Research paper UGC CARE Listed (Group -I) Journal Volume 11,Iss 12, Dec 2022

ROLE OF SIKKIM STATE COOPERATIVE BANK LTD. IN FINANCIAL INCLUSION

Tashi Yangzum Bhutia, Assistant Professor, Nar Bahadur Bhandari Government, Department of Commerce, mail id - tyangzum86@gmail.com

Dr Mukta Trivedi, Assistant Professor, Sarvepalli Radhakrishnan University, Bhopal

Received: 18th October, 2022

Accepted: 05th November, 2022

Published: 10th December, 2022

ABSTRACT

The expansion of access to financial services is a priority of India's government. When we talk about "financial inclusion," we're referring to the practice of making banking services and credit available to low-income people at prices they can afford. India's central bank, the Reserve Bank of India, and the government have both implemented policy changes to advance financial inclusion as a priority for the country. Cooperatives are seen as crucial in this effort because of the impact they can have on the economies of underserved communities that may benefit from access to banking and financial services. The purpose of this research is to learn why Sikkim State Cooperative Bank Ltd. is crucial to promoting economic prosperity for all people in Sikkim. This research aims to determine the barriers and facilitators to financial inclusion in Sikkim's cooperative sector.

KEYWORDS: Financial Inclusion, Financial Exclusion, Cooperatives, NABARD

INTRODUCTION

The governments of several third world nations, India included, have actively supported co-ops as tools for rural development. The Co-operative Credit Societies Act was passed in 1904, giving birth to the cooperative form of organization in India. The cooperative movement gained prominence as a tool for social and economic development, and it was eventually included into India's Five-Year Plans. Directly and indirectly via State Government, the Government of India has given substantial financial, technical, and administrative assistance to co-operatives in India (Dwivedi 1996). The oldest and most common forms of co-ops in India are credit co-op societies and co-op banks.

Agricultural Short Term (ST) or Agricultural Production Credit and Long Term (LT) or Investment Credit for Agricultural and associated Sectors make up India's co-operative credit system. Primary Agricultural Credit Societies (PACS) serve as the foundation of the ST system, with all PACS associated with DCCBs at the district level, which are in turn affiliated with SCBs at the state level. The credit needs of PACS are fulfilled directly by SCBs in states like Sikkim, which have a two-tier structure since there is no DCCB at the district level.

The increasing demand for credit in rural India is being met in large part by rural cooperative banking and credit organizations. Cooperatives have traditionally served as an institutional vehicle for providing low-cost credit services to small borrowers and combating the twin problems of debt and poverty in

ISSN PRINT 2319 1775 Online 2320 7876

  UGC CARE Listed (Group -I) Journal Volume 11,Iss 12, Dec 2022

the rural credit market. For more than a century, rural credit cooperatives have been a vital part of the rural credit delivery system, seeing remarkable expansion in terms of both customer base size and geographic reach. Financial inclusion in India has been helped by these traditional and locally based banks.

There are two types of cooperative banks in India: UCBs in major cities and rural cooperative credit institutions. These organizations are recognized as cooperatives by the state governments where they are based or under the Multi-State Cooperative Societies Act. One may further categorize rural cooperatives as either "short term" (ST) or "long term" (LT) cooperatives. State Cooperative Banks (at the apex in states), District Central Cooperative Banks (at the district levels), and Primary Agricultural Credit Societies (at the village or grass-roots levels) are the three tiers that make up the ST cooperative banking system in various states across India. State Cooperative Agriculture and Rural Development Banks (SCARDS) are a subset of the permanent institutions that function on a state level.

District and county levels are served by Primary Cooperative Agriculture and Rural Development Banks (PCARDBS). There was a total of 98042 cooperatives operating in India's cooperative banking industry as of the end of March 2021. This included 1534 UCBs (Urban Cooperative Banks) and 96508 rural cooperatives. One kind of rural cooperative institution that helps meet the financial requirements of the rural underprivileged is the District Central Cooperative Bank (DCCB). As of the end of March 2021, there were 351 DCCBs in the nation (RBI, 2021). Collectively, their assets represented 42.53 percent of those held by rural cooperative credit institutions.

LITERATURE REVIEW

Karpowicz I (2016), concludes that loosening collateral requirements will increase growth, while steps that reduce the cost of financial inclusion will be more effective in combating inequality. SHG-based finance nurtured and aided by NGOs has become an important alternative to traditional lending in terms of reaching the poor without spending a large amount of money on operating and monitoring costs, as noted by Batra V. and Sumanjeet (2012) in their paper exploring the role and performance of various delivery models of microfinance in India, focusing on issues of outreach, impact, and sustainability. It is also observed that millions of impoverished people may be positively impacted if credit to the poor is combined with appropriate insurance products.

Ahmed F, et al. (2011) Apply a multivariate regression analysis to determine what aspects of a respondent's behavior affect the amount of money he or she brings home each month. The analysis compared groups of rural women with and without credit and found that the micro-credit program helps to improve the socio-economic status of rural women in Bangladesh by making it easier for them to access credit for income-generating and productive activities, raising their educational attainment, and starting training programs to develop their skills.

Soni A K and Saluja H P S (2013) Examine the function of a cooperative bank in the provision of agricultural loans in their empirical study. According to the research, the growth of India's agricultural sector is facilitated by cooperative banks' increasing their lending to farmers. According to research by Patra R N and Agasty M P (2013) on the cooperative credit system in Orissa, cooperatives are the best possible institutions to distribute credit. Facilitating rural growth requires services like credit counseling, technical advice, and client capacity building for loan absorption.

Devi R U and Govt SRK (2012) argue that cooperative financing is now crucial to the progress of society as a whole, not only agriculture. The findings of this research not only confirmed the correlation between agricultural credit and agricultural progress, but they also highlighted the need of educating farmers on the benefits of new technologies by means of loan facilities. The research found that credit cooperatives had a significant impact in the socioeconomic advancement of its members. Saikia U K (2015), in an attempt to analyze the role of cooperative banks in rural development in the Indian state of Sikkim, notes that the government and NABARD need to rethink this sector and take some measures to revive the cooperative sector by focusing more on capacity-building for rural livelihoods at the grassroots level. The connection between banks and borrowers will improve as a result, as will rural India's access to banking services and its safety net.

Bos J W and Millone M (2015) Models of MFIs' efforts to maximize both social and financial performance begin with the notion that various institutions will, and even must, provide a variety of outcomes in pursuit of these competing goals. The research found that when MFIs provide opportunities for female entrepreneurs, their productivity rises. In their empirical research, Puhazendi V. and Satyasai KJS. (2001) point out the potential superiority of a paradigm in which an NGO serves as a non-financial intermediary.

FINANCIAL INCLUSION AND CO-OPERATIVES

There would be no rural economy in India without the cooperative banking and cooperative industry. Agricultural and rural progress are affected either directly or indirectly by these industries. Globalization, structural adjustment programmers, the shift from a centrally planned to a market-oriented economy, democratization and decentralization, agricultural industrialization, and rural out-migration are all features of the modern world; cooperatives face many challenges but must be supportive of these trends. They need to reorganize themselves via self-reflection, innovation, and adjustment to the new paradigm to demonstrate their great potential.

Modifying the official make-up in little ways may help make financial inclusion a reality. Bankers need to go out into the field and observe customers, homes, marketplaces, and workplaces so they may better tailor their services to their needs. Because of their superior ability to handle complex duties, primary agricultural cooperative credit societies are optimal in this setting. Cooperation is the single most important factor in unlocking the tremendous economic potential of rural farmers. Cooperative institutions have been shown via practice and research to be adept at meeting the need for financial inclusion, which may lead to a group's full participation in the economy.

Cooperative institutions were seen as pivotal in safeguarding India's most vulnerable citizens, particularly exploited farmers, from problems like agricultural stagnation, poverty, and rural indebtedness. Below, we've outlined the distinguishing characteristics of cooperative banks:

- Rural orientation
- Focus on the financial needs for agricultural and allied activities
- Low-cost banking
- Service motive, rather than profit orientation

All of the aforementioned characteristics lend themselves well to hastening the process of financial inclusion, making it easier to integrate traditionally marginalized groups like women, farmers, and the poor into the mainstream economy. Therefore, it is highly pertinent in making a positive contribution to the realization of financial inclusion. Henry Wolff once said, "Co-operative banking is an agency that can deal with the small man on his own terms, accepting the security he has, and without drawing

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11,Iss 12, Dec 2022

the protection of the rich." Co-operative banks, then, play an essential part in achieving "last mile" financial inclusion.

COOPERATIVE SYSTEMS IN SIKKIM

Since Sikkim's incorporation into India in 1975, the state government has been considering establishing co-op milk unions, perhaps inspired by the success shown in India's Gujarat region. The State Co-operative Societies Act, 1978 was subsequently passed, recommending the formation of Multi-Purpose Cooperative Societies (MPCS) at the hamlet level, analogous to PACS in other states, to facilitate the sale of farmers' excess agricultural and related products at fair market value.

To create a State Cooperative Bank, the government of Sikkim passed the Sikkim State Cooperative Bank Act in 1998. The purpose of the Act is "to serve as an Apex Organization of Cooperative societies in Sikkim, to raise deposits from members of societies, and to transact business in accordance with section 5 and 6(1) of the Banking Regulation Act, Government of India, 1946." Cooperative banks rely on the National Bank for Agriculture and Rural Development (NABARD) for refinancing assistance. A total of 166 MPCS have been set up in the state of Sikkim so far. Only a small fraction of them is fully operational, with the majority focusing solely on Public Distribution System seed/fertilizer/commodity sales. Due to a lack of commerce and poor infrastructure in rural regions, these communities cannot thrive.

Figure 1: Cooperative Organizational set up in Sikkim

PROGRESS OF FINANCIAL INCLUSION IN SIKKIM

Sikkim's four administrative regions are served by an efficient and reliable financial infrastructure. On June 30th, 2014, the total number of banks in operation in India was 27 (22 PSU banks and 6 NBFCs), with 95 and 18 branches, respectively. SISCO Bank Ltd. is one of two cooperative banks in Sikkim; it has 14 locations around the state. The State Bank of India is the primary financial institution in Sikkim, with 32 locations around the state. There are 74 banks in the East area, 15 in the South, 10 in the North, and 10 in the West. Public sector banks were found to account for 86.4% of the market, while private sector banks accounted for 9.13% (SLBC Report, 2014). Although the cooperative's 4.40 percent share is much smaller than that of public sector banks, it is still significant. According to the SLBC Report (2014), as of 2012–13, public sector banks had an 80.54 percent share of the advances portfolio, private sector banks held 17.11 percent, and cooperative banks held just 2.35 percent. For the current year, the CD Ratio extended by banks in the state was dismal at 40.10 percent; the CD Ratios of public sector banks and the State Cooperative bank were both lower at 30.40 percent and the CD Ratio of private

ISSN PRINT 2319 1775 Online 2320 7876

  UGC CARE Listed (Group -I) Journal Volume 11,Iss 12, Dec 2022

sector banks was encouraging at 131.67 percent (SLBC, Report, 2013). Including all sources of credit, the CD Ratio as of March 31, 2013 was 74.60%, up from 64.60% as of March 31, 2012. As of 31.3.2013, commercial banks' CD ratio increased to 76.20% from 64.57% a year earlier. The 2013 SLBC Report.

Among all the mountain states in the north-east, Sikkim stands at its best position in monetary sense, whereby all Sikkim neighborhoods have access to standard banking services. Through branch penetration and the business correspondent model, banking services have expanded to 43 Sikkimese villages with populations of 2,000 or more. Most gram panchayat units in Sikkim have been assisted with the transactions of MGNREGA payments via bank since the Government of Sikkim announced the 'Universal Financial Inclusion Scheme' in 2010 to nurture the financial inclusion status in the state of Sikkim.

EVOLUTIONARY PHASES OF BANKING IN SIKKIM

When Sikkim became the twenty-second state of the Indian Union on April 26, 1975, the issue of whether or not the state had enough banking infrastructure arose. There were two branches of the State Bank of Sikkim in 1975, and one branch of the State Bank of India (the Gangtok branch, which opened on 26.2.1966). While it was the first bank in Sikkim, the State Bank of Sikkim does not fall under the purview of the Reserve Bank of India (RBI) and therefore does not have access to a number of services typically associated with international and national banks, such as foreign exchange.

A commercial bank dedicated to agricultural and industrial development was one of the recommendations made by the research team looking at Sikkim's institutional arrangements for agricultural finance. It has also suggested that cooperatives be set up to provide the basic financial requirements of the agriculture industry. Sikkim's first commercial bank was the State Bank of India, which opened a branch there on February 26, 1966. In addition, it took the helm in Sikkim in June 1985, and in 1986 it introduced the state's first credit scheme.

Sikkim now has a plethora of banking options. State Bank of India (SBI), with 32 branches throughout the state, is the largest bank in Sikkim. In Sikkim, banking operations are directed and coordinated by the State Level Bankers Committee (SLBC). Representatives from the Reserve Bank of India, commercial banks, state cooperative banks, the National Association of Development Cooperatives (NABARD), and the Sikkim government all make up the SLBC. The Statewide Business Council (SLBC) reviews the credit plans developed by individual school districts and assists in developing and implementing the Statewide Credit Plan. According to SLBC's (2010) research, most villagers must rely on informal sources to meet their credit needs, an indication that formal financial institutions are failing to bring all people on the platform of financial inclusion.

PROFILE OF SISCO BANK LTD.

Founded on October 7, 1996, SISCO is a cooperative bank chartered under the Sikkim State Cooperative Societies Act of 1978. The Reserve Bank of India granted the Bank's incorporation permit on August 19, 1997, under Section 22 of the Banking Regulation Act, 1949. On 12 December 1998, the bank opened its doors in Gangtok. SISCO's mission is to act as the state's "State Cooperative Bank" and a "Development Bank" by providing short-, medium-, and long-term financing to cooperative societies, self-help groups, joint liability groups, individuals, etc. for the development of agriculture and allied activities, industries, trade, and commerce in Sikkim. SISCO Bank has an RBI license, making it one of the earliest banks in the state.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11,Iss 12, Dec 2022

The Primary Cooperatives, individuals, and the State Government are all members of this federation of credit unions at the state level. The bank's main office is at the Metro Point building in Tadong, Gangtok. Its slogan, "SISCO Bank - Hamro Bank," is reflected in its current state-wide network of 14 branches and ATMs. In addition to delivering a wide range of goods and services that are fueled by cutting-edge technology and priced competitively on par with those offered by private and nationalized banks, the Bank's primary goal is to provide the finest banking services possible to rural and financially excluded populations. SISCO Bank's primary goals are to fortify its affiliates, increase its revenue steadily, and become the market leader in the banking sector.

FINANCIAL INCLUSION SCENARIO IN SIKKIM

There is a well-developed banking infrastructure in all four of Sikkim's administrative divisions. On June 30th, 2014, the total number of banks in operation in India was 27 (22 PSU banks and 6 NBFCs), with 95 and 18 branches, respectively. There is just one cooperative bank in Sikkim, however it has 14 locations around the state. The State Bank of India is the primary financial institution in Sikkim, with 32 locations around the state. There are 74 banks in the East area, 15 in the South, 10 in the North, and 10 in the West. There are around 29 distinct types of banks in Sikkim, including both government-run and privately-run establishments as well as cooperative banks. The state of Sikkim is home to 148 ATM machines. In the north, there are about 103 ATMs; in the south, there are around 26; and in the west, there are about 13. Public sector banks were found to account for 86.4% of the market, while private sector banks accounted for 9.13% (SLBC Report, 2014).

Although the cooperative's 4.40 percent share is much smaller than that of public sector banks, it is still significant. In 2012–13, public sector banks had an 80.54 percent stake in the advances portfolio, private sector banks 17.11 percent, and cooperative banks 2.35 percent (SLBC Report, 2014).For the current year, the CD Ratio extended by banks in the state was dismal at 40.10 percent; the CD Ratios of public sector banks and the State Cooperative bank were both lower at 30.40 percent and the CD Ratio of private sector banks was encouraging at 131.67 percent (SLBC, Report, 2013). When external credit is included in, the CD Ratio on March 31, 2013 was 74.60%, up from 64.60% on March 31, 2012. As of 31.3.2013, commercial banks' CD ratio increased to 76.20% from 64.57% a year earlier. To wit: (SLBC, Report, 2013).

Sikkim is the most financially inclusive mountain state, with no unbanked neighborhoods. Through bank branches and the business correspondence model, banking services have been expanded to approximately 43 villages in Sikkim, home to more than 2,000 people. 989 of Sikkim's villages with populations of less than 20,000 are being connected to the grid gradually. The chief minister of Sikkim introduced the Universal Financial Inclusion plan in commemoration of the state's 64th Independence Day, and so far, three-gram panchayat units in the East District of Sikkim have benefited from the initiative by receiving MGNREGA payments via bank transactions.

CONCLUSION

In conclusion, India still has a long way to go before its economy can be considered a global player. In the Indian context, it is important to note that the primary goal of financial institutions is not the establishment of accounts alone. Banks and other financial organizations need to work hard to win over the population that is not yet part of their customer base. Unfortunately, the idea of financial inclusion has not taken off. To realize the ideal of financial inclusion, the government, agencies, and legal policy makers must collaborate in a comprehensive manner.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11,Iss 12, Dec 2022

Banks and other financial institutions need to make concerted efforts to win the support of the financially excluded members of society. Unfortunately, the idea of financial inclusion has not taken off. To realize the ideal of financial inclusion, the government, agencies, and legal policy makers must collaborate in a comprehensive manner. Research on SISCO Bank Ltd's financial education efforts shows that the bank might do more to educate its customers about the goods and services it offers.

REFERENCE

1. Karpowicz, I. (2016). Financial inclusion, growth and inequality: a model application to Colombia. Journal of Banking and Financial Economics, 6(2), 68-89.

2. Ahmed, F., Siwar, C., Idris, N. A. H., & Begum, R. A. (2011). Microcredits contribution to the socioeconomic development amongst rural women: A case study of Panchagarh District in Bangladesh. African Journal of Business Management, 5(22), 9760-9769.

3. Soni, A. K., & Saluja, H. P. S. (2013). Role of Cooperative Bank in Agricultural Credit: A study Based on Chhattisgarh. Abhinav, 1(10), 106-113

4. Devi, R. U., & Govt, S. R. K. (2012). The role of credit co-operatives in the agricultural development of Andhra Pradesh, India. International Journal of Cooperative Studies, 1(2), 55-64.

5. Bos, J. W B., & Millone, M. (2015). Practice what you preach: Microfinance business models and operational efficiency. World Development, 70, 28-42.

6. Chattopadhyay, S. K. (2011). Financial inclusion in India: A case-study of West Bengal

7. Karmakar, K. G., Banerjee, G. D., & Mohapatra, N. P. (2011). Towards financial inclusion in India. SAGE Publications India

8. Mishra, C. R., & Chitta, R. (2012). Financial inclusion for sustainable development: A critical literature review-the role of commercial banks & low-income peoples. International Journal's Research Journal of Co Nalini, G. S., & Mariappan, K. (2012). Role of banks in financial inclusion. The International Journal of Commerce and Behavioural Science, 1(4), 33-36.

9. Rachana, T. (2011). Financial inclusion and performance of rural co-operative banks in Gujarat. Research Journal of Finance and Accounting, 2(6).

10. Ansong, D., Chowa, G. & Adjabeng, B. K. (2015). Spatial analysis of the Distribution and Determinants of bank branch presence in Ghana, International Journal of Bank Marketing, 33 (3), 201-222.

11. Barot, P. (2017). Financial Inclusion in India, Imperial Journal of Interdisciplinary Research (IJIR), 3 (4), 1098-1104.

12. Bhanot, D., Bapat, V. & Bera, S. (2012). Studying financial inclusion in north-east India, International Journal of Bank Marketing, 30 (6), 465-484.

13. Boro, K. (2015). Prospects and Challenges of Technological Innovation in Banking Industry of North East India, Journal of Internet Banking & Commerce, 20 (3), 1-6.

14. Bruntha, P. & Indirapriyadharshini, B. (2015). Enquiry into Financial Inclusion with Special Reference to Street Hawkers of Pollachi, Tamil Nadu, The IUP Journal of Marketing Management, 14 (4), 56-68.

15. Chakraborty, A. & Barman, S. R. (2013). Financial Inclusion in Tripura: Challenges and Opportunities, Journal of Commerce & Management Thought, 4 (4), 870-879.