and ethically oriented organization by disbursement of loans merely to those organizations, which has social, ethical and environmental concerns.

CONCLUSION
Over the years, it has been observed that clouds of anxiety and drops of growth are two important phenomena of market, which frequently changes in different sets of conditions. The pre and post liberalization era has witnessed various environmental changes which directly affects the aforesaid phenomena. It is evident that post liberalization era has spread new colors of growth in India, but simultaneously it has also posed some challenges. This article discusses the various challenges and opportunities like history and growth of banks, transparency, customer expectations, management of risks, and growth in banking sector, human factor, global banking, environmental concern, social, ethical issues, and employee and customer retentions. Banks are striving to combat the competition. As per the above discussion, we can say that the biggest challenge for banking industry is to serve the mass market of India. Companies have shifted their focus from product to customer. The better we understand our customers, the more successful we will be in meeting their needs. In order to mitigate above mentioned challenges Indian banks must cut their cost of their services. Another aspect to encounter the challenges is product differentiation. Apart from traditional banking services, Indian banks must adopt some product innovation so that they can compete in gamut of competition. Technology upgradation is an inevitable aspect to face challenges. The level of consumer awareness is significantly higher as compared to previous years. Nowadays they need internet banking, mobile banking and ATM services. Expansion of branch size in order to increase market share is another tool to combat competitors. Therefore, Indian nationalized and private sector banks must spread their wings towards global markets as some of them have already done it. Indian banks are trustworthy brands in Indian market; therefore, these banks must utilize their brand equity as it is a valuable asset for them.

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MICRO FINANCE AND WOMEN EMPOWERMENT

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ABSTRACT
This study is concerned to find the impact of microfinance on women empowerment, in terms of changes in education, income, savings and socio-economic status.

Women workers throughout the world contribute to the economic growth and sustainable livelihoods of their families and communities. Microfinance helps empower women from poor household to make this contribution. Microfinance – the provision of financial services to the poor in a sustainable manner – utilizes credit, savings and other products such as microfinance to helps families take advantage of income-generating activities and better cope with risk. Women particularly benefit from microfinance as many microfinance institutions (MFIs) target female clients.

Microfinance is seen as an important tool for poverty alleviation and over the years, microfinance institutions (MFIs) have placed themselves as fulfilling this development goal. The microfinance movement was initiated by NABARD in collaboration with Banks and Non-Government Organizations (NGOs) for unbanked population known as Self Help Group (SHG) – bank linkage program in 1992. The program was government initiated program with refinancing to banks from NABARD. SHG the linkage program involved NGO to form Self Help Group (SHG) and train them. Each SHG typically consists of a group of women / men members interested in accessing financial services including savings, credit insurance etc. Post the training, NGO provided SHGs access to funds by linking them to banks which provided financial services to them directly. NGOs role was to ensure financial discipline of the SHGs. Apart from this there were state government run SHG programmers.

Key Words: Microfinance, SHGs, Women Empowerment

Introduction:
Microfinance which initially started out as a means of extending financial services to the rural poor, who were ignored by the banking institutions, in recent years has shifted from its original goal of working on the socio-economic development of the poor, to large scale profit maximization.

Microfinance sector has covered a long journey from savings to micro credit and then to micro enterprises and now entered the field of micro insurance, micro remittance, micro pension and micro livelihood. This gradual and evolutionary growth process has given a great boost to the rural poor in India to reach reasonable economic, social and cultural empowerment, leading to better life of participating households. Microfinance is a broad term that includes deposits, Loans, payments services and insurance to poor.

Research Methodology:
The data for the present study is collected from the secondary source. Various magazines, News Papers, research articles, referred journals, books, Bharat microfinance Report and Status of microfinance in India by NABARD Reports have been studied and used for the collection of data.
Objectives of the study:
1 To understand the concept of Microfinance
2 To know study the performance of Self Help Groups (SHGs)
3 To know the role of Microfinance in women empowerment (economically, socially, education, skills and training)
4 To know the savings habit of the rural women.

Concept of microfinance:
Microcredit belongs to the group of financial service innovations under the term of microfinance, other services according to microfinance is micro savings, money transfer vehicles and micro insurance. Microcredit is an innovation for the developing countries. Microcredit is a service for poor people that are unemployed, entrepreneurs or farms who are not bankable. The reason why they are not bankable is the lack of collateral, steady employment, income and a verifiable credit history, because of this reasons they can’t even meet the minimal qualifications for an ordinary credit. By helping people with microcredit’s it gives them more available choices and opportunities with a reduced risk. It has successfully enabled poor people to start their own business generating or sustain an income and often begin to build up wealth and exit poverty.

Features of Microfinance:
1 It is a tool for empowerment of the poorest.
2 delivery is normally through Self Help Groups (SHGs)
3 it is not just a financing system, but a tool for social change specially women.
4 it is essentially for promoting self-employment.

Benefits of Microfinance:
Microfinance opened many gates for lower income group in India. Micro financing produces many benefits for poor, or low-income households. One of the benefits is that it is very accessible. Banks don’t provide loans to those with little to no assets, and generally don’t give small size loans. Through micro financing small loans are produced and accessible. Opportunity to approach: Microfinance provides loans to those who have little assets. It acts as the staircase that gives access to the poor to end their poverty. “Microfinance providers who are engaged in helping the poor have overcome this barrier of collateral by adopting a unique mechanism of group lending. Therefore microfinance lending is commonly referred to as group based lending.

1. Most of microfinance loans are provided to women. Women borrowers are found to be more
   When it comes to repayment of loans.
2. Microfinance gives small loans to people who want to make their children study.
3. It helps lower income group to make better living of standard.
4. Microfinance helps poor people to sustain at the time of financial problems.
5. Microfinance creates job opportunities to people without much economic support.

Why are microfinance borrowers mostly women?
Historically, women have been known to handle money responsibly. Further, in the Indian context, more women are home-makers or conduct businesses within or close to their homes than men. This makes them more accessible for the regular collection meetings. Women are also more likely than men to use the surplus income from their business activity for ploughing back into the business, or for better food, education expenses of children or home improvements – as opposed to wasteful or consumptive expenditure.
Microfinance Models in India:

- 1 Self Help Group Bank linkage model 97 Percentage of MicroFinance Business.
- 2 Microfinance Institution Model (MFI)
- 3 Grameen Model
- 4 Individual Lending

Self Help Group:

Usually a SHG formed of 10-20 women who come together voluntarily for a common objective. These groups are part of the micro-level financing focus on providing access to bank credit to the neglected, underprivileged and the deprived sections of the society.

They have emerged as a powerful tool to alleviate poverty, empower rural women to increase their potential and identify, bring personal, social and economic changes, facilitate their managerial abilities, and develop community value. In this way, these groups gather people who share the same needs or problems that are not being addressed by existing organizations, institutions or other types of groups. For poor people it is hard to solve their problems individually but once they are together, it becomes easier to tackle them.

- Attendance of regular weekly meetings by group members
- Training in loan utilization
- Discussion about social discrimination, gender awareness, health, sanitation and education
- Contribution of fixed amounts (savings)
- Repayment of loan that members obtain.
By forming Self Help Groups (SHG), women become much more independent and are excited to have an alternative way of earning their livelihood. These women undergo skill enhancement training and pick up various trades such as tailoring, embroidery, dairy farming, papad / pickle / vada making, broom-making among others, so they can sell their produce in the market, aiming to earn profits. They are also made aware of how they can access markets and negotiate the price of the goods they have painstakingly made.

They enthusiastically participate in literacy classes so they can easily pick up the Alphabet & Numbers and gain practice by learning how to read the newspaper. They are also given exposure to banks and learn how to handle financial transactions. These women are also familiarized with micro-enterprises and taught how entrepreneurship can change their lives for the better.

Modal Code of Conduct (SHG):
Advantages of financing through SHGs:

- An economically poor individual gains strength as part of a group.
- Besides, financing through SHGs reduces transaction costs for both lenders and borrowers.
- While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG cut down expenses on travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.
- Where successful, SHGs have significantly empowered poor people, especially women, in rural areas.

Self Help Group – Bank Linkage Model:
Self Help Group-Bank Linkage Programme (SBLP) aims to deliver financial products & services to the section of Indian population that lacks access to formal banking. This segment, often from the lower income, meets its financial needs through informal sources such as money lenders, traders, family and friends etc. However, these sources have their own limitations.

Under SBLP, 10-20 individuals are organized in groups known as Self Help Groups (SHGs) by NGOs commonly known as Self Help Promoting Institutions (SHPI). The SHGs are also encouraged to take up livelihood activities, for which skill training is provided by certain NGOs. The members of the SHG are
encouraged to save and internally lend the savings to members during times of need. SHPIs also provide knowledge on managing books of accounts.

SHG – Bank linkage programme, the largest microfinance model in the world, began formally in 1992 with a set of guidelines passed by NABARD. Further RBI facilitated commercial banks to lend to SHGs without collateral. Since then it has taken the shape of a movement. This chapter will present an aggregate picture of various programs and schemes of SHGs such as SBLP, WSHG, NRLM etc and the institutional approaches such as SHPIs, Federations and BCs.

Working of SHG-Bank Linkage Model:

Self Help Group Bank Linkage Programme (SBLP):
Self Help Group Bank Linkage Programme (SBLP) is a step to bring the “unbanked” poor into the formal banking system and to inculcate thrift and credit habits. A natural corollary for the group members to graduate to seek better livelihood opportunities through access to credit from financial institutions. In recent times, various initiatives have been taken by the Government, RBI, NABARD and banks to bring the poor into the fold of the formal financial system.
Key Statistics under SBLP as of March 2014:

• Total number of SHGs saving-linked with banks – 74.29 lakh
• Total saving amount of SHGs linked with banks – ` 9897 crore
• Total number of SHGs with loan outstanding – 42 lakh
• Total loan amount outstanding – `42927 crore
• Total No. of SHGs credit linked during 2013-14 – 13.66 lakh
• Total Amount of Loans Disbursed during 2013-14 – `24017 crore
• Estimated No. of families covered – 970 lakh

Source: The Bharat Microfinance Report 2014

Role of Microfinance in Women Empowerment:

• Economic empowerment
• Education, skill and training empowerment
• Social empowerment

• Microfinance in women Economic empowerment
  1 enhances the women contribution to the household’s income as a result of credit access.
  2 Helps in employment generation
  3 Helps in understanding the bank transactions
  4 Improves women’s access and control over the resources.

• Microfinance in women social empowerment
  1 Microfinance helps women to gain confidence
  2 Helps to gain respect in the family
  3 Increase the role of women in household decision making
  4 Improves the ability of women to freely interact with members of the group and outsiders

• Microfinance in women education, skill and training empowerment
  1 Microfinance improves the literacy level of the family members
  2 Creates awareness about children’s education
  3 Imparts training on income generating activities
  4 Helps in gaining knowledge on maintaining records of financial transactions

Comparative Analysis of Micro-finance Services offered to the poor:

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Money Lender</th>
<th>Commercial Banks</th>
<th>Govt.Sponsored Programs</th>
<th>Financial products of MFIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of Access</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Transaction cost of Access</td>
<td>Low</td>
<td>Very High</td>
<td>Very High</td>
<td>Low - Medium</td>
</tr>
<tr>
<td></td>
<td>Very Short</td>
<td>Extremely Long</td>
<td>Extremely Long</td>
<td>Short</td>
</tr>
<tr>
<td>Lead time for Loan Repayment Terms</td>
<td>Fixed and Rigid</td>
<td>Fixed and Easy</td>
<td>Fixed and Easy</td>
<td>Flexible</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------</td>
<td>--------------</td>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td>Interest Rates</td>
<td>Exorbitantly High</td>
<td>Low and very Affordable</td>
<td>Low, Affordable and Subsidised</td>
<td>Reasonable and Affordable</td>
</tr>
<tr>
<td>Incentives</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Repeat and larger loans, interest Rebates</td>
</tr>
<tr>
<td>Repeat Borrowing</td>
<td>Possible</td>
<td>Possible but not likely</td>
<td>Possible but not likely</td>
<td>Stream of credit is assured</td>
</tr>
<tr>
<td>Loan Access Procedures</td>
<td>Very Quick</td>
<td>Extremely Time Consuming and Complicated</td>
<td>Extremely Time Consuming and Complicated</td>
<td>Simple and Quick</td>
</tr>
<tr>
<td>Loan Application Procedures</td>
<td>Informal but exploitative</td>
<td>Exhaustive and Complex</td>
<td>Exhaustive and Complex</td>
<td>Simple and Informal</td>
</tr>
<tr>
<td>Collateral and Demand Promissory Notes</td>
<td>Mandatory</td>
<td>Required but hypothecation of asset may suffice</td>
<td>Not required although a charge on the asset becomes automatic</td>
<td>Not required – social collateral is used for physical collateral</td>
</tr>
</tbody>
</table>

**Source:** R. Arunachalam – Alternative technologies in the Indian Micro – Finance Industry

**Top 25 Microfinance Companies in India are as follows:**

1. Annapurna Microfinance Pvt Ltd
2. Arohan Financial Services Pvt Ltd
3. Asirvad Microfinance Pvt Ltd
4. Bandhan Financial Services Pvt Ltd
5. BSS Microfinance Pvt Ltd
6. Cashpor Micro Credit
7. Disha Microfin Pvt Ltd
8. Equitas Microfinance Pvt Ltd
9. ESAF Microfinance and Investments Pvt Ltd
10. Fusion Microfinance Pvt Ltd
11. Grama Vidiyal Micro Finance Ltd
12. Grameen Financial Services Pvt Ltd
13. Janalakshmi Financial Services Pvt Ltd  
14. Madura Micro Finance Ltd  
15. RGVN (North East) Microfinance Limited  
16. Satin Creditcare Network Ltd  
17. Shree Kshetra Dharmasthala Rural Development Project  
18. SKS Microfinance Ltd  
19. S.M.I.L.E Microfinance Ltd  
20. Sonata Finance Pvt Ltd  
21. Suryoday Micro Finance Pvt Ltd  
22. SV Creditline Pvt Ltd  
23. Swadhaar FinServe Pvt Ltd  
24. Ujjivan Financial Services Pvt Ltd  
25. Utkarsh Micro Finance Pvt Ltd  

Conclusion:  
Thus it can be concluded from the above study that microfinance is playing a vital role in the social, psychological as well as economic empowerment of women in India. Microfinance loan avavilable and its productive utilization found to be having a profound role and impact on women empowerment. The empirical findings of the study suggests that microfinance has a profound influence on the economic status, decision making power, knowledge and self worthiness of women participants of self help group linkage program.  

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WOMEN EMPOWERMENT IN INDIA: ISSUES AND CHALLENGES

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Abstract

Women’s empowerment is very essential for the development of society. The worth of civilization can be arbitrated by the place given to women in the society. It is said that women are the pillars of the economy of the world. They have the most imperative role of the family who keep it together. Now, it is time to forget that men are the only holders of power. These days, women have established themselves that they are equal to men. They have now forsaken their homely image and are making a major contribution to global innovation of the country. They are working in different fields with men by doing hard work. In India, women are still facing different obstacles in male-dominated cultures. The things are related to women’s status and their future. This paper attempts to study the women empowerment status and challenges in India.

Key words: Women empowerment, need, education, politics, challenges.

Introduction

Empowerment of women is essentially the process of upliftment of economic, social and political status of women in the society. It is the process of guarding them against all forms of violence. Women empowerment involves the building up of a society, a political environment, wherein women can breathe without the fear of oppression, exploitation, apprehension, discrimination and the general feeling of persecution which goes with being a woman in a traditionally male dominated structure. Women constitute almost 50% of the world’s population but India has shown disproportionate sex ratio whereby female’s population has been comparatively lower than males. As far as their social status is concerned, they are not treated as equal to men in all places. In the Western societies, the women have got equal right and status with men in all walks of life.

Women’s empowerment in India is heavily dependent on many different variables that include geographical location (urban/rural), educational status, social status (caste and class), and age. Policies on women’s empowerment exist at the national, state, and local (Panchayat) levels in many sectors, including health, education, economic opportunities, gender-based violence, and political participation. However, there are significant gaps between policy advancements and actual practice at the community level. One key factor for the gap in implementation of laws and policies1 to address discrimination, economic disadvantages, and violence against women at the community level is the largely patriarchal structure that governs the community and households in much of India. As such, women and girls have restricted mobility, access to education, access to health facilities, and lower decision-making power, and experience higher rates of violence. Political participation is also hindered at the Panchayat (local governing bodies) level and at the state and national levels, despite existing reservations for women.

Objectives of the Study

1 To study the importance of Women Empowerment.
2 To identify the problems and challenges of Women Empowerment.
3 To give suitable Suggestions

Meaning and Concept
Empowerment is the process of enabling or authorizing individual to think, take action and control work in an autonomous way. It is the process by which one can gain control over ones destiny and the circumstances of ones lives.

Empowering the women means creating such an environment in which they can take independent decisions for their personal development and the development of society in general. Empowerment is the process by which the women achieve increased control and participation in decision making which in turn helps to achieve equal basis with men in various spheres – political, economical, social, cultural and civil.

As per the United National Development Fund for women (UNIFEM), the term women’s empowerment means:

• Acquiring knowledge and understanding of gender relations and the ways in which these relations may be changed.

• Developing a sense of self-worth, a belief in one’s ability to secure desired changes and the right to control one’s life.

• Gaining the ability to generate choices exercise bargaining power.

• Developing the ability to organize and influence the direction of social change, to create a more just social and economic order, nationally and internationally.

Thus, empowerment means a psychological sense of personal control or influence and a concern with actual social influence, political power and legal rights. It is a multi level construct referring to individuals, organizations and community. It is an international, ongoing process centered in the local community, involving mutual respect, critical reflection, caring and group participation, through which people lacking an equal share of valued resources gain greater access to the control over these resources.

Need for Women Empowerment.

The status of women in India particularly in rural areas needs to address the issue of empowering women. About 66% of the female population in rural area is unutilized. This is mainly due to existing social customs. In agriculture and Animal care the women contribute 90% of the total workforce. In this contemporary world, women need to gain the same amount of power that men have. Today, women are busy running in the presidential campaign. The work force is covered with intellectual women who currently hold the CEO positions at large companies which were never held by Indian women in long ago. In our country, women have reached a long way eventually and have discovered a new path for them to come. Women rights are human rights. The concept of feminism is very vogue. Feminist usually deals out balky attention. Women’s right and changes effort to win equality for women have containing women's suffrage, feminism, women's property rights, equal opportunity in work and education, and equal pay. Now, the future of women is seeking out.

Moreover, we have come across a more image of gender differences. Each year, we notice that the headline as “Girls outshine boys” in CBSE, ICSE and State Board results as well. It arrests us showing that girls are now more confident of getting better-paid professional jobs than their flagging male counterparts. Clearly, there is an excellent amount of reason for the girls to be more confident than boys and this is because of their remarkable
academic feat around the nation. This achievement of girls is an absolute reversal of what would have been expected a generation ago. This is likely to steer to higher-income jobs.

ISSUES AND CHALLENGES

There are various issues and problems which women generally face in the society in India. Some of the problems are mentioned below:

1 Political

The principle of gender equality is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women but also empowers the state to strive and adopt measures of positive discrimination in favour of women. We have various laws, policies, plans and programmers aimed at women’s advancement in different spheres. However, there exists a wide gap between the goals enunciated in these various forms of development measures and related mechanisms.

2 Gender disparity.

The problem essentially is routed in gender disparity in India. Gender disparity manifests itself in various forms, the most obvious being the trend of continuously declining female ratio in the population in the last few decades. Discrimination against girl children, adolescent girls and women persists in parts of the country. The gender disparity can be understood that it exists by looking at the sex ratio in India which stands at 933.

3 Socio-economic structure.

The underlying causes of gender inequality are related to social and economic structure, which is based on informal and formal norms and practices. Consequently, the access of women to education, health and productive resources is inadequate. Therefore, they remain largely marginalized, poor and socially excluded. There are various issues which poses myriads of challenges towards the vision of Women Empowerment. Literacy rate among women is very less.

4 Household inequality.

In social field, women are suppressed domestically and do not enjoy respectable position. They are not regarded as intelligent and powerful enough as men. Politically they do not participate and even where they do as voter or representative, mostly they are used as rubber-stamps in the hands of their male relative. They are generally devoted to household work in India’s patriarchal society. Such underprivileged conditions of women led them to face domestic violence, sexual abuse both at home and workplace and improper opportunities for progress in every area of life.

5 Globalization.

Globalization has presented new challenges for the realization of the goal of women’s equality, the gender impact of which has not been systematically evaluated fully. From the studies that were commissioned by the Dept. of Women and Child Development, it is evident that there is a need for reframing of policies for access to employment and quality of employment.

GOVERNMENT POLICIES AND WOMEN EMPOWERMENT
The National Commission for Women has in the last few years introduced several new bills in the parliament from time to time towards eradication of many social evils. Some of the significant enactments are mentioned here.

- **The Hindu Widow Re-Marriage Act of 1856**

  In the traditions at Hindu society there was a ban on widow remarriage — it was one of the most important evils from which women in the traditional Hindu society suffered a lot. This act allowed widow to remarry and section 5 of this Act ensured her to enjoy all the rights, which a married woman did.

- **The Child Marriage Restraint Act of 1929**

  The practice of child marriage was another social evil from which women in traditional Hindu society suffered a lot. Age at marriage for girls was 9 or 10 and after passing this act the minimum marriageable age of women was fixed to 15 years. Later this age was increased up to 18 years.

- **The Hindu Women’s Right to Property Act of 1937**

  In the traditional society women had no property rights. In the eyes of law she was a minor or ward. This act recognized a widow of a deceased person as a surviving personality with the same right as his in the joint property. Thus, through this Act women in the Hindu society received the property right to a limited extent.

- **The Hindu Marriage Act of 1955**

  This Act has recognized the equal rights of men and women in the matters of marriage and divorce. Under the provision of this Act either the man or woman can present a petition in a court of law for divorce, wife has got equal right to divorce husband.

- **The Hindu Succession Act of 1956**

  This Act recognized an equal right for women in the matter of inheritance of property. She can inherit the property of her father along with her brothers. She can also sell or mortgage the inherited property or use it for herself. For the first time absolute ownership was conferred to a woman through this Act.

- **The suppression of Immoral Traffic in Women and Girls Act of 1956-57**

  This Act aims to deal with the problem of prostitution and to promote the welfare of fallen women. Main objectives of this Act are to reduce the scope of prostitution and to reform prostitution under this Act. Every state is expected to set up protective home and to appoint women police and women social workers. In protective homes these fallen women will be given training in tailoring, toy and basket making and other crafts so that they may earn for their maintenance in proper way.

- **The Dowry Prohibition Act 1961**

  The main objective of this Act is to abolish giving and taking dowry at the time of marriage. The term dowry refers to a valuable property or thing, which is determined by the parties to a marriage for a marriage. The
practice of dowry had produced very bad effects. Dowry system, dowry cases have not been reduced. Still this Act makes some effort in bringing social change. The above mentioned are the important legislations, which brought an upward trend in the status of women in India.

We shouldn’t forget that there are many temples in our country devoted to the Goddesses and men also use to visit the temples for worshiping them. We need both male and female each other. We must work all together and both needs each other to survive and flourish. I do think that women should also be in place of man in today’s society. As they are now highly qualified, make remarkable contributions to the economy through their paid work. They work in a wide variety of professions around the country from teachers and secretaries to welders and doctors to machine operators and child care workers too.

Suggestions:

They are some suggestions to improve the women status in India.

1. Awareness programmers need to be organized for creating awareness among women especially belonging to weaker sections about their rights.
2. Proper education should be given to the women, which is the grassroots problem. Hence, education for women has to be paid special attention.
3. Women should be allowed to work and should be provided enough safety and support to work. They should be provided with proper wages and work at par with men so that their status can be elevated in the society.
4. Correct implementation of Programmers and Acts should be there to curb the mal-practices prevalent in the society.

CONCLUSION

The best way of empowerment is perhaps through inducting women in the mainstream of development. Women empowerment will be real and effective only when they are endowed income and property so that they may stand on their feet and build up their identity in the society. Government initiatives alone would not be sufficient to achieve this goal. Society must take initiative to create a climate in which there is no gender discrimination and women have full opportunities of self decision making and participating in social, political and economic life of the country with a sense of equality.

The most critical component of women’s empowerment is found to be education. It leads to improved economic growth, low fertility rate, health and sanitation and an awareness of factors that disempowered women. Work participation rate and political participation also grows in women’s education.

References:


NGO’S MICRO FINANCE AND WOMEN EMPOWERMENT IN VUJAYAPUR DISTRICT

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ABSTRACT

India being one of the emerging Economics of world has numerous Socio-Economic problems like poverty, unemployment, illiteracy income inequalities, regional inequalities, and gender disparities and so on. The country like India development would be a mere dream if the women empowerment has not been achieved, development of any nation depends on its strategies to address various Economic, Social, Political problems which are internal and external in nature. The growth process of women empowerment is a task for any government without active participation of private people and NGOs, NGOs in India are also playing a crucial role in the Economic development and these NGOs are facing challenges in the manner of State interference in the operation of NGOs, lack of funds, absence strategic planning. In India there are many opportunities for them to improve their efficiency level in Local resource mobilization, increasing Government support, enabling Environment etc.,

KEY WORDS: NGO’s Micro Finance and Women Empowerment and local resource mobilization

INTRODUCTION:

The Concept of micro-finance for NGOs and SHGs has gained momentum in the modern world. Mr. Mohammad yunus who bagged noble prize for the aforesaid topic is apparent and explains the significance of the micro finance for the development of under developed particularly women.

Microfinance as a development assistant product
1. Empower poor both at urban and rural sector
2. Insurance facility and bank linkage programme
3. Helps group savings as collateral substitute
4. Minimize risks in the credit markets
5. Improves household income security
6. It is a poverty reducing mechanism

Need for the Study

There is a need to understand the access to the credit for both consumption and productive activities besides the income generation in any given economy. This further helps plan and develop sustainable economy. ‘The poor themselves can create a poverty-free-world all we have to do is free them from the chains that we have put around them’
Objectives of the Study

1. To analyze the utility of the savings towards productive and consumption activities
2. To examine the income of the respondents.
3. To study the frequency of the savings among the respondents

Methodology

- The present study is an empirical investigation based on sample beneficiaries of microfinance institutions in Vijayapur district of Karnataka. The present study is based on both secondary and primary data and a systematic random sampling method has been adopted for survey. The primary data has been collected from to taluks of Vijayapur district i.e. from Basavan Bagewadi and Muddebihal taluks.

In Bagewadi taluk there are high concentration of SHGs and in Muddebihal taluk the concentration of SHGs are low. This is the justification for the selection of the these two taluks for the study, the sample size comprised of 200 beneficiaries from microfinance activities in the Vijayapur district of Karnataka state. The present study has selected two taluks in the district for the purpose of primary data collection.

Background of the Sample Respondents

- Out of the total sample respondents, most of the respondents of out of this study are in the age group of 20-50 years, the age compositions represent very young women groups are actively participating in microfinance activities.

Table -1 Age Composition of the Sample Respondents

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Basavan Bagewadi</th>
<th>Muddebihal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 20 years</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>21-30 years</td>
<td>(27)</td>
<td>(28)</td>
</tr>
<tr>
<td>27.0</td>
<td>28.0</td>
<td></td>
</tr>
<tr>
<td>31 – 40 years</td>
<td>(47)</td>
<td>(52)</td>
</tr>
<tr>
<td>47.0</td>
<td>52.0</td>
<td></td>
</tr>
<tr>
<td>41-50 years</td>
<td>(24)</td>
<td>(18)</td>
</tr>
<tr>
<td>24.0</td>
<td>18.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary Data

Income Distribution of sample Respondents and Their House Hold

- In terms the annual SHG members income, majority of the members in the list of member group is poor, More than 78 members have their annual incomes ranging up to Rs 3,000 about 63 members have their annual incomes ranging between Rs.3,00 to Rs. 5,000 and 58 rest of the members have their annual incomes ranging above Rs 5,000, it is also observed, wherever the annual income is higher, in their respective member house hold, there are more than 3 earning members and the SHG member is
invariably head of the family, Each SHG member represents one household because in the sample selection, not more than one member from Each family is selected. Table 2 represent the annual income of the sample respondents,

Table -2 Annual income of the sample respondents

<table>
<thead>
<tr>
<th>Income Range (in Rs)</th>
<th>Bagewadi</th>
<th>Muddebihal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 3000</td>
<td>31</td>
<td>48</td>
</tr>
<tr>
<td>3001-5000</td>
<td>46</td>
<td>17</td>
</tr>
<tr>
<td>Above 5000</td>
<td>23</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source : Primary Data

Microfinance and Savings

- Date provided in Table-3 indicates the frequency of savings from the respondents. Majority of the respondents mentioned that they contribute money for their savings account with the SHGs weekly. A very few members said that they contribute money at fort-nightly.

Table -3 Frequency of savings in the sample districts (%)

<table>
<thead>
<tr>
<th>Frequency of savings</th>
<th>Bagewadi</th>
<th>Muddebihal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>75</td>
<td>93</td>
</tr>
<tr>
<td>Fort-nightly</td>
<td>20</td>
<td>2</td>
</tr>
<tr>
<td>Monthly</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source primary Data

Impact of Micro-Finance

1. This land might have inherited by their husbands. It needs to be noted that not all members receive loans from SHG to purchase land. Joining HGs became possible as they move from the situation of vulnerability to security because a significant proportion of the households acquired productive assets after they had become the members, the proportion of households not owning productive assets was very less amount sample households. Table-4 narrates the percentage distribution of respondents by productive assets in the sample districts.

2. The present study has collected data on different type productive assets purchased by the respondents households before they joining the SHGs and after joining SHGs purchase of productive assets has been used as the indicator to examine the impact of micro-finance benefits. Purchase of assets indicates that members were in an advantageous position to buy things after joining SHGs. Between 15 and 49 percent of the households had acquired milk animals, poultry and sheep after they had become members in SHG. More importantly, majority of the households purchased land before they had become members.
Table -4 Distribution of respondents by productive assets (%)

<table>
<thead>
<tr>
<th>Assets (%)</th>
<th>Bagewadi</th>
<th>Muddebihal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquired before joining SHG</td>
<td>Acquired after joining SHG</td>
</tr>
<tr>
<td>Animals</td>
<td>7</td>
<td>36</td>
</tr>
<tr>
<td>Equipment</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Milk animals</td>
<td>26</td>
<td>43</td>
</tr>
<tr>
<td>Sheep/goat</td>
<td>11</td>
<td>57</td>
</tr>
<tr>
<td>Land</td>
<td>54</td>
<td>2</td>
</tr>
<tr>
<td>Poultry</td>
<td>5</td>
<td>26</td>
</tr>
</tbody>
</table>

- In so far as the acquisition of consumer durables such as television, radio, wall clock, cycle, iron box, gas stove, etc., is concerned, a few of the members acquired these assets after they became members. Some households had acquired cycle and gas stove after they became member in the SHGs. Majority of households acquired radio TV and iron box after they had become members. In contrast, a significant proportion of households had acquired TV, radio, before they had become SHG members. Interestingly, few households in the member group had acquired jewellery also. Table -5 represents the percentage of sample respondents acquired the consumption assets before and after joining SHG.

Table-5 Percentage distribution of respondents by consumption assets

<table>
<thead>
<tr>
<th>Assets</th>
<th>Bagewadi</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquired before joining SHG</td>
<td>Acquired after joining SHG</td>
<td>Acquired before joining SHG</td>
<td>Acquired after joining SHG</td>
</tr>
<tr>
<td>Wall clock</td>
<td>25</td>
<td>60</td>
<td>14</td>
<td>46</td>
</tr>
<tr>
<td>TV</td>
<td>27</td>
<td>27</td>
<td>63</td>
<td>23</td>
</tr>
<tr>
<td>Jewellery</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Scooter</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Iron box</td>
<td>7</td>
<td>48</td>
<td>6</td>
<td>39</td>
</tr>
<tr>
<td>Gas stove</td>
<td>1</td>
<td>8</td>
<td>7</td>
<td>24</td>
</tr>
<tr>
<td>Radio</td>
<td>55</td>
<td>13</td>
<td>68</td>
<td>21</td>
</tr>
</tbody>
</table>

Conclusions
1. The Bank may encourage SHGs to open Saving Bank accounts for different purpose say for education, marriage, capital asset purchase etc so that the amounts accumulated in the respective account be utilized for the said purpose only. This ensures the SHG members to fulfill their social commitments much better.
2. SHGs may be permitted to issue fixed deposits certificate, Cash certificates and other savings oriented instruments may be under the authorizing of the concerned lead bank in the respective district.

3. SHGs to become more meaningful and purposeful should be constantly guided by NGOs with regard to their activities, especially the purpose for which the loans are sanctioned.

4. Separate National Bank for Women self Help groups is required to promote and protect the financial interest of the members.

5. The NGO sector is increasingly pursuing the financial intermediation as one of the effective tools in meeting their social agenda. In this context, the governments, both at the centre and the states have an equally important role to play in creating conductive policy environment for the growth of this NGO sector as future micro finance institutions. Here, what is required is suitable policy framework, innovative package of services with timely credit.

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THE ROLE OF GREEN BANKING IN SUSTAINABLE ESCALATION: SMALL SCALE SECTOR.

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Abstract

Sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as banking sector. In a globalised economy, the industries and firms are vulnerable to stringent environmental policies, severe law suits or consumer boycotts. Since banking sector is one of the major stake holders in the Industrial sector, it can find itself faced with credit risk and liability risks. Further, environmental impact might affect the quality of assets and also rate of return of banks in the long-run. Thus the banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. This paper explores the importance of Green Banking, sites international experiences and highlights important lessons for sustainable banking and development in India. On the other hand, the small-scale industries (SSIs), on account of their financial constraints may not be able to unable to install the necessary equipment to meet the emission standards prescribed by the competent authorities. Also because of their small scale of operation, the SSIs escape from the eyes of the concerned authorities. However, we find that there has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India’s emerging economy. Therefore, we suggest possible policy measures and initiative to promote green banking in India.

Key Words: Green Banking, Environment, Globalised Economy, Small scale industries,

INTRODUCTION

Sustainable development has emerged as a new paradigm of development in response to the current discourse of development that over-exploits natural environment for economic prosperity. The sustainable development can best be achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. One of the major economic agents influencing overall industrial activity and economic growth is the financial institutions such as banking sector. The banking sector influences the economic growth and development in terms of both quality and quantity, there by changing the nature of economic growth. Banking sector is one of the major sources of financing investment for commercial projects which is one of the most important economic activities for economic growth. Therefore, banking sector can play a crucial role in promoting environmentally sustainable and socially responsible investment (SRI)1 .Banks may not be the polluters themselves but they will probably have a banking relationship with some companies/investment projects that are polluters or could be in future.

India is on a higher growth trajectory for last one and half decade and the industrial sector plays the most important role in India’s growth story. However, Indian industry faces the challenges of controlling environmental impact of their business i.e. reducing pollution and emission of their clients. Though government has been trying to address the issue by framing environmental legislations and encouraging industry to follow environmental technologies and practices, they would not be enough given the poor track records of
enforcement, public awareness and inability to derive competitive advantage by producing eco-friendly products.

Incidentally, India’s is the world’s sixth largest and second fastest growing country in terms of producing green house gases. Delhi, Mumbai and Chennai are the three of the world’s ten most polluted cities. The major polluting industries in India are (a) primary metallurgical industries namely zinc, copper, steel etc. (b) paper & pulp (c) pesticides/insecticides (d) refines (e) fertilizers (f) tanneries (g) sugar (h) textiles (i) chemicals/pharmaceuticals etc. The banking operation and investment by financial institutions should take care of environmental management of these polluting industries by improving the overall environment, the quality and conversation of life, level of efficiency in using materials and energy, quality of services and products. In this context, the role of banking sector, which is on major financing sources to the Industries, assumes high importance.

The environmental regulations in India can be broadly classified into two broad categories i.e. command and control regulations and liability law. The command and control regulations are ex ante regulations that are designed to dissuade environmentally damaging projects. This regulation is implemented by setting industry specific pollution standards, scrutinizing the projects and granting/denying permissions by the concerned authorities like Ministry of Environment and Forest. The liability laws are ex post in nature and are implemented by enforcing authorities through imposing fines, closing down the defaulting industries etc. However there is no law and rule in India that can hold banks responsible for scrutinizing investment projects before financing and for the environmental damage created by its client. Once legal framework for the environmental pollution standards are formulated in India, the polluting industries either have to close down or have to make necessary investment to comply with the standard. In this process these industries will loose their competitiveness in the international market, which would directly affect Indian economy and the banking sector.

Thus in the present context, it is equally important for banks to guard themselves against the conversion of the now performing assets into non-performing one in the future. Realization of these facts by banks will certainly make them fast adopt the concept of Green Banking.

As far as Green Banking in India is concerned, the banking and financial institutions are running behind the schedules compared to global trends. None of our banks or financial institutions has adopted equator principle even for the sake of records. None of them are signatory to the UNEPFI. The British business newspaper and Financial Times which together nominated following banks for Sustainable Banking Awards in 2006 for leadership and innovation in integrating social, environmental and corporate governance objectives into their operations did not find a single Indian nationalized bank or major private bank in the list except Yes bank (which is a small player in Indian Banking sector) in “Emerging Markets Sustainable Small Scale Sector in India and Green Banking: - Industries irrespective of their size (large, medium or small) emit pollutants to the environment in which we all inhabit. Though the large-scale industries are more capable of degrading the environment, they have adequate financial resources to install pollution control equipment or waste treatment plants to control pollution. Moreover, these large-scale industries are always in the eyes of the government or the pollution control board, these industries strives hard to adhere to set emission standards. On the other hand, the small-scale industries (SSIs), on account of their financial constraints may not be able to unable to install the necessary equipment to meet the emission standards prescribed by the competent authorities. Also because of their small scale of operation, the SSIs escape from the eyes of the concerned authorities.
SSI constitute major portion of Indian industry. These industries account for about 40 per cent of industrial production and 30% of total manufacturing exports. Use of western technological systems in small scale industries produces enormous gaseous, liquid and solid wastes. However, they may not be in a position to bear additional expenditures on account of environment audit and pollution control equipments. Therefore, banks need to apply different procedures to promote pollution controls like (1) environmental pollution status of SSI (2) environmental Clearance from the appropriate authorities and (3) steps undertaken or proposed for disposal of solid, liquid and gaseous wastes before lending to SSI in India. This is where the banks and financial institutions can extend the necessary financial support where pollution is on account of inadequate financial capabilities.

Further, SSI exports takes place through merchant exporters, and export houses. They may also be in the form of export orders from large-scale enterprises for production of parts and components for use for finished exportable goods. The exports from SSI sector have been clocking excellent growth rates in recent years and this has been mostly fuelled by the performance of garments, leather and gems and jewellery exported by this sector. One of the key issues for increasing the Small and Medium Enterprises (SMEs) manufacturers’ role in direct exporting are quality and conformity. Standards, as well as testing and certification processes, are a massive hindrance to sales since products cannot be sold if they do not comply with a range of safety, health and other regulations. SMEs have difficulty in adopting expensive quality management systems, or certification procedures that sometimes have to be repeated several times. The main external barriers are technical trade restrictions or non-tariff barriers (like standardization, quality requirements, conformity assessment, packaging and labeling, ecology requirements, etc.); Different countries specify different testing and certification procedures. Assistance with product development and innovation, including product design, packaging, quality and environmental requirements and providing risk taking investment; obtaining of ISO 9000 series or ISO 14000 certificates. Therefore, a change in the environmental profile of the SSI industries is called for. Therefore, the lending institutions need to restructure their credit and financial instruments/products to help SSIs to endorse quality and conformity with environmental standards.

Realizing the difficulties faced by SSIs in maintaining environmental standards and its huge impact on economy and society, different state governments provide schemes to encourage small scale industries to adopt better environmental management practices such as:

In order to improve the quality of raw materials and also finished products, the SSI units are allowed for testing facilities for products / raw materials and also to obtain the BIS Certificate etc.

- Grants and subsidies are given to an extent of 50% of the total for obtaining the ISO 9000 Series (equivalent Indian Standard IS 14000 Series) in many states.

However, SSIs are small but large in number. And most of the industries are in the unorganized sector. Therefore government and financial institutions must come forward to help these units financially to adopt expensive pollution control technologies developed in the other developed countries. However, the most practical solution to these large number of SSI enterprises would be developing low cost pollution abatement technologies, adopt mechanism from pollution control to pollution prevention activities and international cooperation. Government can further provide tax incentives and other financial help to SSIs to meet requirements.
Environmental Management by the Banking Institutions

Nowadays, most of the commercial lending process in different parts of the world scrutinizes projects with a set of tools by incorporating environmental concerns in their day-to-day business. The financial institutions should encourage projects which take care of following points while financing them viz., (a) sustainable development and use of natural renewable natural resources (b) protection of human health, bio-diversity, occupational health and safety, efficient production, delivery and use of energy (c) pollution prevention and waste minimization.

They should keep following aspects in mind while financing any projects

1. Analyzing the project in terms of scale, nature and the magnitude of environmental impact. The project should be evaluated on the basis of potential negative and positive environmental effects and then compared with the ‘without project situation’. There should be an Environmental Impact Assessment (EIA) of each project recommending the measures needed to prevent, minimize and mitigate the environmental negative impact before financing the projects.

2. While investing or funding the projects, the financial institutions should assess the sensitive issues like vulnerable groups; involuntary displacement etc and projects should be evaluated in terms of environmentally important areas including wetlands, forests, grasslands and other natural habitats.

3. Banking institutions need to evaluate the value of real property and the potential environmental liability associated with the real property. Therefore, the banks should have right to inspect the property or to have an environmental audit performed through the life of the loan.

4. Banks also need to monitor post transaction for the ideal environmental risk management Program (Rutherford, 1994) during the project implementation and operation. There should be physical inspections of production, resources, training and support, environmental liability, audit programs etc.

5. The next round of evaluation includes loan structuring, credit approval, credit review and loan management. Further banks have annual audits, quarterly environmental compliance certificate from the independent third party and also from the government.

Further the banks can introduce green bank loans and products like (i) investing in environmental projects (recycling, farming, technology, waste, etc) for example reduced-rate of interest on loans to homeowners who install a solar energy system (ii) providing option for customers to invest in environmentally friendly banking products (iii) investing in resources that combine ecological concerns and social concerns

Enforcement of Environmental Management and Role of the Government

The financial institutions also should make sure that the customer is ready to comply with environment management plan during the construction and operation of the project and provides regular reports, prepared by in house staff and third party experts. There should be a direct communication between the lenders and monitoring group. However, much less attention is given for the environmental risk management after the post transaction period. Recently, western financial institutions use environmental criteria with credit risk management activities than with formulating overall lending or investment strategy. With the introduction of
ISO 14000 and development of information network, it is easier now to the credit officers to compare firms and plants regarding their environmental management and measure the relative environmental liabilities and risks. Though commercial banking has been more attentive to the investment banking than the environmental problems, the environmental liabilities would play a larger role in their investment decision in the near future (Schmidheiny and Zorraquin, 1996). Further, the environmental audits are required to determine the environmental status of a facility, property, and operation and to identify regulatory compliance status, past present problems and potential environmental risks and liabilities associated with the project. These should be done by an independent body or by any environment investigation team.

But to ensure all these work, there should be legislation, which will enforce the standards along with training and demonstration skills. Government should enact legislation to force banks to consider producing a formal environmental policy statement and making this publicly available. Though Schmidheiny and Zorraquin (1996) conclude from their primary study that banks are not hindering the achievement of sustainability, banks can also play a hindering role for sustainable development because (1) they prefer short-terms payback periods where as sustainable development needs long-term investment (2) investment which take into account of environmental side-effects usually have lower rate of return in short-term (Jeucke and Bouma, 1999). Therefore, sustainable investments are unlikely to find sufficient funding within current markets. Thus, government must design proper legislation of environmental rules for banks and ensure enforcement. The problems in India are the legislation is not yet framed and in few cases, things are not strictly enforced, but things can change overnight resulting in major compliance problems for the companies concerned and increased risk for the banks that have lent to them. There should be continuous dialogue relating to environmental matters with relevant audiences, including stakeholders, employees, customers, governments and the public.

Conclusion

In a rapidly changing market economy where globalization of markets has intensified the competition, the industries and firms are vulnerable to stringent public policies, severe law suits or consumer boycotts. This would affect the banks and financial institutions to recover their return from investment. Thus, the banks should play a pro-active role to take environmental and ecological aspects as part of Green Banking if implemented sincerely will act as an effective ex ante deterrent for the polluting industries that give a pass by to the other institutional regulatory mechanisms. There has not been much initiative in this regard by the banks and other financial institutions in India though they play an active role in India’s emerging economy. The banking and financial sector should be made to work for sustainable development. As far as green banking in concerned, India’s banks and financial institutions are running behind time. None of our banks or financial institutions have adopted equator principle even for the sake of records. None of them are signatory to the UNEP Financial Initiative statement. It is time now that India takes some major steps to gradually adhere to the equator principles-guidelines that use environment-sensitive parameters, apart from financial, to fund projects. Their lending principle which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems.

Reference


FINANCIAL INCLUSION IN INDIA ISSUES AND CHALLENGES

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ABSTRACT

Access to finance by the poor, disadvantaged and underprivileged group is a prerequisite of poverty alleviation on one hand and the economic growth on the other. In the struggle against poverty, the financial inclusion is a crucial element. Large sections of the rural population have no access to financial services and their only recourse is to borrow from moneylenders at the exorbitant charges causing exploitation. The main reason why the large section of the rural population still remains under below poverty is financial exclusion, which is proving to be a major obstacle in the path of India’s economic growth. The Reserve Bank of India (RBI)’s dictate (2005) obligated the Banks to adopt the national policy of financial inclusion and take initiatives and suitable measures therefore. The objective data derived from the RBI’s reports and other empirical studies unequivocally pinpoint that the main reasons of financial exclusion are lack of opportunities and access to finance, financial illiteracy, besides poor performance, apathy and negative approaches of the Banks. Therefore, financial inclusion, today, has become the national objective and major concern for the economic policy decision makers. This paper critically addresses all concerned issues involved in achieving the national objective of achieving the complete financial inclusion. This paper critically evaluates the initiatives taken by the Banks in financial inclusion and the efforts made for IT enabled financial services, on the basis of the objective data derived from the RBI’s reports and other empirical studies.

Keywords : Poverty alleviation, financial exclusion, Financial Inclusion, RBI, etc.

Introduction

Financial exclusion is the main cause of poverty. Lack of opportunities and access to finance besides financial illiteracy are the main causes of financial exclusion. Financial exclusion is proving to be a major thorn in the path of Indian economic growth. Access to finance by the poor, disadvantaged and unprivileged group is a prerequisite for poverty reduction and social upliftment. One of the main reasons why the large section of the rural population still remains under below poverty line is lack of opportunities and access to finance besides financial illiteracy.

Large sections of the rural population have no access to financial services and their only recourse is to borrow from money lenders, who charge exorbitant rates. Also, ignorance is rife, with concepts like insurance virtually unheard of. One of the main reasons why mass poverty is persisting in India is that the problem of financing the poor still remains unresolved (RBI, 2011a). With almost all states show more than 60% of populations below the poverty line. Projections based on NSSO data present a disturbing picture as population cut offs for average consumption for almost all states fall between the sixth and seventh deciles, statistics for which are available in its report “Key indicators of household expenditure in India.” Further fine tuned, they deliver a precise percentage of population below the average spends (Sunday Times, 2012).

The large section of population below the expenditure curve also points to a worrying inequity in incomes, something that should concern planners as the government looks to target benefits for those who need them through initiatives like food security and employment guarantees (Sunday Times, 2012). India’s schemes
might be off target, or suffering from poor reach while benefits of economic growth are not meeting the government’s objectives of “inclusive growth” as it is evident from the data (vide Table-I) that there is a concentration of buying power in the top 30%-35% of the population. The 60- plus% of population below the average monthly spending is clearly not progressing as fast as the segment whose income and expenditure is disproportionately influencing the statistical mean (Sunday Times, 2012).

Among the states, there is not much to choose between those often stigmatized as “backward” like UP and Bihar, Gujarat and Maharashtra. Even in the better off states, the percentage of rural populations below the average monthly expenditure line is above 60%. In urban areas, it is a shade under 60% for Gujarat, but almost 70% for Maharashtra (Sunday Times, 2012).

Financial Exclusion:

Nature, Causes Costs and Consequences of Financial Exclusion: Financial exclusion is broadly defined as the lack of access by certain segments of the society to suitable, low-cost, fair and safe financial products and services from mainstream providers. Thus the essence of financial inclusion is to ensure that a range of appropriate financial services is available to every individual and enable them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (life and non-life), etc. (Chattopadhyay, 2011). Two major factors have often been cited as the consequences of financial exclusion. First, it complicates day to day cash flow management- being financially excluded means households and micro and small enterprises deal entirely in cash and is susceptible to irregular cash flow. Second, lack of financial planning and security in the absence of access to bank accounts and other saving opportunities for people in the unorganized sector limit their options for providing for themselves for their old age (Rabha, 2012).

The Report on Innovative Financial Inclusion from the Access through Innovation Sub-Group of the G20 Financial One billion people with mobile phones do not have even a basic bank account, (G-20, 2010).

➢ More than two billion adults do not have access to formal or semi-formal financial services;
➢ Inclusion Experts Group underlines the world scenario of financial exclusion:

Broadly, the issue of cost of financial exclusion may be conceived from two angles, which are intertwined. First, the exclusion may have cost for individuals/entities in terms of loss of opportunities to grow in the absence of access to finance or credit. Second, from the societal or the national perspective, exclusion may lead to aggregate loss of output or welfare and the country may not realize its growth potential. Access to a bank account, credit and insurance are now widely regarded as essential supports for personal financial management and for undertaking transactions in modern societies (Rabha, 2012).

The financial exclusion can impose significant costs on individuals, families and society as a whole. These include (i) barriers to employment as employers may require wages to be paid into a bank account; (ii) opportunities to save and borrow can be difficult to access; (iii) owning or obtaining assets can be difficult; (iv) difficulty in smoothening income to cope with shocks; (v) exclusion from mainstream society. The principal barriers in the expansion of financial services are often identified as physical access, high charges and penalties, conditions attached to products which make them inappropriate or complicated and perceptions of financial service institutions which are thought to be unwelcoming to low income people (Rabha, 2012). The lack of
accessibility to financial services to the poor and disadvantaged class has been identified as one of the serious threats for including the poor in the process of inclusive growth (NABARD, 2012).

**Concept and Definition of Financial Inclusion**

The term ‘Financial Inclusion’ was first coined in British lexicon when it was found that nearly 7.5 million persons did not have a bank account. Defining financial inclusion is considered crucial from the viewpoint of developing a conceptual framework and identifying the underlying factors that lead to low level of access to the financial system (Raju, 2006).

**Review of Literature**

A review of literature suggests that there is no universally accepted definition of financial inclusion. The definitional emphasis of financial inclusion varies across countries and geographies, depending on the level of social, economic and financial development; the structure of stake holding in the financial sector; socio-economic characteristics of the financially excluded segments; and also the extent of the recognition of the problem by authorities or governments. Broadly, financial exclusion is construed as the inability to access necessary financial services in an appropriate form due to problems associated with access, conditions, prices, marketing or self-exclusion in response to discouraging experiences or perceptions of individuals/entities.

The poor need financial services mainly for three purposes, all of which call for equal attention (Rutherford, 2001):

Firstly, to defray expenses related to education, house-building, invariably go in for loans.

Secondly, there are emergencies such as serious illnesses, death in the family, and property loss due to accident.

Thirdly, there are investment needs to buy or build income-earning assets. Over the years, several definitions of financial inclusion/exclusion have evolved. The working or operational definitions of financial exclusion generally focus on ownership or access to particular financial products and services. The focus narrows down mainly to the products and services provided by the mainstream financial service providers. Such financial products may include money transmission, home insurance, short and long-term credit and savings.

The review of literature suggests that the most operational definitions are context-specific, originating from country-specific problems of financial exclusion and socio-economic conditions. The operational definition of financial inclusion, based on the access to financial products or services, also underscores the role of financial institutions or service providers involved in the process (Rabha, 2012).

The scope of financial inclusion (Rabha, 2012) can be expanded in two ways

a) Through state driven intervention by way of statutory enactments, and

b) Through voluntary effort by the banking community itself for evolving various strategies to bring within the ambit of the banking sector the large strata of society. When banks do not give desired attention to certain areas, the regulators have to step into remedy the situation. This is the reason why the Reserve Bank of India (RBI) is placing a lot of emphasis on financial inclusion.

**Indian Approach to Financial Inclusion**

Broadly, the policy approach adapted to financial inclusion in India can be divided in two categories - the minimalist approach and the expanded approach:

a) The minimalist approach for financial inclusion
focuses on the provision of a bouquet of basic financial products and services; whereas, (b) The expanded approach for financial inclusion focuses not only on the provision of the basic banking products but also other important ancillary financial products, which would also entail focus on consumer protection and education, particularly financial literacy for the new entrants to the formal financial system (Khan, 2012).

**Importance of Financial Inclusion**

In majority of the developing countries, access to finance (Khan, 2012) is now being perceived as a public good, which is as important and basic as access, say, to safe water or primary education. A question that arises is whether financial inclusion can be interpreted as a public good. A good is considered a public good if it meets the conditions of (a) ‘nonrivalness’ in consumption and (b) non-excludability. Financial inclusion meets these two criteria. One of the important effects of financial inclusion is that the entire national financial system benefits by greater inclusion, especially when promoted in the wider context of economic inclusion.

**Financial Inclusion: India’s position compared with other countries**

The extent of financial exclusion in India is (Khan, 2012) found to be higher as compared with many developed and some of the major emerging economies. The wide extent of financial exclusion in India is visible in the form of high population per bank branch and low proportion of the population having access to basic financial services like savings accounts, credit facilities, and credit and debit cards.

**Measuring Financial Inclusion:**

The Rangarajan Committee (2008) has defined Financial Inclusion as –

“Financial Inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.”

One of the measures of the level of financial inclusion is the Financial Inclusion Index (Sarma, 2008). This index is based on, three basic dimensions of an inclusive financial system:- (i) Banking penetration, (D1); (ii) Availability of the banking services (D2), and (iii) Usage of the banking system (D3).

a) The first parameter (D1), - ‘Banking penetration’ - is definitely the most critical parameter for measuring the depth financial inclusion and is measured as a ratio of bank accounts to the total population.

b) The second parameter (D2), - ‘Availability of banking services’,- provides an indication to the number of bank outlets available per 1000 people to deliver financial services. The bank outlets may include the brick and mortar branches, ATMs, business correspondents, etc.

c) The third parameter (D3) seeks to determine the ‘Usage of banking services’ going beyond mere opening of accounts. Therefore, this is evaluated on the basis of outstanding deposits and credits. Accordingly, the volume of outstanding deposit and credit as proportion on the net district domestic product is used for measuring this dimension.

**Financial Inclusion and Inclusive Growth: what the empirical evidence suggests?**

Inclusive growth as a strategy of economic development has received renewed attention in recent years owing to rising concerns that the benefits of economic growth have not been equitably shared. Growth is inclusive when there is equality of economic opportunities.
Financial inclusion makes growth broad based and sustainable by progressively encompassing the hitherto excluded population. Financial inclusion is no longer a policy choice but a policy compulsion (RBI, 2011b). Empirical evidence shows that countries with large proportion of population excluded from the formal financial system also show higher poverty ratios and higher inequality. The inclusive growth country analytics has a distinct character focusing on the pace and pattern of growth. Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be broad-based across sectors, and include a large part of the country’s labour force. This analytics of inclusive growth implies a direct link between the macro and micro determinants of growth. Some of the important factors determining the level of financial inclusion in a country are per capita GDP, income inequality, adult literacy and urbanization. Further, physical and electronic connectivity and information availability such as telephone and internet usage also play positive role in enhancing financial inclusion.

The empirical findings strengthen the argument that financial exclusion is indeed a reflection of social exclusion, as countries having low GDP per capita, relatively higher levels of income inequality, low rates of literacy, low urbanization and poor connectivity appear to be less financially inclusive. Financial inclusion, therefore, assumes importance as a policy objective (RBI, 2011b).

All Banks in the Country were advised by RBI, since November 2005, to take all measures and adopt suitable strategies. One element of the strategy enumerated, to achieve the desired target of Financial Inclusion, is through - (a) No-frills accounts, (b) diluted Know-Your-Customer (KYC) norms, (c) Banking Correspondents (BCs) and (d) use of Information Technology. Accordingly, all Public Sector Banks (PSBs), Private Banks (PBs), Cooperative Banks (CBs), undertook the mandated task, willingly or unwillingly, either in a phased manner or otherwise. They either started opening their branches at the suitable villages or appointed their bank correspondents or adopted outsourcing method.

Major Findings

There are several issues, challenges and strategies to achieve the target of complete financial inclusion; however, for restricting to the theme of the paper and space constraints, only major issues, challenges vis-à-vis strategies have been dealt with.

1. Change in the approach of Banks: Only access to credit or banking is NOT the financial inclusion:
   Achieving complete Financial Inclusion: It is often noticed that mere opening a Bank Account is taken or claimed as achieving the target of financial-inclusion. Many empirical studies and Usage Analysis reveal that after opening such bank accounts, hardly there are any transactions take place in such bank accounts. Banks must genuinely strive to provide the directed services under the category or scheme of financial inclusion to the rural population, since they are the main pillars for the desired success. On this backdrop, the claims of policy-makers, banks, etc., the illusions created and mythical success stories spread must be tested on the basis of parameters enumerated on the background of the RBI’s norms and expectations, (NABARD, 2012).

2. Relaxation in Regulatory Framework: The RBI, initially, in November 2005, set the population benchmark, which will help it, for taking its financial inclusion drive to the next level, mandating all Banks to reach out the villages, all habitations with population in excess of 2000, as per the 2001 census, either through the Bank Branches or through Business Correspondent (BCs).
However, since 2011-12, the population benchmark is reduced to 1600 and above. Very recently, on 11 August 2012, the RBI asked Banks to drop the ‘no-frills’ tag from the basic savings accounts as the nomenclature has become a stigma. The RBI asked Banks to provide the ‘zero-balance’ facility in the basic banking accounts along with ATM-cum-Debit Cards without extra charge. The Finance Ministry directed the Banks were directed to reach out to villages with population of 2000, as the population benchmark that all habitations with population in excess of 1600 must have a bank branch, which will help it take its financial inclusion drive to the next level. The Finance Ministry, very recently, directed all state-run Banks to ensure that every household has at least one savings bank account by end of June 2012, a move seen as a precursor to direct transfer of benefits under the government’s financial inclusion plan. For this purpose, the Banks have been asked to launch a campaign to ensure that opening of new accounts and changes required in existing accounts are completed by June 2012, (Khan, 2011).

3. Self Help Group-Bank Linkage Programme (SLBP): In the last two decades, the major institutional innovation in India for expanding financial system access and usage for the poor and marginalized sections of the population has been the SBLP. The project provided a cost-effective SBLP model for providing financial services to the underserved poor. Being a ‘savings-first, credit later’ model, credit discipline became a norm for Self Help Groups (SHGs) and ‘social collateral’ made them bankable. The model was initially successful in providing solution to the twin problems faced by banks, i.e., low recovery of loans in rural areas and high transaction costs in dealing with small borrowers at frequent intervals, with a major positive impact of generating social and economic empowerment of the membership. However, despite the noteworthy accomplishments of SHGs certain issues, such as, inadequate outreach in many regions, delays in opening of SHG accounts and disbursement of loans, impounding of savings by banks as collateral, non-approval of repeat loans by banks even when the first loan was repaid promptly, multiple membership, borrowings by SHG members within and outside SHGs, adverse consequences of unhealthy competition between NGO promoted SHGs and Government promoted/subsidy oriented SHGs and limited banker interface and monitoring continued to affect the programme in many areas. While the basic tenets of the SHGs being savings led credit product remain true even today, recent developments have given rise to the need for crucial changes in the approach and design of SBLP to make it more flexible and client friendly. The revised NABARD guidelines, popularly known as SHG2 (version 2), have sought to address some of the shortcomings of the earlier version, (Khan, 2011).

4. Aadhaar-enabled Payment Systems (AEPS): The AEPS having the ability to service customers of many banks based on the unique biometric identification data stored in the Aadhaar database is expected to empower a bank customer to use Aadhaar as his/her identity to access the respective Aadhaar enabled bank account and perform basic banking transactions like balance enquiry, cash withdrawal and deposit through the BC. A pilot scheme in four districts of Jharkhand state is currently being carried out under which MGNREGA wages to labourers are credited to their Aadhaar enabled bank accounts.

5. Innovative product lines & processes: Banks have to look at their policies and procedures to develop new product lines rather than merely adopting the complex products of urban India in the rural milieu.
6. Financial literacy and awareness: There is a strong concern about the pathetic attitude of the banks to arrange regular campaigns for spreading awareness about financial inclusion and financial literacy need to be intensified. Banks need to do efforts in this area through innovative dissemination channels including films, documentaries, pamphlets and road shows.

7. Customer service and consumer protection: Customer service is another issue that needs closer attention. Mind-set, cultural and attitudinal changes at the grass-root levels and user friendly technology at the level of branches of banks and BC outlets are needed to extend holistic customer service to the new entrants to the banking system. Government, regulators like Reserve Bank of India, banks, service providers and consumers themselves have to play important role in developing a comprehensive approach to consumer protection (Khan, 2012).

Conclusion

The problem of financial exclusion needs to be tackled with urgency if we want our country to grow in an equitable and sustainable manner. Traditional and conventional banking solutions may not be the answer to address the problem of financial inclusion in India. Banks, therefore, need to innovate and think ‘out-of-the-box’ for solutions to overcome the problem of financial exclusion in India. They need to deploy new technologies and create financially viable models to take forward the process of financial inclusion in an effective manner. This way banks in India would be doing a great service to the cause of financial inclusion and make their name in history. Financial inclusion may be a social responsibility for the banks in the short-run but will turn out to be a business opportunity in the long-term. Financial Inclusion is no longer an option, but it is a compulsion. The entire world is looking at this experiment in India and it is important that banks rise up to this challenge and meet it successfully. The current policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion. Pursuit of financial inclusion by adoption of innovative products and processes does, however, pose challenge of managing trade-offs between the objective of financial inclusion and financial stability. In the Indian context, the Reserve Bank has always sought to balance the risk of partnerships and product innovations with the ability to achieve greater penetration in a safe, secured and prudentially sound manner. The underlying belief is that only sound and strong institutions can promote financial inclusion in a sustainable manner and, towards this end, prudent regulations have to be in place to achieve inclusion while protecting financial stability and consumer interest. By adopting appropriate regulatory framework for innovations in policies, partnerships, processes and products meant for financial inclusion, the Reserve Bank has sought to further the cause of inclusion without falling short of the policy goal of financial stability. The stakeholders have come to realize the need for viable and sustainable business models which focus on accessible and affordable financial services, products and processes, synergistic partnerships with non-bank entities including the technology service providers for efficient handling of low value, large volume transactions, particularly in remote, banking shadow areas and appropriate regulatory and risk management policies that ensure financial inclusion and financial stability move in tandem.

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RISK MANAGEMENT: PROCESS & TECHNIQUES ADOPTED BY BANKING INDUSTRY

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ABSTRACT:
The banking industry is a highly regulated industry with detailed and focused regulators. This is because of the risks associated with it. And these risks, if not properly assessed and prioritized, time can be wasted in dealing with it. At the same time, spending too much time assessing and managing unlikely risks can divert resources that could be used more profitably. Risk Management is the application of proactive strategy to plan, lead, organize, and control the wide variety of risks that are rushed into the fabric of an organization’s daily and long-term functioning. Present paper is to make an attempt to identify the risks faced by the banking industry and the process of risk management. This paper also examined the different techniques adopted by banking industry for risk management. The paper analyzes the characteristics of banking risks, the main methods of assessment used in practice. Risk Assessment and Risk Management has got much importance in the Indian Economy during this liberalization period. The foremost among the challenges faced by the banking sector today is the challenge of understanding and managing the risk.

Key Words: Risk Management, Banking Industry, Risk Assessment, Credit risk, financial risk, liquidity risk, Market risk.

INTRODUCTION:
Banking industry is one of the oldest industry of the world. The first record of banking activity can be traced way back in 2000 BC in Assyria and Babylonia when merchants of ancient world made loans to farmers and traders that carried goods. Later in ancient Greece and during the Roman Empire lenders based in temples made loans but also accepted deposits and changing money. The Banking Industry has a pivotal role in the development of an economy. It is the key driver of economic growth of the country and has a dynamic role to play in converting the idle capital resources for their optimum utilization so as to attain maximum productivity. In India, the banking industry is considerably strong at present but at the same time, banking is considered to be a very risky business.

The word Bank came from French word banque, from Old Italian banca, from Old High German banc. It is said that benches were used as desks or exchange counters during the Renaissance by Florentine bankers, who used to make their transactions with the help of desks covered by green tablecloths. Conceptually a bank is known as a financial institution, which serves as a financial intermediary among various components of our society. The primary task of a bank is to accept deposits and provide credits either by lending or through capital market. "Banking means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise" – According to Section 5(b) of Banking Regulation Act, 1949.

Banks have matured from being a financial intermediary into a risk intermediary as they are exposed to severe competition and hence are compelled to encounter various types of financial and nonfinancial risks. In the world today, risks and uncertainties form an important part of banking business which by nature entails taking risks. Banks are now required to clearly separate avoidable and unavoidable risks and are required to focus on the extent to which such risks can be shoulder by them.
The field of risk assessment and risk management is becoming increasingly more complex as we navigate our way through the terrain of Operations, Audit, Compliance, Budgeting and the many other facets of business. In this battle we often find ourselves justifying all of the components used to assign a proper risk rating to the many business units within our organizations.

As risk is directly proportionate to return, the more risk a bank takes, it can expect to make more money. However, greater risk also increases the danger that the bank may incur huge losses and be forced out of business. In fact, today, a bank must run its operations with two goals in mind – to generate profit and to stay in business. Banks, therefore, try to ensure that their risk taking is informed and prudent. Thus, maintaining a trade-off between risk and return is the business of risk management. Moreover, risk management in the banking sector is a key issue linked to financial system stability.

The risk arises due to uncertainties, which in turn arise due to changes taking place in prevailing economic, social and political environment and lack of non-availability of information concerning such changes. Risk is an exposure to a transaction with loss, which occurs with some probability and which can be expected, measured and minimized. Today, banks are facing various types of risks that financial intermediaries are exposed to, in the course of their business.

RISK IN BANKING INDUSTRY

In the post LPG period, the banking industry has witnessed tremendous competition not only from the domestic banks but from foreign banks alike. In fact, competition in the banking industry has emerged due to disintermediation and deregulation. The liberalized economic scenario of the country has opened various new avenues for increasing revenues of banks. In order to grab this opportunity, Indian commercial banks have launched several new and innovated products, introduced facilities like ATMs, Credit Cards, Mobile banking, Internet banking etc. Apart from the traditional banking products, it is seen that Mutual Funds, Insurance etc. are being designed/ upgraded and served to attract more customers to their fold.

In the backdrop of all these developments i.e., deregulation in the Indian economy and product/ technological innovation, risk exposure of banks has also increased considerably. Thus, this has forced banks to focus their attention to risk management. In fact, the importance of risk management of banks has been elevated by technological developments, the emergence of new financial instruments, deregulation and heightened capital market volatility.

DEFINITION OF RISK

The word 'risk' is derived from an Italian word ‘resicare’ which means 'to dare’. Risk is more a ‘choice’ than a ‘fate’. An extension of this analogy tells that risk is a possibility of loss or injury perils and the degree of uncertainty in return. It may be defined as ‘possibility of loss’, which may be financial loss or loss to the image or reputation. Banks like any other commercial organization also intend to take risk, which is natural for any type of business. Higher the risk taken, higher the gain would be. But higher risks may also turn into higher losses.

A risk can be defined as an unplanned event with financial consequences resulting in loss or reduced earnings. An activity which may give profits or result in loss may be called a risky proposition due to uncertainty or unpredictability of the activity of trade in future. In other words, it can be defined as the uncertainty of the outcome.

VARIOUS TYPES OF RISKS IN BANKING INDUSTRY
Credit Risk: Credit risk is defined as the possibility of losses associated with decrease in the credit quality of the borrower or the counter parties. In the bank’s portfolio, losses stem from outside default due to inability or unwillingness of the customer or the counter party to meet the commitments, losses may also result from reduction in the portfolio value arising from actual or perceived deterioration in credit quality.

Market Risk: Market risk is the risk of incurring losses on account of movements in market prices on all positions held by the banks.

Liquidity Risk: Liquidity risk of banks arises from funding of long term assets (advances) by short term sources (deposits) changes in interest rate can significantly affect the Net Interest Income (NII). The risk of an adverse impact on NII due to variations of interest rate may be called interest rate risk.

Forex Risk: Forex risk is the risk of loss that bank may suffer on account of adverse exchange rate movements against uncovered position in foreign currency.

Non-Financial Risk: Non-financial risk refers to those risks that may affect a bank's business growth, marketability of its product and services, likely failure of its strategies aimed at business growth etc.

Strategic Risk: Strategic risk is the risk that arises from the inability to implement appropriate business plans and strategies, decisions with regard to allocation of resources or adaptability to dynamic changes in the business/operating environment.

Operational Risk: is the potential financial loss as a result of breakdown in day to day operational processes. Operational risk can arise from failure to comply with policies, laws and regulations, from fraud or forgery. The risk arising from this type and nature of operational risk involve in the bank activities.

Legal Risk: arises from the potential that enforceable contact, lawsuits, or adverse judgments candisrupts or otherwise negatively affect the operations or condition of a banking organization.

Reputational Risk :is any risk to an Bank's reputation that is likely to destroy shareholder value. Reputational risk leads to negative publicity, loss of revenue, litigation, loss of clients and partners, exit of key employees, share price decline, difficulty in recruiting talent.

RISK MANAGEMENT

Risk management introduces the idea that the likelihood of an event happening can be reduced, or its consequences minimized. Effective risk management seeks to maximize the benefits of a risk while minimizing the risk itself.

Risk management is the process of identifying risks, assessing their implications, deciding on a course of action, and evaluating the results. Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attacks from an adversary. Risk management ensures that an organization identifies and understands the risks to which it is exposed.

RISK MANAGEMENT I N BANKING INDUSTRY

The banking industry is a highly regulated industry with detailed and focused regulators. While banks struggle to keep up with the changes in the regulatory environment, regulators struggle to manage their workload and effectively regulate their banks. The impact of these changes is that banks are receiving less hands-on
assessment by the regulators, less time spent with each institution, and the potential for more problems slipping through the cracks, potentially resulting in an overall increase in bank failures. The business of Banking is to manage risks associated with accepting deposits, granting loans and trading portfolios.

PROCESS OF RISK MANAGEMENT IN BANKING INDUSTRY

To overcome the risk and to make banking function well, there is a need to manage all kinds of risks associated with the banking. Risk management becomes one of the main functions of any banking services. Risk management consists of identifying the risk and controlling them, means keeping the risk at acceptable level. In the process of risk management following functions comprises:

- Risk identification
- Risk measurement or quantification
- Risk control
- Monitoring and reviewing

Risk Identification: The risk identification involves 1. the understanding the nature of various kinds of risks. 2. the circumstances which lead a situation to become a risk situation and 3. causes due to which the risk can arise.

Risk Quantification: Risk quantification is an assessment of the degree of the risk which a particular transaction or an activity is exposed to. Though the exact measurement of risk is not possible but the level of risk can be determined with the help of risk rating models.

Risk Control: Risk control is the stage where the bank or institutions take steps to control the risk with the help of various tools.

- Tools for Risk Control
  - Diversification of the business
  - Insurance and hedging
  - Fixation of exposure ceiling
  - Transfer the risk to another party at right time
  - Securitisation and reconstruction

Risk Monitoring: In risk monitoring the bankers have to fix up the parameters on which the transaction is to be tested to be sure that there is no risk to viable existence of the financial unit or investment of the bank.

TECHNIQUES OF RISK MANAGEMENT

1. GAP Analysis: It is an interest rate risk management tool based on the balance sheet which focuses on the potential variability of net-interest income over specific time intervals. In this method a maturity/ re-pricing schedule that distributes interest-sensitive assets, liabilities, and off-balance sheet positions into time bands according to their maturity or time remaining to their next re-pricing, is prepared. These schedules are then used
to generate indicators of interest-rate sensitivity of both earnings and economic value to changing interest rates. After choosing the time intervals, assets and liabilities are grouped into these time buckets according to maturity or first possible re-pricing time. The assets and liabilities that can be re-priced are called rate sensitive assets (RSAs) and rate sensitive liabilities (RSLs) respectively.

Risk GAP = RSAs – RSLs

2. Duration-GAP Analysis: It is another reflection of interest rate risk and managing net interest income derived by taking into account all individual cash inflows and outflows. Duration is the value and time weighted measure of maturity of all cash flows. It will show the average time required to recover the invested funds. Duration analyses imitate the elasticity of the market value of a financial instrument with respect to its interest rate. Duration gap (DGAP) reflects the deviation in the timing of cash flow in asset and liability and is given by, DGAP = DA - u DL. Where DA is the average duration of an asset, DL is the average duration of a liability, and u is the liability/ asset ratio.

3. Value at Risk (VaR): It is one of the latest risk management tools. The Value at Risk (VaR) indicates how much a firm can lose or make with a certain probability in risk during a certain time period. VaR summarizes intrinsic financial risk in portfolios into a simple number. In general, VaR is used to calculate market risk but it also identifies many other risks like foreign currency, commodities, and equities.

4. Risk Adjusted Rate of Return on Capital (RAROC): It points out consistently an economic basis to measure all the relevant risks in a transaction and use as an efficient tool in respect of risk/return trade off in different asset classes. Risk Adjusted Rate of Return on Capital (RAROC) analysis shows how much economic capital is needed by different products and businesses and determines the total return on capital of a firm. Though Risk Adjusted Rate of Return (RAR) can be used to assess the capital requirements for market, credit and operational risks but RAROC is used as an integrated risk management tool.

5. Securitization: It is a process studied under the systems of structured finance or credit linked notes. Securitization of a bank’s assets and loans is a tool for raising new funds and reducing bank’s risk exposures. The bank accumulates a group of income-earning assets (like mortgages) and sells securities against these in the open market, thereby transforming illiquid assets into tradable asset backed securities. As the returns from these securities lies on the cash flows of the underlying assets, the burden of repayment is transferred from the originator to these pooled assets.

6. Sensitivity Analysis: It is very useful when attempting to determine the impact, the actual outcome of a particular variable will have if it differs from what was previously assumed. By creating a given set of scenarios, the analyst can determine how changes in one variable(s) will impact the target variable.

7. Internal Rating System: An internal rating system helps financial institutions manage and control credit risks they face through lending and other operations by grouping and managing the credit-worthiness of borrowers and the quality of credit transactions.

CONCLUSION:
Risk is an opportunity as well as a threat and has different meanings for different users. After economic liberalization, the banks were free to introduce new products and free to charge price their products with varying risk associated with the instrument. Thus, the banking industry is exposed to different risks which can adversely affect its profitability and financial health. Therefore, risk analysis and its
management have emerged as a new and challenging area in banking industry. As risk is indispensable for banking business, proper assessment of risk is an integral part of a bank’s risk management system. The essence of risk management is not avoiding or eliminating risk but deciding which risks to exploit, which ones to let pass through to investors and which ones to avoid or hedge. Risk management prevents an organization from suffering unacceptable loss that can cause failure or can materially damage its competitive position. Risk management should be a continuous and developing process which runs throughout the organization’s strategy and the implementation of that strategy. In the case of a bank, functions of risk management should actually be bank specific dictated by the size and quality of balance sheet, complexity of functions, technical/ professional manpower and the status of Management Information System in place in that bank. Balancing risk and return is not an easy task as risk is subjective and not quantifiable, whereas return is objective and measurable. The objective of risk management is not to prohibit or prevent risk taking activity, but to ensure that the risks are consciously taken with full knowledge, clear purpose and understanding so that it can be measured and mitigated.

The banks can take risk more consciously, anticipates adverse changes and hedges accordingly; it becomes a source of competitive advantage, as it can offer its products at a better price than its competitors. Regarding use of risk management techniques, it is found that internal rating system and risk adjusted rate of return on capital are important.

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ABSTRACT:
Today across the globe the main problems are environmental problems and reduction and management of scarce natural resources. It is the responsibility of each and every one of us to work in this direction in order to minimize environmental issues. There is a wave of change with all business activities to not only focus on profit but also on people and planet. It is not only the concern of the government and the direct polluters but also of other stakeholders like financial institutions such as banks, which are playing a fundamental role in the development of the society. Banking activities are not physically related to the environment, but the external impact of their customer activities is substantial. The banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. So, there is need for banks to adopt green strategies into their operations, buildings, investments and financing strategies. This paper presents the Adaptations of Green Banking, opportunities and challenges faced by green banking in India.

Keywords: Concept of Green banking, Features, Opportunities and Challenges.

CONCEPT OF GREEN BANKING:
The concept of Green Banking emerged in 2009 with emergence of the first Green Bank based in Mt. Dora, Florida, United States. The company is known for its focus on environmentally friendly banking practices. The Bank staffed with employees who have attained the LEED accredited professional designation, meaning thereby that they understand green building practices and provide incentives to consumers purchasing high efficiency vehicles like hybrid auto-mobiles and has a hybrid Toyota Prius as its own courier car.

The Institute for Development and Research in Banking and Technology established by RBI according to Indian Banks Association (IBA2014) Green Bank is like a normal bank, which considers all the social and environmental factors with an aim to protect the environment and conserve natural resources. Green banking is just like other banks but it considers a social and environment factors with a view to protect the surrounding environment and natural resources. It also termed as ethical banks or sustainable banks. Its main focus would be to protect environment. In short, it stands for environmental friendly and socially responsible banking services.

Defining green Banking is relatively easy which implies incorporating and promoting environment friendly practices and reducing carbon footprint from banking activities (green bank report). In other words, “Green
Banking” itself initiates promoting environmental-friendly banking practices and reducing carbon footprint from banking activities. To add simplicity to this term, it is a form of banking which ensures less utilization of natural resources and optimal reduction of wastage of paper/ carbon footprint.

FEATURES GREEN BANKING:

• Banks can help environment through automation and online banking.
• Green banking focuses on social safety and security through changing the negative impacts of the society.
• In financing, it always gives priority to investments / loans which consider risk factors regarding environmental conditions.
• It always cares for sustainable and green growth in industrialization and for social purposes.
• It creates a congenial atmosphere inside and outside the bank.
• It considers the clients as its family members, and as such, guide and supervise the projects to reduce pollution and thus implement scientific methods in the real sense by implementing environmental due diligence (EDD) checklist.
• It reduces cost and energy, thus saving money and increasing GDP of a country.
• It changes the mental faculties of the officials and customers, in line with green sensibilities.
• It helps institutions; men and the nation in general live with dignity.

METHODS OF ADAPTING GREEN BANKING:

 Online Savings Account: Online savings account and mobile banking is the easiest way that you can do your part to bank green and help the environment. Green banking includes setting up direct deposit to receive your paychecks, receiving electronic statements from your bank and by paying bills online. All of these steps can drastically reduce the amount of paper produced by your bank. Online banking and mobile banking are also highly effective ways to keep track of your finances and to avoid late payment fees. Another green banking step you can take is to suggest that the company you work for sign up for a product called “Remote Deposit”. Remote customers have to physically deliver each check to their bank to make a deposit. Remote deposits also allow banks to easily clear checks digitally.

 Paperless Statements: Sending out bank statements by mail is a big waste of paper. Signing up for online banking at most banks includes an option for customers to receive their statements electronically through a secure log-in. Copies of banking records and statements can then be stored electronically instead of in a filing cabinet. Receiving statements electronically also reduces the chance of identity theft.

 Use Direct Deposit: Most employers will give employees the option to receive their paycheck electronically. Not only does this speed up the availability of your money and save you a trip to the bank, it saves paper, lots of paper work etc.

 Online Bill Payments: Paying bills online is something of a lifestyle change, but it can be done. Telephone bills, cable bills, utility bills, credit card payments and mortgage payments can all be paid electronically. In fact, some online banking customers have thrown away their checkbooks and completely
converted to online payments. Not only is the recordkeeping much easier, but again massive amounts of paper is saved.

- **Reward Debit and Credit Cards:** Some banks have joined up with environment-friendly groups like The Sierra Club or Defenders of Wildlife to create reward debit cards and reward credit cards. Participating banks will make a small charitable donation as a percentage of your online banking activity to help the environment.

- **Net Banking:** Online banking is when customers perform most of their banking related functions without visiting the bank, personally. To do so, customers must possess an internet banking ID and a password provided by the bank in which the individual customer has an account.

- **Mobile Banking:** Mobile banking is tricky. On the one hand, it is great to have the ability to check balances, transfer funds or pay bills from your phone. On the other hand, it saves time and energy of the customers. It also helps in reducing use of energy and paper of the bank. Most of the Indian banks introduced this paper-less facility.

- **Use Green Checking Accounts:** Customers can check their accounts on ATM or special touch screens in the banks. This can be called as green checking of account. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees etc.

- **Use Green Loans for Home Improvements:** The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to the customers who would like to buy solar equipment. The rate of interest is as low as 4% p.a. Before you undertake a major home improvement project, study if the project can be done in an eco-friendly manner and if you might qualify for a green loan from a bank. Green loans are perfect for energy-saving project around the house. The new Green Home Loan Scheme from SBI, for instance, will support environmentally friendly residential projects and offer various concessions. These loans will be sanctioned for projects rated by the Indian Green Building Council (IGBC) and offer several financial benefits—a 5 percent concession in margin, 0.25 percent concession in interest rate and processing fee waiver.

- **Power Savings Equipment:** Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential. Banks can also make a feasibility study to make rain water harvesting mandatory in all the Bank’s owned premises. In December 2009 Indusind Bank inaugurated Mumbai’s first solar-powered ATM as part of its ‘Green Office Project’ campaign titled ‘Hum aur Hariyali’.

- **Use Green Credit Cards:** Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly non-profit organization from every rupee you spend on your credit card to a worthwhile cause of environment protection.
Save Paper: Bank should purchase recycled paper products with the highest post-consumer waste content possible. This includes monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. Whenever available, vegetable-based inks are used instead of less environmentally friendly oil-based inks.

Use of Solar and Wind Energy: Using solar and wind energy is one of the noble cause for going green. State Bank of India (SBI) has become the first bank in the country to venture into generation of green power by installing windmills for captive use. As part of its green banking initiative, SBI has installed 10 windmills with an aggregate capacity of 15 MW in the states of Tamil Nadu, Maharashtra and Gujarat.

ADVANTAGES OF GREEN BANKING:

Avoids Paper Work: Paperless banking almost all banks in India are computerized or operate on a core banking solution (CBS). Thus there is ample scope for the banks to adopt paperless or less paper for office correspondence, audit, reporting such as Internet banking, SMS banking and ATM banking etc. and reporting thereby controlling deforestation.

Creating Awareness to Business People about Environment: Many NGOs and environmentalists are propagating environment consciousness among the public in general by arranging awareness programs and organizing seminars etc. Banks may associate themselves by sponsoring such programs. Besides, many corporate bodies are organizing similar program in their own line of business such as “free pollution check program” organized by a car manufacturer. Banks may tie with such corporate.

Loans at Comparatively Lesser Rates: Banks can also introduce green bank loans with financial concessions for environment friendly products and projects such as fuel efficient vehicles, green building projects, housing and house furnishing loans to install solar energy system etc.

Environmental Standards for Lending: Banks follow environmental standards for lending, is really a good idea and it will make business owners to change their business to environmental friendly which is good for our future generations

Free electronic bill payment system.

Cash back will be credited to all customers opening ‘green account’.

DISADVANTAGES:

High operating cost: Green bank require talented experienced staff to provide proper services to customers. Experienced loan officers are needed additional experience in dealing with green business and customers.

Reputational Risk: If banks are involved in those projects which are damaging the environment they are prove to loss of their reputations. There are also a few cases where environmental management system has resulted in cost saving, increase in bond value.

Diversification Problem: Green banks restrict their business transaction to those business entities who qualify screening process done by green banks. With limited number of customers they will have a smaller base to support them.
Startup face: Many banks in green business are very new and are in Startup face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession.

Credit Risk: Credit arise due to lending to those customers whose business are affected by the cost of pollution, change in environmental regulation and new requirements of emission level. It is high due to probability of customers default as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.

Other Reasons:
- Lack of RBI mandates as main barrier to adopting sustainability.
- Majority of banks identified ‘risk of failure of business to peers’.
- Unavailability of skilled employees.
- Insufficient budget to train employees.
- Complex reporting framework.
- Lack of interest shown by customers and investors.

CONCLUSION:

With globalization and increasing competition moving towards the green wave provides competitive advantage. Green Banking is the level of consumer awareness and education. So proper training and educational programs by banks for the green initiatives will actually make Green Banking a success. Green banking is still a major issue and can take an important for development of our country in India. As some bank and financial institution have taken initiatives like State Bank Of India, Yes Bank and Financial Information Network and Operations (FINO) while making their branches and building environmental friendly and keeping eye on their clients projects to whom they have given the loan. Over all Green Banking as a concept is a proactive and smart way of thinking with a vision for future sustainability of our only Spaceship Earth and it is really a good way for people to get more awareness about global warming; each businessman will contribute a lot to the environment and make this earth a better place to live.

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EVOLUTION OF GREEN MARKETING: CHALLENGES AND STRATEGIES FOR GLOBAL SCENARIO

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ABSTRACT

Green marketing is a vital constituent of the holistic marketing concept today. It is particularly applicable to those businesses that are directly dependent on the physical environment. Changes in the physical environment may pose a threat to fishing, processed foods tourism and adventure sports industries. Consequently new types of products were created, called "green" products, which would cause less damage to the environment. Thus green marketing plays an important role to promote and reinforce the idea of environmental protection and sustainable development both in the minds of the customer and the firms.

Many global players in diverse businesses are now successfully implementing green marketing practices. Various studies by environmentalists indicate that people are concerned about the environment and are changing their behavioural pattern. The most of the consumers, both individual and industrial, are becoming more concerned about environment-friendly products. Majority of them feel that environment-friendly products are safe to use. As a result, green marketing has emerged, which aims at marketing sustainable and socially-responsible products and services. Now is the era of recyclable, non-toxic and environment-friendly goods. This has become the new mantra for marketers to satisfy the needs of consumers and earn better profits.

Green marketing is the process of developing products and services and promoting them to satisfy the customers who prefer products of good quality, performance and convenience at affordable cost, which at the same time do not have a detrimental impact on the environment. It includes a broad range of activities like product modification, changing the production process, modified advertising, change in packaging etc., aimed at reducing the detrimental impact of products and their consumption and disposal on the environment. Companies all over the world are striving to reduce the impact of products and services on the climate and other environmental parameters. Marketers are taking the cue and are going green.

Thus there is growing interest among the consumers all over the world regarding protection of environment in which they live; People do want to bequeath a clean earth to their offspring. Worldwide evidence indicates people are concerned about the environment and are changing their behaviour. As a result of this, green marketing has emerged which speaks for growing market for sustainable and socially responsible products and services.

The paper examines the need and significance of green marketing in the 21 century. This paper attempts to capture some of these initiatives in India, which may provide ideas for other companies in both developing and
developed markets and evaluates the challenges and strategies faced by the Indian companies and their concern for green marketing to tackle social and environmental problem using innovative solutions.

**Important terms:** Environmental issues, Green marketing, product process system, sustainable development,

**INTRODUCTION**

Green marketing is relatively new focus in business endeavors and came into prominence in the late 1980s and early 1990s (Ottman 1998) began in Europe in the early 1980s when certain products were found to be harmful to the environment and society as a whole.

In order to meet stricter environmental standards, both marketers and consumers are becoming increasingly sensitive to the need for switch in to green products and services. As a result, green marketing has emerged which speaks for growing market for sustainable and socially responsible products and services. World Commission on Environment and Development define sustainable development as meeting "the needs of the present without compromising the ability of future generations to meet their own need"(Brundtland Report, 1987) Green marketing also ties closely with issues of industrial ecology and environmental sustainability such as extended producers liability, life-cycle analysis, material use and resource flows, and eco-efficiency.

In the opinion of Lionel Robinson, a renowned economist, all economic resources are scarce and are alternative use. As resources are limited and human wants are unlimited, it is important for the marketers to utilize the resources effectively and efficiently without waste as well as to achieve the organization's objective. So green marketing is inevitable.

**REVIEW OF LITERATURE:**

In the 21st century, climate change and rapid depletion of natural resources and biodiversity are some of the challenges humanity must come to grips with. The subject of green marketing is vast, having important implications for business strategy and public policy. Clearly, green marketing is part and parcel of the overall corporate strategy (Menon and Menon, 1997).

Based on a review of the literature on the subject, Polonsky (1994) has identified several possible reasons for companies adopting green marketing. Green Makes Business Sense. Green marketing is viewed as a means to achieve the organization’s objectives (Keller 1987, Shearer 1990). Several studies indicate that consumers and the general public were concerned about the environment (Roberts 1995, Roberts and Bacon 1997, Van Liere and Dunlop 1981, McCarty and Shrum 1994). Few other studies indicate that concern for the environment is being reflected in changes in consumption-related perceptions and behaviour (Allen and Ferrand 1999, Gamba and Oskamp 1994, Shrum et al 1995). Phillips (1999) reported that 87 % of U.S. adults are concerned about the natural environment and 59 % of them say that they look for environmental labels and choose the brands that are more environmental-friendly.

Jain and Kaur (2004), found that Indian consumers surveyed report a high level of concern for the environment and engagement in environmental behaviour. They exhibit willingness to take environmentally friendly actions,
seek environment-related information, and pursue activities that help to conserve the environment and prevent pollution (Jain and Kaur, 2004).

Greening is thus viewed as a source of competitive advantage.

MEANING AND DEFINITION:
According to the American Marketing Association, "Green marketing is the marketing of products that are presumed to be environmentally safe, involves developing and promoting products and services that satisfy customers’ want and need for Quality, Performance, Affordable Pricing and Convenience without having a detrimental input on the environment."

Green marketing also ties closely with issues of industrial ecology and environmental sustainability such as extended producers liability, life-cycle analysis, material use and resource flows, and eco-efficiency.

As per Mr. J. Polonsky, green marketing can be defined as, "All activities designed to generate and facilitate any exchange intended to satisfy human needs or wants such that satisfying of these needs and wants occur with minimal detrimental input on the national environment."

The "Green Marketing" is holistic marketing concept incorporates a broad range of activities, wherein the production, marketing, consumption and disposal of products and services happen in a manner that is less detrimental to the environment.

According to Charter (1992), green marketing is defined as ‘greener marketing is a holistic and responsible strategic management process that identified, anticipates, satisfies and fulfil stakeholder needs, for reasonable reward, that does not adversely affect human or natural environmental well being’. This definition adds a strategic dimension stressed the importance of a long term perspective and the role played by stakeholders. It is rightly opined Jacquelyn Ottman, author of Green Marketing: Opportunity for Innovation from an organizational standpoint, environmental considerations should be integrated into all aspects of marketing - new product development and communications and all points in between.

EVOLUTION OF GREEN MARKETING

The origins of the environmental movement can be traced back to different parts of the world throughout history. The environmentalist movement, at least in Europe, grew out of the reaction to the industrialization, growth of cities and poor air and water quality.

Green marketing was given dominance after the proceedings of the first workshop on Ecological marketing held in Austin, Texas (US), in 1975. The workshop released the first book on green marketing entitled "Ecological Marketing". Several books on green marketing began to be published thereafter.

The milestones for wave of green marketing came in the form of published books, both of which were called Green Marketing. They were by Ken Peattie (1992) in the United Kingdom and by Jacquelyn Ottman (1993) in the United States of America. The similar terms used in connection with green marketing are ecological marketing (Fisk, 1974; Henion and Kinnear, 1976), environmental marketing (Coddington, 1993), green
marketing (Peattie, 1995; Ottman, 1992), sustainable marketing (Fuller, 1999) and greener marketing (Charter and Polonsky, 1999). In the years after 2000 a second wave of Green marketing emerged.

The green marketing has evolved over a period of time.

According to Peattie (2001), the evolution of green marketing has three phases.

First phase "Ecological" green marketing in which, all marketing activities were concerned to help environment problems and provide remedies for environmental problems.

Second phase "Environmental" green marketing and the focus shifted on clean technology that involved designing of innovative new products, which take care of pollution and waste issues.

Third phase was "Sustainable" green marketing. It came into prominence in the late 1990s and early 2000.

WHAT ARE GREEN COMPANIES?

Firms contributing to conservation of environment through Biodiversity, producing environment friendly products, conservation of energy, water and natural resources, climate protection, maintenance of schools, roads, parks, providing assistance for upliftment of the rural sector and the underprivileged, and so on so forth.

The common characteristics of green companies are:

- Use natural gas for boiler fuel.
- Recycle biodegradable waste.
- Minimum use of plastic material; use recyclable packaging materials.
- Use biomass and solar radiation as sources of renewable energy.
- Generate electricity from hydroelectric plants.
- Reduce toxic emissions, etc.

A survey conducted by BT- AC Nielsen ORG-MARG, ranked Oil and Natural Gas Company (ONGC) the greenest company in India followed by Reliance Industries. BPCL, Castrol India and HPCL are other companies in this sector that were rated green companies in the survey.

India’s software companies are considered green companies. India is a world leader in green IT potential, according to a recent released global enterprise survey conducted by GreenFactor. HCL is duty bound to manufacture environmentally responsible products and comply with environment management processes right from the time products are sourced, manufactured, bought by customers, recovered at their end-of-life and recycled. Apple, HP, Microsoft, IBM, Intel, Sony and Dell, HCL have a comprehensive policy designed to drive its environment management program ensuring sustainable development.
Johnson and Johnson Ltd., Chillibreeze, IBM, LG Electronics, PNB, Tata Motors and Hero Honda Motors are some of the other green companies in India. The private sector companies were in a majority (13 out of 20) in the list of Top 20 greenest companies in India.

As per study about 25% of the Indian consumers in India consider environment friendly products to be safe for nature, 28% are concerned with safety to human health and happiness and protective to nature.

With above figures, it can be assumed that firms which are marketing or thinking to market goods with environmental characteristics will have a competitive advantage over firms which are marketing non-environmentally responsible alternatives.

**GREEN MARKETING: GLOBAL SCENARIO:**

According to Paul Stoneman, financial incentives are necessary if the market for green products is to improve and grow. According to Mintel's report, 66% of consumers in United States do not buy green products because of high cost, while 34% say there is lack of availability of green products in the market. This shows the huge potential for untapped market and customer demand and requirement for eco-friendly products which the companies can exploit for capturing the market share and thereby enhancing the profitability and sustainability of the organization in the global competitive scenario.

Most of Global Companies have taken up several initiatives that help to protect the environment including greenhouse gas reduction, renewable energy and noise reduction, recycling and using alternative fuels in its own transportation fleet for increasing their accountability towards the environment and the society as a whole.

**GREEN MARKETING: INDIAN SCENARIO**

The subject of green marketing is vast, having important implications for business strategy and public policy. Clearly, green marketing is part and parcel of the overall corporate strategy (Menon and Menon, 1997). Green marketing also ties closely with issues of industrial ecology and environmental sustainability such as extended producers liability, life-cycle analysis, material use and resource flows, and eco-efficiency.

**GREEN MARKETING: INDIAN COMPANY INITIATIVES:**

Some scholars claim that green policies/products are profitable, green policies can reduce costs; green firms can shape future regulations and reap first-mover advantages (Porter and van der Linde, 1995; for a critique, see Rugman and Verbeke, 2000).

There are numerous strategies for the firms to be green. They can be green themselves in three ways: value-addition processes (firm level), management systems (firm level) and/or products (product level).

There are numerous examples of firms who have strived to become more environmentally responsible serving to better satisfy their consumer needs. Moreover, their activities also help them to improve their revenues and profits in various ways.
1. New Surf Exel (Do Bucket Paani... Ab Rozana Hai Bacha na) that produces lesser froth but is as effective as before, thus reducing water consumption.

2. Lifeboy (a brand of soap from Unilever in India) had an advertising campaign encouraging children to keep their streets clean and not worry about germs as Lifeboy protects them.

3. McDonald's restaurant's napkins, bags are made of recycled paper.

4. Coca-Cola pumped syrup directly from tank instead of plastic which saved 68 million pound/year.

5. Badarpur Thermal Power station of NTPC in Delhi is devising ways to utilize coal-ash that has been a major source of air and water pollution.

6. Barauni refinery of IOC is taken steps for restricting air and water pollutants.

7. Introduction of CNG in all public transport systems to curb pollution in Delhi

8. HCL's Environment Management Policy under HCL eco-Safe

9. HP's promise to cut its global energy use 20 percent by the year 2010.

10. The Hewlett-Packard Company announced plans to deliver energy-efficient products and services and institute energy-efficient operating practices in its facilities worldwide.

11. E-commerce business and office supply company Shoplet which offers a web tool that allows you to replace similar items in your shopping cart with greener products.

12. Walt Disney World, have instituted environmentally responsible behavior in their processes and systems

13. The refrigerator industry has shifted from chlorofluorocarbon (CFC) gases to more environmentally friendly gases.

14. Plantation and cultivation activities taken up by Intel India is an example of socially responsible firms contributing to preservation of environment.

15. Philips Light's CFL

16. Maruthi: Greening of Supply Chain

17. Amway claims that its products are environmentally friendly.

18. ITC's Social and Farm Forestry initiative has greened over 80,000 hectares creating an estimated 35 million person days of employment among the disadvantaged.

19. ITC's Watershed Development Initiative brings precious water to nearly 35,000 hectares of drylands and moisture-stressed areas.

20. ITC's Sustainable Community Development initiatives include women empowerment, supplementary education, integrated animal husbandry programmes.


22. Supreme Court of India forced a change to alternative fuels. In 2002, a directive was issued to completely adopt CNG in all public transport systems to curb pollution.

23. In India, the green building movement, spearheaded by the Confederation of Indian industry (CII) - Godrej Green business Center

24. Recycling used products also acts as a step towards minimizing wastes.
25. Tata Steel, HLL, Jindal Vijaynagar Steel, Essar Power and Gujarat Flurochemicals Ltd. etc have got clearance to undertake specifically designed projects in order to gain benefits from carbon trading (Kyoto Protocol).
26. Plantation and cultivation activities taken up by Intel India is an example of socially responsible firms contributing to preservation of environment.
27. ITC’s Bhadrachalam paper unit has invested in a Rs. 500 crore technology that makes the unit chlorine free.
28. At Jubilant Organosys’s Distillery at Gajraula, the treated wastewater is piped to farmers and CO2 is sold to cola majors.
29. Atlas Copco in India claims to use safer compressor condensate disposal practices including a step that removes oil from the water that is discharged into rivers.
31. Proctor and Gamble has introduced refills for its cleaners and detergents in Europe that comes in throwaway packs.
32. Kirloskar Copeland Limited (KLC) claims to have recently introduced the eco-friendly R404A gas compressor.

For better living in society and sustained economy, many other firms are contributing to conservation of environment directly and indirectly.

CHALLENGES OF GREEN MARKETING:

According to the Joel makeover (a writer, speaker and strategist on clean technology and green marketing), green marketing faces a lot of challenges because of lack of standards and public consensus to what constitutes "Green". The author opined the lack of consensus—by consumers, marketers, activists, regulators, and influential people—has slowed the growth of green products, because companies are often reluctant to promote their green attributes, and consumers are often skeptical about claims. At the same time, consumers are mistrustful of company claims of green as they have become increasingly sophisticated and knowledgeable through information from the web.

As per Report published in Times recently "Air pollution damage to people, crops and wildlife in The US totals tens of billions of dollars each year". "More than 12 other studies in the US, Brazil Europe , Mexico , South Korea and Taiwan have established links between air pollutants and low birth weight premature birth still birth and infant death".

CHALLENGES AHEAD……

1. Green products require renewable and recyclable material, which is costly
2. Requires a technology, which requires huge investment in R & D
3. Water treatment technology, which is too costly
4. Majority of the people are not aware of green products and their uses

5. Majority of the consumers are not willing to pay a premium for green products

Stephen Wenc, the president of UL Environment, the new green arm of the well established certifying body Underwriters Laboratories, laid out four basic challenges to effective green marketing:

1. Lack of credibility or trust by consumers and end-users
2. Confusion regarding green or sustainable product claims
3. Reputational risk from "misleading claims"
4. Liability risk from "greenwashing" under FTC Green Guides

Beard offered four steps to avoid claims and possible legal charges of green washing:

1. Pick the products or services you promote on green grounds with care
2. Be specific with word choices (focus on the specifics rather than the broad)
3. Be specific about what part of your product or packaging is green
4. Substantiate, substantiate, substantiate -- always back up your claims

In Strategies for the Green Economy, Joel Makower challenges business leaders to understand what lies behind the desire for green products.

Despite these challenges, green marketing has continued to gain adherents, particularly in the light of growing global concern about climate change. This concern has led more companies to advertise their commitment to reduce their climate impacts and the effect which is having on their products and services. To win the trust, firms could have a compelling rationale to green their products, policies, processes etc.

**STRATEGIES FOR GREEN MARKETING:**

Marketing literature on greening products, firms builds on both the societal and social marketing research. Social marketing focuses on designing and implementing programs that increase the acceptability of a social idea, cause, or practice in (a) target group(s) (Kotler, 1994). Ken Peattie (1999) defined environmental marketing in terms of customer satisfaction in a sustainable fashion which refers as 'the holistic management process responsible for identifying, anticipating, and satisfying the requirements of the consumers and society, in a profitable and sustainable way'. It implies that organizations (governments, businesses and nonprofit organisations) need to determine the needs of target markets and to deliver the desired satisfactions in a way that enhances the consumers and the society’s well being.

Green marketing involves focusing on promoting the consumption of green products. Therefore, it becomes the responsibility of the companies to adopt creativity and insight, and be committed to the development of environment-friendly products. This will help the society in the long run. Companies which embark on green marketing should adopt the following principles in their path towards”greenness.”

1. Adopt new technology/ Process or modify existing technology/ Process so as to reduce environmental impact.
2. Establish a management control system that will lead to adherence of stringent environmental safety norms.

3. Explore possibilities of recycling of the used products so that it can be used to offer similar or other benefits with less wastage.

4. Using more environment-friendly raw materials at the production stage itself.

The marketing strategies for green marketing include the following,

1. Marketing Audit (including internal and external situation analysis)
2. Develop a marketing plan outlining strategies with regard to 4 P’s
3. Implement marketing strategies
4. Plan results evaluation

SUGGESTIONS:
There is no one single strategy that will work for all companies, it all depends on the own individual objectives, target market, resources etc (Polonsky & Rosenberger, 2001). Various authors has proposed different models to develop strategy that includes the green marketing grid (Grant, 2007, p.10, 59) and the green marketing strategy matrix (Ginsberg & Bloom, 2004). Further, holistic and integrated approach is necessary to implement green marketing strategies in all areas of the marketing mix was emphasized by Polonsky & Rosenberger (2001). Studies have showed that green marketing as ‘a creating opportunity to innovate in ways that make a difference and at the same time achieve business success’ (Grant, 2007 p.10).

In order to be optimizing the economic return on their investment, companies must develop their strategies that transform environmental investment into sources of competitive advantage (Orsato, 2006). Given that there is urgent need for development of marketing strategies that can earn sustainable advantage in terms of profit to the firms and minimal impact on the environment.

Gary Hirshberg, chairman and president of Stonyfield Farm, said “Joel Makower provides a roadmap—a clear and compelling vision of what’s possible when companies harness environmental thinking to create value for their shareholders, employees, customers, and communities.”

As pointed out by other scholars, incorporating environmental concerns into mainstream strategy may not be possible if decisions are based solely on economic criteria (Vardarajan, 1992; Drumwright, 1994). Thus, managers need to adopt an entrepreneurial approach that relies on non economic criteria as well as highlighting stakeholder and institutional pressures.

As per study the following are the suggestions for sustainable environment management

(a) To provide incentives to manufacturers and importers to reduce adverse environmental impact of products.
(b) To reward genuine initiatives by companies to reduce adverse environmental impact of products.
(c) To assist consumers to become environmentally responsible in their daily lives by providing them information to take account of environmental factors in their daily lives.
(d) To encourage citizens to purchase products which have less environmental negative impact.
(e) Ultimately, to improve the quality of the environment and to encourage the sustainable management of resources.

Marketers have the responsibility to make the consumers understand the need for and benefits of green products to maintain a cleaner and greener environment. Finally, consumers, industrial buyers and suppliers need to pressurize effects on minimize the negative effects on the environment-friendly. Green marketing assumes even more importance and relevance in developing countries like India.

CONCLUSION:
Green marketing in India is still in its infancy and a lot of research is to be done on green marketing to explore its full potential. Marketers need to understand the implications of green marketing. Most of the studies on the subject show that although the awareness and environmental behaviour of consumers across countries educational levels, age and income groups may differ, environmental concerns are increasing worldwide.

With the threat of global warming looming large, it is extremely important that green marketing becomes the norm rather than an exception or just a fad. Recycling of paper, metals, plastics, etc., in a safe and environmentally harmless manner should become much more systematized and universal. Green marketing methods produce highly effective results. Lead to cut costs, raise response rates and increase growth.

Businesses are entering the green marketplace at breakneck speed to keep pace with customer and societal demands to reduce their environmental impacts. But greening one's business is no small feat. While clear opportunities abound in this new economy, business leaders pursuing a green strategy are finding few roadmaps and established rules and plenty of hidden twists and turns.

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ADVANCING FINANCIAL INCLUSION IN INDIA BEYOND THE JAN-DHAN YOJANA

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Abstracts
Promote financial savings of poor households through innovative product design that matches their specific needs. Bring indigenous 'bottom-up' financial institutions such as registered Chit Funds, and the extensive postal network into the fold of national financial inclusion strategy for greater impact. Extend effort to pilot innovative insurance products and scale up successful insurance instruments. Encourage technology solutions that reduce operating costs of selling small ticket financial instrument and support innovations in management practices of financial institutions to enable sustainable and robust financial inclusion. Galvanize financial literacy and awareness for better utilization of financial instruments and to reduce risks of dubious schemes.

Key words: Chit funds, Financial, Innovation, Management

Introduction
In a laudable move, the new government of India has made financial inclusion a key objective for the country. The Finance Minister, in his budget speech for 2014-15, laid out a specific set of targets to provide for financial accounts to every household by August 2015. This ambitious target set the tone as well as highlighted the importance of attaining it within a specified timeframe. Taking the ambition further, in his maiden Independence Day speech, the Prime Minister announced the Pradhan Mantri Jan–Dhan Yojana (PMJDY) with an objective of opening no-frills bank accounts. The PMJDY was launched immediately after this announcement on August 28. On the inauguration day itself, 1.5 crore bank accounts were opened. Within three months, the figure multiplied to 7.5 crore across India. This must be recognised as a remarkable achievement.

The focus of financial inclusion in India thus far has overwhelmingly been on delivering credit through microfinance channels, state-owned banks and through state-promoted self help groups. The PMJDY has complemented these efforts by forcefully accelerating the previous efforts of the Reserve Bank of India (RBI) of promoting financial inclusion through facilitating opening of bank accounts. The PMJDY provides basic zero-balance bank accounts with accident insurance cover of 1 lakh, along with an overdraft facility of Rs 5,000 available for account holders. The scheme would also facilitate the use of mobile banking among the poor through the National Unified USSD Platform (NUUP).

The NUUP would allow customers to access banking services using a single number across all banks, irrespective of the telecom provider or mobile handset being used (National Payments Corporation of India, 2014). The launch of this scheme received strong support from public sector and private sector commercial banks, resulting in significant uptake. With the provision of insurance and transfer facilities along with the overdraft facilities under PMJDY, there is a clear focus on expanding the portfolio of financial instruments available to all households in the country (Pradhan Mantri Jan–Dhan Yojana, 2014).

Just about a year ago, the RBI renewed its financial inclusion mandate with the formation of the Mor Committee on Comprehensive Financial Services for Small Businesses and Low Income Households in September 2013. The committee, whose objective was to provide a clear vision for financial inclusion, prepared a report highlighting key areas of concern. The recommendations of the committee included provision of bank accounts...
to all citizens, setting up state finance regulatory commissions and creation of a new entity in the financial system - payment banks.

Since then the RBI has issued two new full bank licenses and, in November 2014, released final rules for setting up small banks and payment banks. Small banks will provide both deposits and loans, but geared towards unserved and underserved segments such as small businesses and marginal farmers. Payment banks will offer a limited set of products, mainly demand deposits and remittances and transfers, and will not provide lending services. The recent policy measures undertaken by the Government and RBI have provided a much needed push for financial inclusion in the country. However, there remain some key gaps and concerns that must be addressed for attaining sustained comprehensive financial inclusion, especially of the low income population. We highlight these and discuss them in some detail in this paper.

A Brief Background of Financial Inclusion in India

After the World Wars, most developed nations vigorously implemented rural finance policies, which focused primarily on the provision of subsidised credit to the rural population, through state controlled or directed institutions. Indian policies on rural finance have mirrored the worldwide pattern since the 1950s with the implementation of various forms of subsidised credit schemes, including the mammoth Integrated Rural Development Programme (IRDP). The basis of extending subsidised credit is the theory in development economics which claims that access to capital can lead to increased income and reduced poverty. The critical assumption of that model is that all households have a project to invest in and it is only the lack of collateral that prevents banks from lending to the poor. It was exactly this fundamental logic which led to the innovation of different kinds of collateral substitutes like joint liability which formed the basis for the microcredit revolution worldwide, particularly in South Asia. However, it is now well recognized that financial needs of the ‘excluded’ segments of the economy go beyond access to credit.

Improved access to various formal financial services includes safe instruments for savings, easy-to-understand insurance instruments, and pension and transfer facilities, among others. These can enable consumption smoothing, building an asset base which can facilitate future access to credit and risk management and be used for self-investment in micro enterprises. The main demand-side barriers to the provision of financial services to the poor are the lack of awareness, limited financial literacy, and limited access. Most products offered by banks are unsuitable for the poor and come attached with terms and conditions which prove to be burdensome, further dampening the demand for these services. At the same time, as recent events (for example, the Saradha scam) have shown, lack of financial literacy can result in people making wrong choices, and becoming vulnerable to excessive financial risks. From the supply side, the main barrier to the provision of formal financial services is transaction cost. Data reveals that a large number of bank accounts are underused, which makes creating and maintaining such accounts cost-ineffective for the banks. From the credit perspective, the lack of collateral makes lending to small borrowers costly for banks and other formal financial institutions. Small ticket sizes add to the per instrument transaction costs. Furthermore, lacunae in physical and legal infrastructure make it difficult to extend and enforce contracts.

What do the poor want?

Most of the poor, urban and rural, lack access to basic financial services and address their need for financial products through informal means which are costly and unsecure. Financial inclusion aims to reduce such risks, and provide safer options to them, but over the years the various policies adopted by the government to increase the presence of banks in remote rural areas have still not been able to cover the majority of the population.
Those who have been provided with no-frills bank accounts lack the incentive to utilize these accounts to save money. Most of the strategies of the government in promoting financial inclusion have been centred on the provision of bank accounts in order to facilitate credit to the poor. The provision of credit, though important, is not the only means through which the poor can be included in the economy through financial services. Understanding how the poor earn and manage their money can help in designing better instruments and institutions to address their financial needs.

Daily expenditure: Funding for day-to-day expenditure is a need that the poor face, and is often unaddressed by the financial institutions, unlike the provision of lump sum of money. This need is most acute for those farmers who receive a few lump sums over the year. However, these sums of money are almost immediately used up. There is a need to set some money aside in the months of no income and also for future expenditure. This need is also important for other categories of workers who receive intermittent income, like daily labourers, in order to bridge gaps in earnings. Therefore, the provision of financial services, such as savings bank accounts, can be instrumental in cash flow management for households. Having secure and accessible savings accounts can help them in consumption smoothing to a great extent.

Unexpected circumstances: A situation in which the poor often find themselves unable to provide are unavoidable crises like adverse weather conditions and health emergencies. These negative shocks drive the marginal poor back into poverty by forcing them to resort to borrowing from informal sources such as moneylenders or to sell assets. Risk exposure can also dis-incentivise them from investing in activities which could yield higher productivity. Access to insurance instruments as well as savings can provide a buffer in times of extreme shocks such that they don’t resort to costly income-smoothing activities.

Advancing Financial Inclusion in India beyond Jan–Dhan Yojana

With most financial inclusion policies in India solely focused on the provision of bank accounts and credit to the poor, there is a need to include more financial services in the portfolio of national financial inclusion strategies to account for the needs of this segment. We highlight some of these below and emphasize that they be prioritized.

1. Innovation in savings instruments
The financial portfolios of poor households are as diverse as those of their richest peers, with an average of 10 financial instruments per household. However, the diversity of financial instruments offered in India today by commercial finance companies as well as the government is limited in scope and scale, particularly to the poorer sections of society. Product design is critically important when it comes to developing savings instruments for low-income households.

The instruments provided and facilitated by the financial sector, from the government to the banks to local state authorities must be designed according to the needs of the specific market segment. Internationally, the success of Bank Rakyat Indonesia (BRI) in providing commercially viable financial services – loans and savings, along with other financial products to the low-income households – has several lessons for India. BRI built a customer base of over 30 million depositors through tailoring their products and services offered to the needs of the clients, thereby incentivizing them to better utilize their savings accounts. BRI accounts are structured in a way which encourages more savings than loans.
Another savings product that received tremendous attention was developed to incentivize the poor and is called the SEED (Save, Earn, and Enjoy Deposits) account, implemented by the Green Bank of Caraga in the Philippines (Ashraf et al., 2006). The SEED account provides individuals with a commitment which restricts their savings. The individual sets a goal, either a date or amount he/she wants to save, and is subsequently unable to withdraw money from the account until that goal is reached.

Such measures give people the option to ‘force’ themselves into saving and it also stresses the importance of longer term financial goals and discipline for households. These are critical for the development of viable financial markets at the bottom of the pyramid. Extending products from the mainstream financial sector into the financially excluded segment can be risky. Financial institutions must be encouraged to develop innovative products and services, and move away from the one-size-fits-all recipe. This can be achieved through encouraging innovation and ensuring competition amongst the financial service providers in India.

2. Indigenous institutions of financial inclusion
Research has shown that Chit Funds are widespread in India and have the appeal of a “bottom-up” approach to financial inclusion, aimed at providing low-income households the means through which they can meet their financial needs. However, these institutions have so far been excluded from the formal financial sector, largely due to ignorance. In most parts of India, very large groups of people participate in different forms of informal regular savings-credit arrangements with each other. Under a chit fund scheme, a group of individuals comes together and pool in money, and at the end of each month (or a specified period), the pool of money is loaned out to individuals from among that group. In this aspect, it acts as an efficient circulation of money between those who want to save and others who want to borrow. It also serves as an accessible option of insurance during financial duress.

Chit Funds in India have been in operation for thousands of years – they were first established as informal associations of traders and households within communities. They work in a similar way to the Rotating Savings and Credit Associations (ROSCA) which are prevalent in most countries of the world, in some form or the other, allowing people to save and borrow simultaneously. India has formally institutionalized Chit Funds through the Chit Fund Act, 1982, enabling legally recognized institutions the means to provide a variety of chit schemes. The industry under the Act is highly regulated with stringent rules in place.

The most common reason for participating in Chit Fund schemes was to save, and/or business requirements a close second. The requirements change with the income levels of the individual. As the income level of members increase, the proportion of people bidding in these chit schemes for business investment increases, though the opposite holds true when it comes to consumption needs. The results from the research study show strong positive implications for Chit Funds as a source of savings and borrowing for poor households in India. It is now well established that Chit Funds are catering to those segments of the economy which are yet to be satisfactorily catered by Microfinance Institutions and Banks.

Our analysis of a recently conducted geo-spatial survey of financial service providers1 in Uttar Pradesh and Bihar shows that households have the best access to post offices, measured in physical distance. On an average
households are 2 kilometres from the nearest post office while the distance to the nearest bank customer service point is 1.5 times as much; the distance to ATMs is 3 times as much while the nearest MFI is more than 10 times farther. This would suggest that financial inclusion strategies of the government should ideally leverage the already existing and extensive postal network in the country. Post offices offer few financial services currently but these must be augmented. Particularly because the original mandate of postal department has weakened with improved digital and telecom footprint across India.

3. Insurance instruments

Insurance is a critical component for financial inclusion of the poor, vulnerable sections of the population. It has not enjoyed the same prominence in policy measures as credit and bank accounts in India. As mentioned previously, the main needs for the poor are to have safety nets in order to provide for any unexpected circumstances, to hold lump sum money, and to provide day-to-day expenses. Besides tapping into savings, these needs can only be met through well-designed and easy to-understand insurance products, including health, life, property, crop and myriads of other insurance instruments meant to mitigate different forms of shocks.

Our previous research indicates that though the access to credit and savings instruments can serve as insurance mechanisms along with societal arrangements of reciprocity, these are expensive in comparison to access to insurance instruments (Ravi, 2006). The new PMJDY provides some forms of insurance but is limited to accident and life. Launched in 2008, Rashtriya Swasthya Bima Yojana (RSBY) aims to provide health insurance coverage to all below poverty line (BPL) families in India.

Till date more than 37 million BPL families have been enrolled in this health insurance scheme but it remains to be seen whether it is an effective tool to protect poor households from health shocks. Previous research has shown that limited understanding of health insurance results in a significantly lower claims to coverage ratio for the low income segment .

The Agriculture Insurance Company was set up in 2002 with the sole motive of promoting insurance cover to farmers in India. They have since rolled out three main schemes – yield based national agriculture insurance scheme, national crop insurance program and the weather based crop insurance scheme. Given that crop insurance has suffered financially at the global level, it might be worthwhile to take stock of India’s performance. Also, insurance cover to the rural poor has to extend beyond crops to livestock, property and weather insurance because a significant part of the rural population is employed in microenterprises and face income shocks. Government effort should be extended towards pilot testing these products and scaling up those financial instruments that have proven to be successful.

Some sophisticated insurance products like the weather insurance (rainfall insurance) have fallen far short of the intended take up levels, despite being well designed. The common belief is that lack of financial literacy and awareness makes selling insurance instruments a tricky business and often a prohibitively expensive one, particularly to the poor. People are often confused between savings and insurance instruments and there have been several reported instances of poor households wanting to withdraw their insurance premiums.

4. Technology

Technology has been the key in reducing the problem of access to banking services, and with schemes such as the PMJDY, providing access should not be among the major challenges. The technological options are now wide ranging, and with India’s booming telecom sector, the option of using mobile payments as a means for
financial inclusion is feasible. According to the latest data released by the Telecom Regulatory Authority of India, the total number of mobile subscribers in India is around 900 million. Therefore, telecom companies have emerged as a viable tool to achieve financial inclusion. In Kenya, M-Pesa is one

To complement such innovation, indigenous financial institutions must find a place within the financial inclusion policies of the government. These are old institutions based on established social networks. Our policies must incorporate these and facilitate further healthy growth of such indigenous institutions. We must also actively seek to understand these institutions to shape a regulatory policy rather than shun all out of ignorance. They have a far greater reach and acceptance amongst the people than most top-down policies of financial inclusion in the recent history of liberalized India. Government policies must recognize this and build on the strengths of indigenous financial institutions. For similar reasons, post offices must also be brought within the fold of national financial inclusion strategy due to their extensive network and greater accessibility.

Raising awareness and imparting financial literacy are also critical to the utilization of financial instruments and for better financial decision-making. Educating people about financial risks can prevent them from investing in dubious schemes. Such schemes are particularly rampant amongst the poor and vulnerable sections of the Indian society, as recent scams have highlighted. Regulation should also ensure customer protection and transparency through requirements of clear and standardized reporting by the sellers of financial instruments. Technology must be leveraged to bring down the operating costs of these financial instruments which are more expensive in comparison to larger ticket instruments of the mainstream financial sector.

Innovation in the financial sector- through greater autonomy and competition must be encouraged. Institutions should have the autonomy to experiment with management practices as well as financial products which can help offer sustainable solutions to the financial needs of all segments of the Indian economy.

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FINANCIAL INCLUSION IN INDIA-ISSUES AND CHALLENGES

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Abstract

More than 150 million poor people have access to collateral-free loans However; there are still large sections of the world population that are excluded from the financial services market. Most of the developing countries, India is one of among them where, still poor people are unable to access the financial sector or we can say that most of the people are financially excluded. The Demand for finance by the poorer still high but the supply of finance from government side remained inefficient to fulfill it. In January 2006, the Reserve Bank, permitted banks to provide the services on NGOs/SHGs, MFIs (other than NBFCs) and other civil society organizations as intermediaries for providing financial and banking services the disadvantaged and low income people to access the financial services.

In India, growth with equity has been the central objective right from the inception of the planning process. The eleventh Five year plan (2007-12) re-emphasized the need for a more inclusive growth in order to ensure that the per capita income growth is broad-based.

The paper discusses about the Financial inclusion in the world and in India in particular also analyses how Financial Inclusion leads to the economic development of a country.

Keywords: Financial inclusion, Economic growth SHGs, MFIs, RBI schemes,

Introduction:

Various models of promoting financial inclusion have been practiced across the world with emphasis on different style, ways and means, in different countries like that of South Africa, Brazil, Kenya, Mexico, Bangladesh, India and others. Hence, various definitions of financial inclusion has emerged from time to time all of them reckoning the need for delivery of banking and financial services, at an affordable cost, to the people who do not have access to financial services, to the people pertaining to low income groups. The providers for such facilities are the commercial banks operating in the region. The commercial banks in India are expected to be profitable in their trade because they are the main custodians of the wealth of the citizens of India. The banking industry also has a vital role in the capital and money market in India. The apex bank, i.e., Reserve Bank of India (RBI) at the same time has been issuing guidelines to the commercial banks to promote the process of financial inclusion throughout India, with special emphasis on states which are economically underdeveloped. The RBI has permitted and recommended the use of some other channels of promoting financial inclusion to the commercial banks such as involving the self help groups (SHG’s), Micro-finance institutions (MFI’s), Regional Rural Banks (RRB’s), Non-Commercial Banks such as National bank for agriculture and rural development (NABARD), Non-Governmental Organizations (NGO’s), Joint Liability
Groups (JLG’s), Co-operatives and Co-operative Banks. Even the other players in the financial sector like the Non-Banking Finance Companies (NBFC’s), Insurance companies, and Mutual fund companies are expected to play a positive role in the process of financial inclusion throughout India.

Objectives

- To review the present status of the financial inclusion in India in particular and the world in general.
- To highlight the initiatives taken by the Government of India and RBI for promoting financial Inclusion.
- To analyze the issues and challenges involved in the adoption of financial inclusion.

Financial Inclusion – Global Scenario

The Financial Inclusion Task Force in UK has identified three priority areas for the purpose of financial inclusion, viz., access to banking, access to affordable credit and access to free face-to-face money advice. In USA, varying from State to State, 10 to 20 per cent of US households lack a bank account. The Government has taken various measures to deal with the problem of financial inclusion. In France, as per the 1984 Banking Act, any person refused a bank account can approach the Bank of France, which will identify and nominate an institution to provide the bank account. In 1992, French banks signed a charter undertaking to open bank accounts at an affordable cost with related payment facilities to all. Thus, it is observed that even in developed countries, the State has accepted financial inclusion as an important measure for socio-economic development of the poor and disadvantaged groups. Various proactive and positive actions have been initiated by the Governments to deal with the problem of financial exclusion.

Financial inclusion in India

The Indian economy is growing at a steady rate of 8.5% to 9% in the last five years or so. Most of the growth is from industry and services sector. Agriculture is growing at a little over 2%. The potential for growth in the primary and SME sector is enormous. Limited access to affordable financial services such as savings, loan, remittance and insurance services by the vast majority of the population in the rural areas and unorganized sector is believed to be acting as a constraint to the growth impetus in these sectors. Access to affordable financial services – especially credit and insurance – enlarges livelihood opportunities and empowers the poor to take charge of their lives.

Importance of financial inclusion

Financial inclusion is about ensuring that everyone has access to appropriate financial services, enabling them to:

- Manage their money on a day-to-day basis, effectively, securely and confidently
• Plan for the future and cope with financial pressure, by managing their finances to protect against short term variations in income and expenditure, and to take advantage of longer term opportunities, and
• Deal effectively with financial distress, should unexpected events lead to serious financial difficulty. People who achieve these objectives will enjoy significantly improved outcomes.

Recent initiatives by Reserve Bank of India

The Reserve Bank has undertaken a number of measures with the objective of attracting the financially excluded population into the structured financial system. In November 2005, banks were advised to make available a basic banking “no-frills” account with low or nil minimum balances. For low income groups both in rural and urban areas the procedures for opening accounts has been simplified. Banks have been asked to consider introduction of a General purpose Credit Card at their rural and semi urban branches. A simplified mechanism for one-time settlement of overdue loans up to Rs. 25,000/- has been suggested for adoption. In January 2006, banks were permitted to utilize the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions and other civil society organizations as intermediaries in providing financial and banking services through the use of business facilitator and business correspondent (BC) models.

ISSUES AND CHALLENGES

India currently faces several issues and challenges in the area of Financial Inclusion Salient among them are stated here below;

1. Spatial Distribution of Banking Services: There has been a significant increase in the number of bank offices in the rural areas; but it is not in tune with the large population living in the rural areas. For a population of 70% only 45% of bank offices provide the financial services.
2. Regional Distribution of Banking Services: There has been uneven distribution of the banking services in terms of population coverage per bank office in the six regions viz; Northern, North-eastern, Eastern, Central, Western and Southern regions of the country.
3. Bank Branches are required to be increased as it has a direct impact on the progress of financial inclusion. It is clearly established that as the bank branches increase number of bank accounts also increase significantly.
4. Poverty levels: As the poverty levels decrease financial inclusion also increase. As such, there should be multi fold strategic approach in such poverty dominated areas for financial inclusion.
5. SC/ST population: It is ascertained that in the areas of Scheduled Castes/Scheduled Tribes population the progress of Financial Inclusion is slow which indicates that the efforts for Financial Inclusion has to be increased significantly in such areas in order to bring in social and economic equity in the society.
6. Overcoming Bankers’ Aversion for Financial Inclusion Even though no banker openly expresses his aversion for the financial inclusion process, overtly it can be noticed that they are averse to it in view of the cost aspects involved in opening of no frill accounts.
CONCLUSION

The causality between economic growth, financial deepening and financial inclusion has been well recognized in India’s development strategy, particularly since the reforms from the early 1990s. The 11th Five Year Plan (2007-12) of the Government of India has further emphasized the initiatives on financial inclusion with its greater focus on ‘inclusive’ growth. The efforts at inclusion are undertaken by a number of agencies. A number of expert committees have studied the issues relating to financial inclusion and have given an array of recommendations. Many of these recommendations have been implemented/under implementation. For sustainable inclusion approaching the ‘bottom of the pyramid’ from their fears and anxieties rather than getting them on to the commercial platform is needed. This requires efforts from the side of the governmental agencies to empower them in terms of knowledge, capabilities and facilities as the new thinking outlines. This approach could also address the recent concern that the poor need grant, not loans.

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MICRO FINANCE AND WOMEN EMPOWERMENT IN INDIA
ISSUES AND CHALLENGES

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Abstract
Since its inception micro finance has evolved as an economic development approach to benefit low income people in rural and urban areas. Bangladesh has one of the longest histories with microfinance is gathering momentum to because a measure force in India the self-help groups(SHG) model with bank lending to groups of (Often) poor women without collector as become an excepted part of rural finance. The paper discusses the state of micro finance in India “Key issue of it and various challenges of micro finance in India” Silent futures, micro finance in India is steel presently too small to create a massive impact in poverty alleviation, but it pursued will skill opportunity development of the poor, it holds the promise to alter socio economic face of the India’s poor.

Key words : India, Micro finance, Empowerment, issues, Challenges

Introduction to microfinance
Since its inception, micro finance has evolved as an economic development approach to benefit low income people in rural and urban areas. Micro finance is the provision of financial services low-income clients of solidarity lending groups including consumer and the self employed who traditionally lack access to banking and related services. Micro finances not just about giving macro credit to the poor rather is an economic development and it’s a tool whose objectives is to assist poor to work their way out of poverty. It covers a wide range of services like credit, saving, insurance, remittance, and also non-financial services like trading, counseling etc.

Definition of Micro finance
If refers to small scale financial services including both credit and deposits provide to people who form or fish or herd: operate small or micro enterprises, where goods are produced, recycled and repaired, or traded; provide services work for wages or commissions, gain income from tenting out of small amounts of land, vehicles draft animals or machinery or tools; in both rural and urban areas.

Key Features of Micro finance

1. Lend to the poor
2. Do not take security
3. Prefer saving over borrowing
4. Small short-term loans
5. Cost covering interest rates
6. Group’s appraisal and guarantee
7. Prefer women customers over men
Objectives
1. To know the various features of Microfinance
2. To know the key issues and challenges
3. To know the Benefit of Microfinance in India

Methodology
The data is collected from secondary sources like Books, Journals, Internet, and Newspapers etc.

Important objectives of Microfinance
- Providing not just loans but also savings in the form of Insurance etc
- MFIs must be useful to the poor households: raise their living standards
- MFIs should build local permanent institutions
- Integrate the financial needs of poor people of the country.
- Providing loans with less Interest ceilings
- Work as a tool for socio-economic development,

Microfinance institutions should measure and disclose their performance—both financially and socially. Microfinance is considered as a tool for socio-economic development, and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial institutions.

Salient features of Microfinance
- Borrowers are from the low income group
- Loans are of small amount micro loans
- Short duration loans
- High frequency of repayment
- Loans are generally taken for income generation purpose.

Issues
MFIs can play a vital role in bridging the gap between demand & supply of financial services if the critical challenges confronting them are addressed.

Sustainability: The first challenge relates to sustainability. It has been reported in literature that the MFI model is comparatively costlier in terms of delivery of financial services. It has been commented that MFI’s pass on the higher cost of credit to their clients who are ‘interest insensitive’ for small loans but may not be so as loan sizes increase. It is, therefore, necessary for MFIs to develop strategies for increasing the range and volume of their financial services.

Lack of Capital: The second area of concern for MFIs, which are on the growth path, is that they face a paucity of owned funds. This is a critical constraint in their being able to scale up. Many of the MFIs are socially oriented institutions and do not have adequate access to financial capital. As a result they have high debt equity ratios. Presently, there is no reliable mechanism in the country for meeting the equity requirements of MFIs. As you know, the Micro Finance Development Fund (MFDF), set up with NABARD, has been augmented and re-designated as the Micro Finance Development Equity Fund (MFDEF). This fund is expected to play a vital role in meeting the equity needs of MFIs.
**Borrowings:** In comparison with earlier years, MFIs are now finding it relatively easier to raise loan funds from banks. The change came after the year 2000, when RBI allowed banks to lend to MFIs and treat such lending as part of their priority sector-funding obligations. Private sector banks have since designed innovative products such as the Bank Partnership Model to fund.

**Challenges**

**Regional Imbalances:** The first challenge is the skewed distribution of SHGs across States. About 60% of the total SHG credit linkages in the country are concentrated in the Southern States. However, in States which have a larger share of the poor, the coverage is comparatively low. The skewed distribution is attributed to:

- The overzealous support extended by some the state Governments to the programme.
- Skewed distribution of NGOs and
- Local cultures & practices

**From credit to enterprise**

The second challenge is that having formed SHGs and having linked them to banks how can they be induced to graduate into matured levels of enterprise how they be induced to factor in livelihood diversification, how can they increase their access to the supply chain, linkages to the capital market and appropriate production and processing technologies.

**Quality of SHGs:** The third challenge is how to ensure the quality of SHGs in an environment of exponential growth. Due to the fast growth of the SHGs bank linkage program the quality of SHGs have come under stress. This is reflected particularly in indicators such as the poor maintenance of books and accounts etc. The deterioration in the quality of SHGs is explained by a verity of factors including the intrusive involvement of Government departments in promoting groups, inadequate long-terms incentives to NGOs for nurturing them on a sustainable basis and Diminishing skill sets on part of the SHG members in managing their groups.

**Impact of SGSY:** Imitation is the best form of flattery—but not always. The success of the programme has motivated the Government to borrow its design features and incorporate them in their poverty alleviation programme. This is certainly welcome but for the fact that the Government’s Programme (SGSY) has an inbuilt subsidy element which tends to attract linkage group members and cause migration generally for the wrong reasons. Also micro level studies have raised concerns regarding the process through which groups are formed under the SGSY and have commented that in many cases members are induced to come together not for self help but for subsidy. I would urge a debate on this as there is a need to resolve the tension between SGSY and linkage programme groups. One way out of the impasse would be to place the subsidy elements in the SGSY programme with NABARD for best utilisation for providing indirect subsidy support for purposes such as sensitisation, capacity building, exposure visits to successful models, etc.

**Role of state governments:** A derivative of the above is perhaps the need to extend the above debate to understanding and defining the role of the state government’s vis-à-vis the linkage programme. Let’s be clear: on the one hand, the programme would not have achieved its outreach and scale, but for the proactive involvement of the state governments; on the other hand, many state governments have been overzealous to achieve scale and access without a critical assessment of the manpower and skill sets available with them for forming, and nurturing groups and handholding and maintaining them over time.
Emergence of federations: the emergence of SGH federations has thrown up another challenge. On the one hand, such federations represent the aggregation of collective bargaining power, economies of scale, and are for addressing social & economic issues; on the other hand there is evidence to show that every additional tier, in addition to increasing cost, tends to weaken the primaries. There is a need to study the best practices in the area and evolve a policy by learning from them. Before moving on, SHGs are local institutions having an inherent potential to flower as decentralized platform for development, but multiple expectations could overload them.

Profit through the MFI channel

<table>
<thead>
<tr>
<th>SL.No</th>
<th>Type of MFI</th>
<th>number</th>
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<tr>
<td>Net profit MFIs</td>
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<tr>
<td>1</td>
<td>NGO’s</td>
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<td>Society registration act, 1860 Indian trust act,1882</td>
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<tr>
<td>2</td>
<td>Non-profit companies</td>
<td>20</td>
<td>Section-25 of Indian companies</td>
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<tr>
<td>Mutual Benefit MFIs</td>
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<tr>
<td>3</td>
<td>Mutual Benefit MFIs- mutual aided cooperative</td>
<td>200-250</td>
<td>Mutually aided co-operative societies, act enhanced by state governments</td>
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<tr>
<td>For profit MFIs</td>
<td></td>
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<tr>
<td>4</td>
<td>Non-banking financial companies (NBFCs)</td>
<td>45</td>
<td>Indian companies act, 1956 reserve bank of India act, 1934</td>
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</tbody>
</table>

Source: NABARD ISSUES RELATED TO MICROFINANCE-2004-05

Conclusion:

Microfinance has developed in Bangladesh since the 1970s, and Bangladesh is one of the most advanced countries in the field of microfinance today. MFIs in Bangladesh have created innovative financial products and services to deal with various challenges and attract clients. Nowadays, overlapping loan problems have started to present new challenges to the microfinance industry in Bangladesh.

The microfinance institution should realize that the real customer service through commercialization should be the bottom line for moving forward. In a competitive environment, customer satisfaction and commercialization should be the driving force for survival and growth. MFIs should consider the important factors like providing loans to the poor people of the country guarantee, prefer women customers over men.

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