

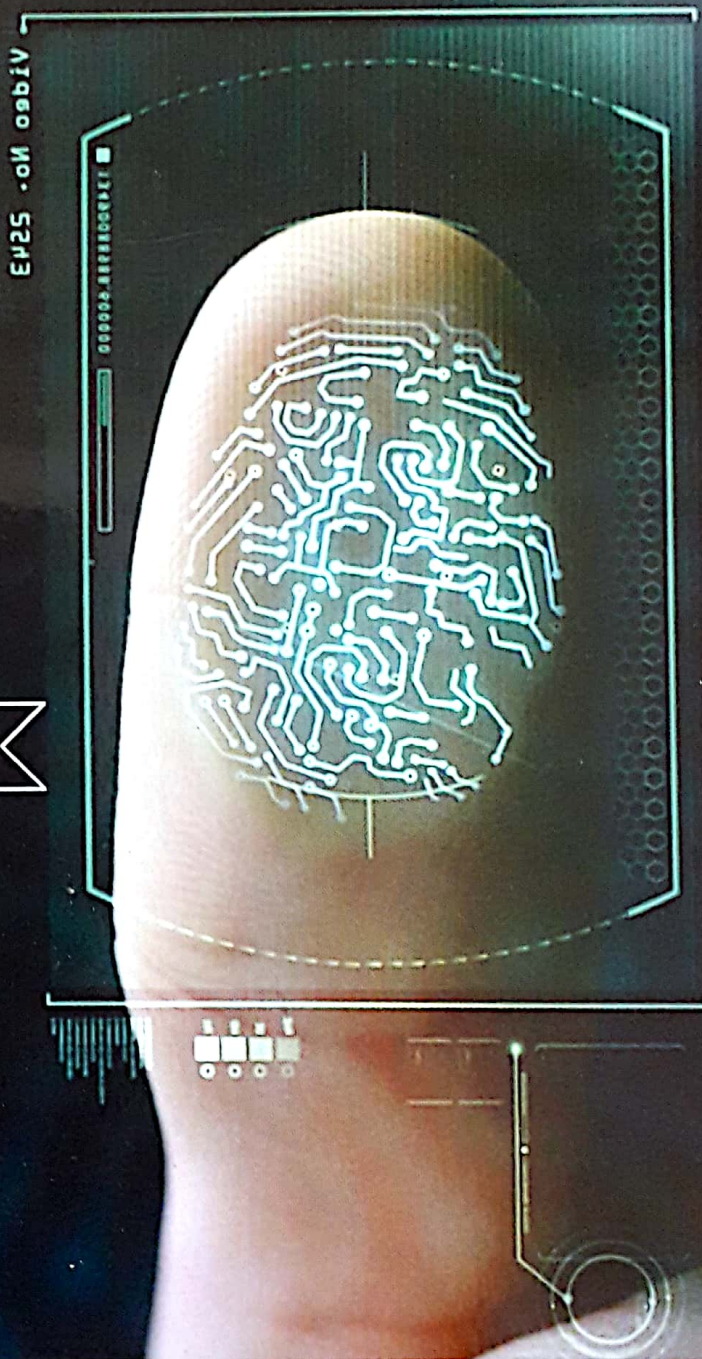


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Digitalization of Cooperative Business : A Case Study of PACS of Kerala

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Abstract :

PACS in Kerala are operating like banks providing almost all banking facilities. Like any other business ventures, cooperatives are also digitalizing their business operations. Considering the huge volume of business transactions in PACS in Kerala, digitalization is an inevitable and positive disruption. Under these circumstances, the researchers felt the need to conduct studies to understand the Digitalization of Cooperative Businesses with special reference to PACS in Kerala. This case study is to understand the extent of digitalization of cooperative business in the Pappinivattam Service Co-operative Bank is one among them and forms of part of a major work being carried out in the department. For the purpose of the study, the authors used both primary and secondary data. Primary data were generated from the Board of Directors, few Employees, and Member Users. The authors had a detailed discussion with them by using a checklist. To study the profile of the selected PACS, data were collected on Membership, Share Capital, Reserves, Deposits, Working Capital, Loans Outstanding and Profit / Loss from 2007 - 08 to 2016 - 17). The bank is in a position to computerize its entire business activities. They have core banking solution, mobile banking service, RTGS, NEFT, online digital transfer services, ATM facilities, and also running an Information Technology Wing. Digitalization of cooperative business gives a clear and complete picture about the performance of the bank as and when the need arises and the board takes wise decisions based on the updated reports. Thus the digitalization of cooperative business in the Pappinivattam Service Cooperative Bank made a sea change in the service delivery for the members as well as to the community as a whole.

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Key Words :

Digitalization, Cooperative Business, Mobile Banking, Core Banking, Information Technology.

Background and Justification :

The state of Kerala is entirely different from other states in India. The unique 'Kerala Model of Development' resulted in the highest 'Human Development Index' in the country. Kerala has achieved the highest literacy rate, universal health care, and effective public distribution system ensuring availability of food grains to the downtrodden. The state has achieved cent percent financial inclusion. Kerala is known for its significant level of labour migration and depends mainly on repatriation. The state has successfully implemented decentralized democratic governance at all levels. Plantation crops and service sector play a pivotal role in the state economy.

Cooperatives in Kerala are well developed and highly democratic in nature. In addition to the traditional Credit Cooperatives, Cooperatives are also performing better in the fields of Healthcare, Education, Housing, Labour Contract, Fisheries, Milk, Coir and Consumer.

Cooperative Credit structure in Kerala is mainly classified into two viz., short-term credit structure and long-term credit structure. The three tiers Short-Term Cooperative Credit Structure consist of the Kerala State Cooperative Bank (KSCB), 14 District Cooperative Banks (DCB) and the 1581 Primary Agricultural Cooperatives Societies (PACS). Long Term Cooperative Credit Structure consists of Kerala State Cooperative Agriculture and Rural Development Bank (KSCARDB) and the 75 Primary Cooperative Agriculture and Rural Development Banks (PCARDB). In addition to these, 162 Urban Cooperative Banks, 926 Employees Credit Cooperatives and 128 Non-Agricultural Credit cooperatives are also in operation.

The main functions of Primary Agricultural Credit Cooperative Societies are to provide agricultural credit, supply of inputs such as fertilizers and arrange the sale of agricultural produces. Further, they are in a position to mobilize more deposits and lend it to the needy farmers and other segments of the respective villages. The PACS in Kerala are also successfully running consumer stores. Moreover, PACS in Kerala are operating like banks with almost all banking facilities. Like any other business ventures, cooperatives are also digitalizing their business operations. Considering the huge volume of business transactions in PACS in Kerala, digitalization is an inevitable and positive disruption.

Under these circumstances, the researchers felt the need to conduct studies to understand the Digitalization of Cooperative Businesses with special reference to PACS in Kerala. This case study is one among them and forms part of a major work being carried out in the department.

Objective of the Study :

The objective of the study is to understand the extent of digitalization of cooperative business in the Pappinivattam Service Co-operative Bank.

Methodology :

For the purpose of the study, the authors used both primary and secondary data. Primary data were generated from the Board of Directors, few Employees, and Member Users. The authors had a detailed discussion with them by using a checklist. To study the profile of the selected PACS, data were collected on Membership, Share Capital, Reserves, Deposits, Working Capital, Loans Outstanding and Profit & Loss from 1985 - 86 to 2016 - 17).

Findings of the Study :

Based on the data generated the findings are presented under two heads namely (i) Brief Profile of the Pappinivattam Service Co-operative Bank Ltd and (ii) Extent of digitalization of cooperative business in the PSCB.

Brief Profile of the Pappinivattam Service Co-operative Bank Ltd :

The Pappinivattam Service Co-operative Bank Ltd. was established in the year 1969 and started functioning at Pappinivattam, Mathilagam Grama Panchayat, Thrissur district, Kerala. As on 31st December 2017, in addition to the head office, the bank has three Branches. The bank serves the people of that village with many innovative projects. The bank mobilizes its resources through all forms of deposits and lends for all needs of the people. The bank offers Safe Deposit Locker facilities to keep consumers valuables at a fair cost. The bank deserves appreciation for its unique lending schemes targeting youths and women self help groups. Farmers are served through Organic Vegetables Market, festival markets, students market, Njattuvella Chantha, Plant Health Clinic and Bio-Laboratory and Agro Service Centre. Entire village community gets benefit through the Eco Friendly projects such as Rain Water Harvest, Solar lamps, and Biogas Plant. Interestingly their Health care projects such as Neethi Clinical laboratory and Medicals, Doctors Clinic; Palliative Home Care & Ambulance Services serves everyone in the area of operation and in the nearby vicinity as well. Members are assured of 25% dividend and pension scheme.

Table 1 : Selected Performances Indicators of Pappinivattam Service Cooperative Bank

(Rupees in Lakhs)

Year	Members	Share Capital	Reserves	Deposit	Working Capital	Loans	Profit or Loss	Credit Deposit Ratio
2007 - 08	16860	62.49	868.19	3861.46	4009.97	2590.97	22.92	67.10
2008 - 09	17745	67.17	1086.35	5234.41	5349.73	3000.29	32.38	57.32
2009 - 10	18807	72.45	1300.22	6571.03	6769.20	4197.62	101.66	63.88
2010 - 11	19928	85.37	1525.77	8259.36	8448.55	6543.06	331.58	79.22
2011 - 12	20867	98.63	1681.02	7695.45	10635.72	10346.45	344.34	134.45
2012 - 13	22220	115.78	2052.01	12340.98	12729.63	10333.99	301.71	83.74
2013 - 14	23575	147.41	3047.39	15721.61	16500.34	11787.80	301.71	74.98
2014 - 15	25056	212.89	3721.57	19764.42	20774.21	15699.26	310.77	79.43
2015 - 16	29623	308.35	4366.33	26522.76	30981.77	22449.67	311.30	84.64
2016 - 17	32219	447.90	5422.34	29775.53	35387.47	25265.22	312.08	84.85
CAGR	6.69	21.77	20.10	22.66	24.33	25.58	29.84	

Source : Status Report of the Pappinivattam Service Cooperative Bank

Figure 1 : Selected Performances Indicators of Pappinivattam Service Co-operative Bank

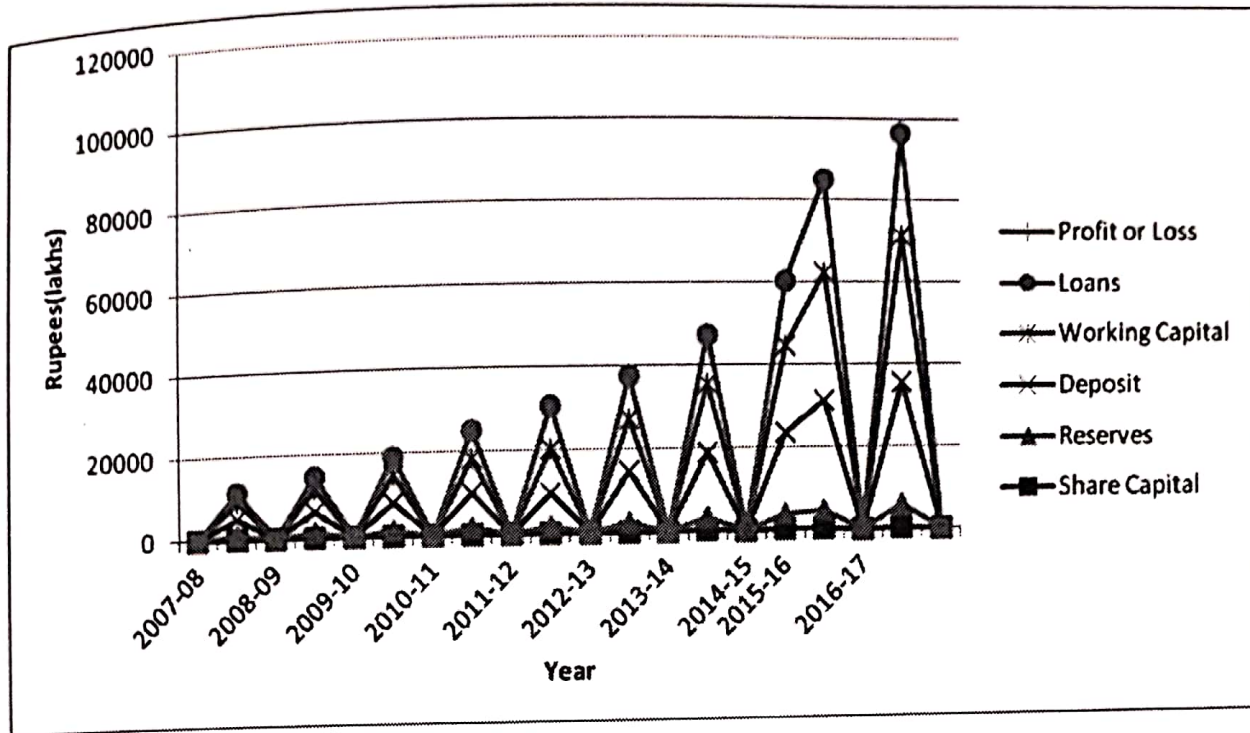


Table - 1 and Figure - 1 illustrates that the membership of PSCB has doubled from 16860 to 32219 during the reference period 2007 - 08 to 2016 - 17 showing a compounded growth rate of 6.69 percent. However, the share capital base is showing CAGR of 21.77 percent with an increase of more than 7 times during the same period. This shows the positive initiative of the bank for improving its capitalization. Reserve position is also showing a very good trend having a compounded growth rate of 20.10 percent. The Deposit base which contributes the major share of working capital of the bank also portrays a very positive trend of around 8 time increases with a CAGR of 22.66 percent. Due to these the working capital position of the bank acquired a compounded growth rate of 24.33 percent. Issue of loans not only shows the effectiveness of the bank in turning over its funds, but also shows the success of the bank in achieving its organizational objectives by serving its members. In this regard it can be seen that the loans outstanding is showing a growth of around 10 times with a CAGR of 25.58 percent. Due to all these increased efforts, the profit of the bank also increased from Rs. 22.92 lakh to Rs. 312.08 lakhs during the reference period. The Credit-deposit ratio which is an important indicator of business prudence of a financial institution also shows a healthy trend.

Extent of Digitalization of Cooperative Business in the PSCB :

Digitalization of cooperative business in the PSCB began in the year 1999 with the support extended by the pilot project of Integrated Cooperative Development Project. Since then all transactions of the bank were brought under the computerized accounting system.

Core Banking :

Core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform transactions from any of the member branch offices. Core banking in the PSCB is in effect since 1st January 2013.

Automatic Teller Machines (ATM) :

Pappinivattam Service Cooperative Bank has installed two Automatic Teller Machines (ATM) on 4th June 2016. They are located at the prominent primary agriculture and consumer market places namely Puthiyakavu and Pallivalavu area. The operational control of the ATMs is in the hands of Thrissur District Central Cooperative Bank and operates with RuPAY card. The customers of all banks are using it wisely and frequently. Members' Kisan Credit Cards are also linked to this network.

Mobile Banking (MAMBA) :

The bank has developed a mobile banking application namely MAMBA. The customers can access their account information from any android mobile phone with MAMBA app. Around 2000 customers are using the app for the following purposes :

- Obtain account balances and recent transactions
- Transfer funds between accounts
- Make loan payments
- Obtain current deposit interest rates
- Mobile Recharging
- DTH Recharging
- Any Bill Payments
- **Scan and Pay (Mamba Lite) :** An innovative mobile app for payments at shops, websites and for funds transfer. Smart phone users can complete transactions by scanning the QR code displayed at the shops, while non-smart phone users have to rely on the one Time Password received on their phones.
- **Mobile Point of Sale (MPOS) :** The bank provides an innovative mobile application for payments at shops. Non-smart phone users have to rely on the one time Password received on their phones.

RTGS/NEFT :

“RTGS” stands for Real Time Gross Settlement. The RTGS system facilitates transfer of funds from account in one bank to another on a “real time” basis. The RTGS system is the fastest possible interbank money transfer facility available through secure banking channels in India. “NEFT” stands for National Electronic Funds Transfer. Funds are transferred to the account with the other participating Bank using RBI’s NEFT service. RTGS, NEFT, online digital Transfer Services are offered with the cooperation of ICIC Bank and the IFSC CODE is ICIC0000103.

Western Union / Xpress Money Transfer :

Quite a lot of working population of Kerala are in many other countries and they repatriate their earnings through money transferring agencies. The expatriates in Middle East nations are mainly depending on Western Union / Xpress Money Transfer. The branch network in those countries, quick and efficient services of those agencies drove the Pappinivattam Service Cooperative Bank to offer their services in the bank since 2013. The customers whose family members are in foreign countries are immensely benefited out of this service. The advantage with Xpress is that the customer can receive money within just a few minutes’ time. A 16 digit code will be issued by the payer. Money will be disbursed upon the customer submits the code and a valid ID proof.

Information Technology Division :

The Pappinivattam Service Cooperative Bank has established its own Information Technology Division with an Information Technology Expert taking care of its activities. The division supports all digital operations of the bank 24 x 7. In addition to the above mentioned regular digital services, the division takes up projects like website designing, application software development and training of youths. Moreover, the Information Technology Mission of the Government of Kerala has identified the IT wing of the bank for collaborative projects.

Conclusion :

The Pappinivattam Service Cooperative Bank which was under huge accumulated loss until 1986 took a turnaround and declared as Super Grade Bank by the Directorate Cooperative Audit, Government of Kerala. Since, the banking and other business operations were digitalized; Direct Benefit Transfer of State Pension Schemes and subsidies were disbursed through this bank. The bank adopts Know Your Customer (KYC) norms, even though their accounts are not yet linked with Aadhaar. Loan portfolio mainly includes Mortgage loans for business and trades rather than for agricultural purposes as in other parts of the state. The bank proposes to starts a supermarket with all digitized features.

The Directorate of Cooperative Audit is also having digitalization friendly auditors and they are auditing the statements generated by the system. Digitalization of cooperative business gives clear picture about the performance of the bank as and when the need arises and the board takes wise decisions based on the updated reports. Thus the digitalization of cooperative business in the Pappinivattam Service Cooperative Bank made a sea change in the service delivery for the members as well as to community as a whole.

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