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## AN ANALYSIS OF WORKING CAPITAL MANAGEMENT IN SAIL AND RINL

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### Abstract

*Working Capital Management has its impact on liquidity as well profitability. The impact on effectiveness and profitability of working capital is tried to find out by measuring the fluctuation in fixed assets, current assets and sales. For this, two major companies i.e. Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL) is taken. An adequate level of working capital provides a business with operational flexibility. Business with an adequate level of working capital have more options available to it, and can make its own choice as to when working capital will be used and how it will be used. On the other hand, if a firm is short of working capital, it may be forced to limit business operations, extension of credit to customers and the amount that it invests in inventory. This will adversely affect production as well as sales which in turn will affect profitability of the concern. The paper makes an assessment of management of working capital, examines the adequacy of the working capital, observes the actual liquidity and solvency position and offers the valuable suggestions for the adequacy and healthy management of working capital in these units.*

**Key Words:** Working Capital, SAIL, RINL, Liquidity, Profitability.

### Introduction

Working capital is life blood of business enterprises. It has been now established that the utilization of working capital magnifies the profitability of an enterprise considerably. The firms have therefore, to optimize the use of limited available sources through efficient and effective management of working capital. Usually, working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the inter-relationship that exists. The aim of working capital management is to manage the

concern's current assets and current liabilities in such a way that an adequate working capital is maintained. An adequate level of working capital provides a trade with operational flexibility. Business with an adequate level of working capital have more options available to it, and can make its own choice as to when working capital will be used and how it will be used. On the other hand, if a firm is short of working capital, it may be forced to limit business operations, extension of credit to customers and the amount that it invests in inventory. This will adversely affect production as well as sales which in turn will affect profitability of the concern.

## PROFILE OF SAIL AND RINL

The Iron and steel industry in India features a strong incumbent footing as well as rapidly developing companies. The government owned Steel Authority of India with its five integrated plants and three special alloy plants is the biggest and most diverse in terms of production and acts like an operating company with an annual production of 13.5 million metric tons. SAIL is the 24th largest steel producer in the world. Rashtriya Ispat Nigam Limited (RINL) is the corporate entity of Visakhapatnam Steel plant, the most modern and successful plant owned by the government. Visakhapatnam Steel Plant – popularly known as “Vizag Steel”, is one of the first shore-based integrated steel plants in India with more than 75 per cent of value added products in its basket, RINL has a wide marketing network spread across the country. In order to maintain its techno economic supremacy, RINL is modernizing its existing assets, which would further increase the capacity to 7.3 million tons by 2017. These two account for a quarter of production in India. They not only play an important role in the production of primary and secondary steel, but also contribute substantially to value addition in terms of quality, innovation and cost effectiveness.

## OBJECTIVES

The working capital management of the companies has been studied keeping in view the following objectives:

- To assess the inventory effectiveness;
- To evaluate liquidity and solvency

## HYPOTHESES

Null hypothesis is framed in the present study. In order to test the variables of working capital viz., inventory efficiency and current ratio the following are employed:

- (i) there is significant difference in the inventory ratio; and
- (ii) there is no significant difference in the current ratio.

## RESEARCH METHODOLOGY

### Sample Design

The study confines public sector units in India according to the Ministry of Steel website, Government of India, the universe for the study consists of 9 iron and steel units spread over public sector out of them 2 units are conveniently selected. The sample thereafter constitutes two public iron and steel industrial units' viz. Steel Authority of India

Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL).

### Data Base

The present study is based on the secondary sources. The data have been collected through various published annual reports of the SAIL and RINL and other selected official websites; books, magazines, journals have been referred and used for the purpose of the study.

### Period of the study

A ten year period commencing with the financial year 2003-04 and ending with 2012-13 has been adopted.

## LIMITATIONS OF THE STUDY

The present study is confined to the working capital management analysis in terms of inventory, solvency and liquidity. The figures taken from the annual reports have been rounded off to two decimals of rupees in crores. Secondary data have been collected from more than one source. Hence, there may be slight divergence between one source and another on the same variable.

## TOOLS OF ANALYSIS

The data culled from different sources are synthesized, tabulated, analyzed and interpreted. Further, statistical tool t-test is applied to analyze the data.

## ANALYSIS OF WORKING CAPITAL

Analysis of Working Capital has been carried out keeping in view the objectives as set for the present research paper.

## INVENTORY EFFICIENCY

### Inventory Turnover Ratio

The ratio establishes a relationship between costs of goods sold and average inventory of finished goods. The objective of computing this ratio is to determine the efficiency with which the inventory is converted into sales. Financial analysts have fixed a norm of eight times as an optimum turnover of inventory. A relatively low inventory may be the result of ineffective inventory management i.e. carrying too large an inventory and poor sales or carrying expired inventory to avoid writing off inventory losses against income. Normally a high number indicates greater sales efficiency and a lower risk of loss through un-saleable stock. A high inventory turnover ratio indicates that stock is fast moving. As a result inventory is effectively turned into sales. The inventory turnover ratio is shown in Table 1.

**Inventory Turnover Ratio**

Year	SAIL	RINL
2003-04	4.83	4.04
2004-05	4.83	3.90
2005-06	4.06	3.96
2006-07	3.76	4.43
2007-08	4.18	3.86
2008-09	4.04	2.86
2009-10	3.07	2.95
2010-11	3.32	3.14
2011-12	3.02	3.34
2012-13	2.52	2.94
<b>Average</b>	<b>3.76</b>	<b>3.54</b>
<b>CSLD</b>	<b>3.65</b>	

**Source:** Compiled from the annual reports of SAIL and RINL

It is evident that in the case of SAIL and RINL, the inventory turnover ratio had reported a mixed trend of rise and fall over the study period. Further, it is noticed that the ratio also had depicted a decline during the latter years of the study period in both the firms i.e. SAIL and RINL. The highest ratio registered was 4.83 times in 2003-04, the lowest being 2.52 times in 2012-13 in SAIL. But in the case of RINL, the ratio had ranged between the highest of 4.43 times in 2006-07 and the lowest of 2.94 times in 2012-13. The ratio recorded on an average 3.76 times and 3.54 times in SAIL and RINL respectively which is more or less nearer to the consolidated average ratio of 3.65 times. It is obvious that inventory turnover ratio was less than the standard norm of eight times during entire period of study in SAIL and RINL. It indicates that the inventory was not turned into sales effectively in these companies.

**DEBTORS EFFICIENCY****Debtors Turnover Ratio**

The ratio establishes a relationship between net credit sales and average account receivables (average debtors). The ratio is intended to evaluate the ability of a company to efficiently issue credit to its customers and collect funds from them in a timely manner. There is no general norm for the receivables turnover ratio; it strongly depends on the industry and other factors. A high turnover ratio indicates a combination of a conservative credit policy and efficient management in collecting the accounts receivables, as well as a number of high-quality customers. A low debtor's turnover ratio implies inefficient management of debtors or less liquid debtors.

It is also quite likely that a low turnover level indicates an excessive amount of bad debt. But in some cases, too high a ratio can indicate that the company's credit lending policies are too stringent, preventing prime borrowing candidates from becoming customers. This ratio is computed by dividing the net credit sales by the average account receivables (average debtors). The debtors' turnover ratio is presented in Table 2

**Debtors Turnover Ratio**

Year	SAIL	RINL
2003-04	13.74	63.81
2004-05	14.85	149.29
2005-06	14.81	44.10
2006-07	14.66	36.59
2007-08	12.98	97.30
2008-09	14.29	47.72
2009-10	11.61	54.14
2010-11	10.27	31.67
2011-12	9.73	31.02
2012-13	10.08	11.99
<b>Average</b>	<b>12.70</b>	<b>56.76</b>
<b>CSLD</b>	<b>34.73</b>	

**Source:** Compiled from the annual reports of SAIL and RINL

In the case of SAIL, the debtors' turnover ratio had varied between 9.73 times in 2011-12 and 14.85 times in 2004-05. The ratio had shown fluctuating trend over the study period. The average debtor turnover ratio registered was 12.70 times. It is interesting to note that the highest ratio of 149.29 times was registered in 2004-05, the lowest being 11.99 times in 2012-13 with an average ratio of 56.76 times. The ratio had remarkably slid down to 11.99 times in 2012-13 from 63.81 times in 2003-04. Between these two public sector companies the average debtors' turnover ratio was higher in RINL. Further, it may be observed that the RINL had adopted a stringent credit policy. The debtors were less liquid leading to inefficient management of debtors in the case of SAIL.

**TECHNICAL & LIQUIDITY RECITAL  
Current Ratio**

The ratio establishes a relationship between current assets and current liabilities. The objective of computing this ratio is to measure the ability of the firms to meet its short term obligations and to reflect the short term financial strength/solvency of the firm. In other words, the objective is to measure the safety margin available for short term

creditors. A higher current ratio is a clue that a company is able to pay its debts maturing within a year. On the other hand, a low current ratio points to the possibility of a firm not being able to pay its short term debt. However, too high a ratio indicate the presence of idle funds with the firm or the absence of investment opportunities with the firm and too low ratio may indicate the inadequacy of working capital which may deter the smooth functioning of the firm. The current ratio is shown in Table 3

**Current Ratio**

Year	SAIL	RINL
2003-04	0.92	4.57
2004-05	1.41	4.88
2005-06	1.46	5.20
2006-07	1.86	4.97
2007-08	1.99	3.70
2008-09	2.02	2.84
2009-10	2.28	2.22
2010-11	2.19	1.65
2011-12	1.63	1.21
2012-13	1.37	1.03
<b>Average</b>	<b>1.71</b>	<b>3.23</b>
<b>CSLD</b>	<b>2.47</b>	

**Source:** Compiled from the annual reports of SAIL and RINL

It is evident that the current ratio depicted wide fluctuations in the both the iron and steel companies. The current ratio in SAIL had varied between the lowest of 0.92 times and the highest of 2.28 times over the study period with an average ratio of 1.71 times. The ratio was less than the standard norm of 2:1 times in six years out of a decade under study. It indicates that the SAIL was unable to meet its currently maturing obligations during the study period barring four years. In other words, the liquidity performance was unsatisfactory in a majority of the years under report. In RINL the ratio had reported a decline which came down to 1.03 times in 2012-13 from 4.57 times in 2003-04. In RINL, the ratio was too high in the first five years of the study period. It implies that the more working funds were blocked up unnecessarily in current assets upto 2007-08. Further, it is noticed that the company was unable to repay its current liabilities out of current assets from 2010-11 onwards as the ratio was less than the standard norm of 2:1. Between two companies, the liquidity performance of RINL was better.

**APPLICATION OF ‘t’ – TEST FOR CURRENT RATIO**

Application of ‘t’ – test for current ratio of SAIL and RINL companies is presented in Table 4

To determine whether there was any significant variation in the current ratio between the individual iron and steel companies and the industry, the following null hypothesis was formulated and it was tested through students ‘t’ test.

**H<sub>0</sub>:** “There is no significant difference in the current ratio”.

**Application of ‘t’ Test For Current Ratio**

Particulars	SAIL	RINL
Mean of Current ratio	1.71	3.23
SD of Current ratio	0.43	1.64
CV of Current ratio	25.15	50.77
‘t’ Current ratio	0.83	0.37
Calculated value of ‘t’	0.140595827	2.84896
p – value	0.882813774	0.010911*
Table value of ‘t’	2.262	2.262

Note : \* indicates Significant

Source: Computed from Table 3

It is found that there is no significant difference in the current ratio of SAIL, whereas there is significant difference in the current ratio of RINL. Hence, it is concluded that null hypotheses was accepted for SAIL but rejected for RINL.

**‘t’ – TEST FOR TESTING THE HYPOTHETICAL CURRENT RATIO**

Students ‘t’ – test is applied to test the hypothetical current ratio of 2:1. The details of SAIL and RINL units are furnished in Table 5

**‘t’ – Test for Testing the Hypothetical Current Ratio**

Particulars	SAIL	RINL
Mean of Current ratio	1.71	3.23
SD of Current ratio	0.428280	1.641016
Value of ‘t’	-2.03138134	2.2486
Table value	2.262	2.262

Note : i) No. of observations in each case are 10(No of years=10)

ii) Hypothetical ratio is 2:1 for all the enterprises.

iii) Degree of Freedom (N-1) or (10-1=9) for all the enterprises

The calculated value of 't' is less than the table value of 't' at 5 per cent level of significance for current ratio in SAIL and RINL. It shows that the hypothetical current ratio holds good over the years.

#### QUICK RATIO

The quick ratio establishes a relationship between quick assets and current liabilities. The objective of computing this ratio is to measure the ability of the firm to meet its short term obligations as and when due without relying upon the realization of stock. The higher the quick ratio, the better the position of the company. The commonly acceptable quick ratio is 1:1 but may vary from industry to industry. A company with a quick ratio of less than one cannot currently pay back its current liabilities. It is a sad sign for investors and partners. This ratio is computed by dividing the quick assets with the current liabilities. The quick assets ratio is presented in Table 6

**Quick Ratio**

Year	SAIL	RINL
2003-04	0.58	3.99
2004-05	0.99	4.00
2005-06	0.88	4.43
2006-07	1.25	4.39
2007-08	1.47	3.15
2008-09	1.42	2.07
2009-10	1.75	1.65
2010-11	1.54	0.95
2011-12	0.90	0.74
2012-13	0.66	0.66
<b>Average</b>	<b>1.14</b>	<b>2.60</b>
<b>CSLD</b>	<b>1.87</b>	

**Source:** Compiled from the annual reports of SAIL and RINL

It is obvious that the quick ratio recorded on an average was 1:14 times and 2.60 times in SAIL and RINL respectively over the study period. The highest quick ratio of 4.43 times in 2005-06 was recorded in RINL, while the lowest of 0.58 times in SAIL in 2003-04. The liquid ratio was too high in six years out of ten years in RINL. It implies that more working funds were blocked up in current assets even after excluding the inventory from total current assets. The situation had resulted in under-trading in RINL. The liquid ratio was satisfactory on an average in SAIL as the ratio had just exceeded the standard norm of 1:1.

#### ACTUAL LIQUIDITY AND SOLVENCY POSITION

Actual liquidity position of an enterprise mostly depends on its ability to pay off its current financial obligations from the net cash flows generated from its own operations but not by current assets alone, when it is being run. It is understandable that a manufacturing concern is unable to dispose of its current assets due to either lack of demand in the market or current assets lack the quality of conversion into cash at a given point of time. The higher the cash flow ratio, the greater the degree of liquidity and solvency of a firm and vice-versa. Hence, the relationship of current liabilities with the net cash flows may be measured by computing net cash flow to current liabilities.

##### Net Cash Flows to Current Liabilities

The ratio of net cash flows to current liabilities can be computed as follows:

$$\text{Net Cash Flows to Current Liabilities} = \frac{\text{Net Profit} + \text{Non-cash expenses}}{\text{Current Liabilities}} \times 100$$

Current Liabilities

The net cash flows to current liabilities ratio is portrayed in Table 7

**Net Cash Flows to Current Liabilities**

Year	SAIL	RINL
2003-04	29.67	160.53
2004-05	63.72	207.75
2005-06	31.25	102.55
2006-07	49.93	78.65
2007-08	48.39	71.65
2008-09	28.12	33.94
2009-10	45.83	20.94
2010-11	36.32	16.34
2011-12	28.80	14.40
2012-13	12.83	4.64
<b>Average</b>	<b>37.49</b>	<b>71.14</b>
<b>CSLD</b>	<b>54.32</b>	

**Source:** Compiled from the annual reports of SAIL and RINL

It is evident from Table 7 that an analysis of individual public sector companies reveals that the net cash flow to current liabilities ratio was positive throughout the period of the study in SAIL and RINL. The net cash flow to current liabilities ratio had remarkably slashed down from 29.67 per cent to 12.83 per cent in SAIL and from 160.53 per cent to a mere 4.64 per cent in RINL over the study period. It indicates that the actual liquidity performance had deteriorated more particularly in RINL during the later years of

study. It may be noted that the ratio had exceeded the cent per cent norm in the three years out of ten years in RINL.

### CONCLUSION

The following are the conclusion and suggestions offered for the better financial health of sample companies.

- Inventory turnover ratio was less than the standard norm of eight times in SAIL and RINL. It indicates that the inventory was ineffectively turned into sales. Consequently, there is a high risk of loss due to unsalable stock.
- In RINL, liquid ratio was too high in six out of ten years. It implies that more working funds were blocked up in current assets. The situation had resulted in under-trading. Liquid ratio is better in the SAIL as it had exceeded the standard norm of 1:1.
- In RINL, the net cash flow to current liabilities ratio had exceeded the cent per cent norm in three out of ten years. The actual liquidity performance was relatively better in RINL. Analysis purports that the coverage of current liabilities was satisfactory in both these units.
- It may be further suggested that inventory efficiency results can be strengthened if inventory methods shall be scientifically specified so as to reduce the risk of loss due to unnecessary blocking up of working funds.
- ABC analysis (Selective Inventory Control) shall be carried out for all the components of inventory.
- JIT shall be followed to reduce the blocking up of working funds in inventory. Inventory methods shall be scientifically specified so

as to reduce the risk of loss due to unnecessary blocking up of working funds as already pointed out.

- SAIL shall improve liquidity performance either by increasing current assets or reducing current liabilities.
- RINL shall minimize working funds in current assets to the possible extent.

These suggestions if implemented working capital performance of public sector units' i.e. Steel Authority of India Limited and Rashtriya Ispat Nigam Limited shall be improved to desired levels.

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## ANALYSIS OF FINANCIAL PERFORMANCE OF PUBLIC AND PRIVATE SECTOR BANKS IN ANDHRA PRADESH

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### *Abstract*

*Bank expansions are widely observed from the technical phenomena of merger and acquisitions, specifically for those banks that approach commanding heights in international financial markets. An appealing change is developed by bank mergers in the structure of banking industry. Thereby, Indian banks are establishing more branches and subsidiaries to acquire local banks and expand their operations throughout the country. It is understood that bidder banks in post-merger phase acquire vulnerable banks to compete in the market, and maintain their stability in terms of profitability and liquidity using mergers and acquisitions. Indian banking sector is an important component of Indian financial system. It has a strong impact on the economic development and growth of the nation. The present study is made to measure the financial position, performance and efficiency of the largest public sector bank and private sector bank. The objective of the study is to identify financial position and performance of the selected banks and to examine whether any significant difference exists in their performance.*

**Key Words:** *Financial, Position, Performance, Bank, Commanding, Economic, Development.*

### **Introduction**

The improvement financial system is the key to the economic development of a nation. The Banking sector is one of the vital components of the financial system. The sector provides financial services not only to the industry but also to the agriculture and household sectors. It also plays important role in formation of capital in the economy. India Banking sector has a great contribution in the economic growth of the nation. Reserve Bank of India (RBI) is the apex body of the Indian

Banking sector. It ensures the stability in the monetary system of the country. Since independence, RBI has initiated several measures to improve more access to financial services through financial education, awareness and technological up gradations in an affordable manner. The performance of the banking sector is supposed to be a crucial economic active of Indian economy. So, the reforms in banking sector are intended to make the banks more efficient. However, the Banking sector is facing alarming challenges

like rising in competition, level of Non-Performing Assets and weakening asset quality. These may have a negative impact on the economy of the nation.<sup>1</sup>

#### THE OBJECTIVE OF THE STUDY

The objective of the study is to analyze and compare the financial position and performance of public sector bank and private sector bank in Andhra Pradesh. For the purpose of this study, public sector banks and private sector banks have the largest market capitalization at present.

#### REVIEW OF LITERATURE

**Mistry, D.S. and Savani, V. (2015)** classified Indian private sector banks on the basis of their financial characteristics and analyzed their financial performance. They found that return on assets and interest income have a negative correlation with operational efficiency whereas, positive correlation with asset utilization and asset size. They also revealed that operational efficiency, asset management and bank size have an impact on the financial performance of the Indian private sector banks.<sup>2</sup>

**Sodhi, A.K. and Waraich, S. (2016)** made a fundamental analysis with the help of key financial ratios to identify the value of stocks of the selected banks and their investment opportunities. They found that private and foreign banks are trying to improve their performance due to increasing competition in the banking sector.<sup>3</sup>

**Majumder, T.H. and Rahaman, M.M. (2016)** measured the financial performance of the fifteen selected banks in Bangladesh and identified the significant difference in their performances for the period 2009-2013. They suggested that the lower ranking banks should take necessary steps to improve their weaknesses.<sup>4</sup>

**Balaji, C. and Kumar, G.P. (2017)** examined and compared the overall financial performance of selected public and private sector banks in India during the period 2011-12 to 2015-16 with help of mean and T-Test. They concluded that public sector banks must redefine their strategies by considering their strengths, weakness and operating market.<sup>5</sup>

**Taqi, M and Mustafa, M.S.M. (2018)** analyzed the growth and performance of Punjab National Bank and HDFC bank for the period 2006-07 to 2015-16. They made quantitative analysis and found that PNB is more financially sound than HDFC but in

context of deposits and expenditure HDFC has better managing efficiency.<sup>6</sup>

#### Analysis of Financial Performance in Andhra Pradesh

Finance may be defined, as the provision of money at the time is wanted. However, as management function it has a special meaning of funds and their effective utilization. Finance is concerned with everything that takes place in the conduct business

#### IMPORTANCE OF FINANCE

Finance is regarded as the life blood of a business enterprise. This is because in the modern money oriented economy, finance is one of the basis foundations of all kinds of economic activities. It has been rightly said that "Business needs money to make money". It is also true that money be gets more, only when it is properly managed. It has rightly been said that business needs money to make more money. However, it is also true that money can earn more money only when it is properly managed.

#### NATURE OF FINANCIAL ANALYSIS

The financial statements are prepared on the basis of recorded facts. The recorded facts are these that can be expressed in monetary terms. The accounting records and financial statements are from those records are based on historical costs. The financial statements are prepared periodically for the accounting period.

1. Financial statements as composed of data, which are the results.
2. Recorded facts concerning business transaction.
3. Convention adopted to facilitate the accounting technique.
4. Postulates or assumptions made to personal judgment.
5. Application of correction and postulates.

#### FINANCIAL PERFORMANCE ANALYSIS

The financial statement provides the basic data for financial performance analysis. Basic limitation of the financial statement comprising the balance sheet and the profit and loss account is that they do not give all the information regarding the financial operations of firm. Nevertheless, they provide some useful information to the extent the balance sheet mirrors the financial position on a particular date in terms of the structure of asset, liabilities and owners equity, and so on.

The profit and loss account shows the result of operation during a certain period of time in terms of the revenues obtained a summarized view of the financial position and operation of firm. Therefore, much can be learn about a firm from a careful examination of its financial statement as invaluable document / performance reports. The analysis of financial statements is, thus, an important aid to financial analysis.

The word 'Performance is derived from the word 'performed', which means 'to do', 'to carry out' or 'to render'. It refers the act of performing; execution, accomplishment, fulfilment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of Frich Kohlar "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance.

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.<sup>7</sup>

#### **AREAS OF FINANCIAL CONCERT**

Financial analysts often assess firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. However in the present study financial health of GSRTC is measured from the following perspectives:

1. Working capital Analysis
2. Financial structure Analysis
3. Activity Analysis
4. Profitability Analysis

#### **FINANCIAL PERFORMANCE OF PUBLIC AND PRIVATE SECTOR BANKS IN ANDHRA PRADESH**

Banking in India was originated from the last decades of the 18th century. The prime banks are Bank of Hindustan (1770-1829) and The General Bank of India, established 1786. The largest bank, and the oldest one since in existence, is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which is collectively the Bank of Bengal. Typically this was one of the three presidency banks, the remaining two are being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British government East India Company. Those three banks merged in 1921 to form the Imperial Bank of India, which, after the India's independence, became the State Bank of India in 1955. For many years these banks acted as quasi-central banks just following, as did their successors, until the Reserve Bank of India was established in 1935. In 1969 the Indian government nationalized all the major banks and these have remained under government ownership. Every bank maintained under a structure known as 'profit-making public sector undertaking' (PSU) and those are commercialized are allowed to compete and operate as commercial banks. The Indian banking sector is made up of 4 types of banks, as well as the PSUs and the state banks; they have been joined since the 1990s. After that many new private commercial banks and a number of foreign banks.

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### **Banks in World**

There are different types of banks being present in the world. Some of the types are: Commercial Banks, Community Development Banks, Cooperative Bank, Credit Unions, Ethical Banks, Exchange Bank, Federal or National Banks, Indigenous Bank, Industrial Development Bank, Internet Banking, Investment Bank, Islamic Banks, Land Development Bank, Merchant Banks, Mortgage Banks, Postal Savings Bank, Private Bank, Savings Banks.

Type of Banks in India

1. Public Sector Banks
2. Private Sector Banks

### **Public Sector Banks**

A Public Sector bank is one in which, the Government of India holds a majority stake. It is as good as the government running the bank. Since the public decide on whom runs the government, these banks that are fully are partially owned by the government are called public sector banks. Public Sector bank means any Government Sector Bank is Institute that goes public... means that issues it share to general public. It also has a greater share of government (more than 50 per cent) so that the main motto of social welfare other than Maximizing Profit remains. Whereas Private Sector Banks are those Banks where the management is controlled by Private individuals and Government does not have any say in the management of these banks. Maximizing profit is the basic motto. Liberalization (or liberalization) refers to a relaxation of previous government restrictions, usually in areas of social or economic policy.

In some contexts this process or concept is often, but not always, referred to as deregulation. In the arena of social policy it may refer to a relaxation of laws restricting. Most often, the term is used to refer to economic liberalization, especially trade liberalization or capital market liberalization.

NPA is a banking jargon for bad loans. The management of NPAs by Indian banks has improved substantially post liberalization. Various reasons can be attributed to the same, like the establishment of the Debt Recovery Tribunals (DRTs), the adoption of the Corporate Debt Restructuring (CDR) mechanism etc. A significant event in NPA management is the passage of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, (SARFESI) in 2002. This act of SARFESI has helped allows banks and financial institutions manage their NPAs better. The lenders can now auction properties (residential and commercial) after giving sufficient notice, when the borrowers fail to repay their loans. Though the SARFAESI Act was challenged in the courts, the Supreme Court upheld the Act (Maria Chemicals v/s ICICI Bank) in 2004 tilting the balance for the banks. The RBI also has also been encouraging banks to use the provisions of the SARFAESI Act. The ratio of Gross NPAs as a percentage of Total Assets has fallen from 12 per cent in 2000 to about 2.5 per cent as on March 31, 2019. Thus, post liberalization, banks have reduced their NPAs. However with the current slow-down in the Indian economy, there is a worry that NPAs will rise again.

### **Private Sector Banks**

The private-sector banks in India represent part of the Indian banking sector that is made up of both private and public sector banks. The "private-sector banks" are banks where greater parts of stake or equity are held by the private shareholders and not by government. Banking in India has been dominated by public sector banks since the 1969 when all major banks were nationalised by the Indian government. However since liberalisation in government banking policy in 1990s, old and new private sector banks have re-emerged. They have grown faster and bigger over the two decades since liberalisation using the latest technology, providing contemporary innovations and monetary tools and techniques. The private

sector banks are split into two groups by financial regulators in India, old and new. The old private sector banks existed prior to the nationalisation in 1969 and kept their independence because they were either too small or specialist to be included in nationalisation. The new private sector banks are those that have gained their banking license since the liberalisation in the 1990s.

At present, there are 32 private banks comprising of 24 old banks, which existed prior to 1993-94 and eight new private banks, which were established during 1993- 94 and onwards after the RBI announced guidelines in January 1993 for establishment of new banks in private sector following the recommendations of Narasimham Committee-I (1991). Compared to New private sector banks, the old banks are smaller in size. For example, at end March 2000, the average net worth of the 24 Old Private Banks (OPBs) was Rs.179.67 Crore per OPB compared to that of the New Private Bank (NPB) at Rs. 479.88 Crore per NPB. The OPBs are essentially regional in character although some of them have scattered presence in areas other than in and around the areas of their origin. The number of branches of the NPBs was 999 at end March 2003, while those of OPBs 3491. The NPBs are extremely cautious in expanding their branch network and business because their managers, mostly drawn from the public sector banks know very well the ills of unbridled expansion of branches by public sector banks in the post-nationalization era.<sup>8</sup>

#### CONCLUSION

Financial sector reforms have made favourable changes in the banking industry. The service levels have been redefined along with the extension of activities performed by banks. Although there was increase in profitability for both sector banks the rate of growth is higher for private sector banks. Public sector banks are lagging in many financial parameters and they are facing many challenges also. But their contributions to social aspects are also on the higher side which has an impact in the parameters. Public sector banks must redefine their strategies by considering their strengths and weakness and the type of market they are operating with whereas private sector banks must also consider priority sector lending in its fullest form along with meeting of societal aspects so

that there exists a balanced growth for the industry and for the nation. Public sector banks must enhance their performance by implementing professionalised management scenario and better customer service. The rate of growth for almost all the parameters is high for private sector even though magnitude is high for public sector banks. Net profit and its growth rate must be considered seriously reviewed by public sector banks. Operating expenses must be reduced by implementing cost control measures. Employee wise performance must also be checked for ensuring adequate performance.

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## VALUE CHAIN GOVERNANCE: FORMAL AND INFORMAL RULES WITHIN BLACK PEPPER VALUE CHAIN IN KERALA

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### Abstract

*Black pepper apparently called as “Black Gold” internationally, India hold the crown of leading producer and exporter of black pepper, lost to Vietnam in 2014. The value chain of black pepper in Kerala includes different actors such as black pepper farmers, hill produce dealers, wholesalers and exporters and these actors had to comply with certain formal or informal rules and regulations in the value chain. The study has identified the formal and informal rules that influenced the value chain governance within the black pepper value chain in Kerala. Delay in getting permission at Government offices was identified as an important informal rule by the exporters, while down grading of the black pepper to reduce the price purposefully by the dealers was revealed by the farmers. Thus, the farmer had an experience of getting less price than the market price which shows that the black pepper farmers are more affected by the informal rules rather than the formal rules imposed over them.*

**Key Words:** *Formal and informal rules, Value chain, Governance, Black pepper.*

### Introduction

Agriculture value chain analysis is comprehensive analysis to assist small holder producer of less developed and developing countries to stimulate economic growth of poor (Haggblade *et al*, 2012). UNIDO (2009) staff working paper on agro-value chain analysis and development made the concept of value chains in agriculture more explicit and precise. Accordingly, agro-value chain analysis can reveal “the need for enterprise development, enhancement of product quality and safety, quantitative measurement of value

addition along the chain, promotion of coordinated linkages among producers, processors and retailers, and the improvement of competitive position of individual enterprises in the marketplace”. The Global Value Chain (GVC) approach gives emphasize to the concept of ‘governance’, that is, the value chain operations are performed by the producers in the developing country, where the parameters for the products and processes are specified by the buyers’ right through the chain. Government agencies and international organizations are compelled to meet the

compliance in quality, labour and environmental standards (Humphrey and Schmitz, 2001).

The value chain governance cannot be limited to the legal and regulatory requirements that influence business operations and market access in a value chain, in real sense, it includes an array of instruments like the contracts between value chain participants, government regulatory frameworks enforced, to even the unwritten “norms” that determines the participants in the market. Gereffi (1994), further elaborated the term in detail with the importance of exchange of information and production activities as, the degree of control to outline the functional division of labour in the chain, determining the allocation of resources and gains and its flow within the chain.

### Statement of the Problem

Black pepper apparently called as “Black Gold” internationally, was the first oriental spice offered to Western countries like Rome and Greece. Later, this spice has gained high demand and value in Europe and its fame has even made changes in Western cuisine along with the entry of other spices (Ravindran and Kallapurackal, 2012). Since 1999, India, has lost the crown of leading producer and exporter of blackpepper to Vietnam (IPC, 2015). It is true that value chain actors must comply with certain rules and regulations in the value chain. Rules and regulations can be either formal or informal. Formal rules are decided and implemented with official and legislative power and decisions, while informal commercial rules are determined by the powerful parties in the value chain over the weak parties. Rules like voluntary standards are for products with specific standards in agriculture, like organic products. Certain informal rules were also found imposed over the actors in the value chain of black pepper especially, for farmers. There are certain dominant formal and informal rules in relation with selling and buying of black pepper in the market which influences the selling and buying of black pepper between actors in each nodes of the value chain. Hence, the important formal and informal rules that the value chain actors must comply being an actor in the black pepper value chain were identified to understand the relationships among the actors in the black pepper value chain.

### Materials and Methods

The study was confined to two districts in Kerala, Idukki and Wayanad districts, since these districts accounted for the first and second position under the area of Black Pepper cultivated in Kerala during 2016-17 and had the maximum share of about 51.4 per cent of the total production. The primary data was collected from 120 black pepper farmers (60 farmers each from Idukki and Wayanad districts) and the other important value chain actors were identified using snowball technique which included 70 private traders (including 38 hill produce dealers and 32 wholesalers) and three exporters. Furthermore, open end interviews were conducted with key informants in the value chain like Spices Board Officers, NABARD Officers, Agriculture Officers in Krishi Bhavans, Directors and staffs of NGOs, Managers of exporting companies and other service providers.

### Scope of the study

Identifying the dominant formal and informal rules in relation with selling and buying of black pepper in the market may help to understand farmer’s position in the chain and to help the farmers to realize the hurdles and to realize better retail prices. Finally, it may lead to improve the livelihood situation of rural population involved in black pepper production in Kerala. The results of the study possibly would expose the role of the actors in the value and how much these actors tied up under the formal and informal rules prevailing in the value chain.

### Objective

The objective of the study is to identify the formal and informal rules that influence the value chain governance within the black pepper value chain in Kerala.

### Review of Literature

Raju and Singh (2014) pinpointed the significance of pro-producer agriculture value chain and further, it can be a way for poverty reduction and social development. They also highlighted the necessity of small farmer integration, small holder agriculture viability, and collaboration across chain actors and importance of rural advisory and support services to farmers especially, in case of market information and innovative production and processing techniques. Likewise, it is equally important to strengthen the value chain relationship between small holder producers

and other actors in the chain through mutual benefit and cooperation. While in the view of Kaplinsky *et al* (2001), “Governance” is the authority to decide who should participate and who should not participate, as an actor in the value chain. He added the authority to fix rules; render help to chain participants to achieve the pre fixed standards and to check the chain performance are also included in governance thought. Situations are not always easy, certain firms or actors in the value chain structure generate their own restrictions and made it oblige on other actors to abide by these parameters. That is the reason why, Humphrey and Schmitz (2001) doubted that the question of governance arises when some firms in the chain works according to parameters set by others. For the compliance of such parameters, essential support is needed from governance structures to transmit information about parameters and to apply compliance.

**Results and Discussion**

As revealed by the value chain actors that there are certain dominant formal and informal rules in the market. The important formal rules that the value chain actors must comply being an actor in the black pepper value chain were identified from the black pepper farmers, exporters, wholesalers and hill produce dealers. Compliance with the formal set of parameters is compulsory for the value chain actors, which were properly monitored and enforced through inspection and testing by the officials, while the informal rules created by the strong parties in the value chain and impose it over the weak parties. The present study identified the important formal and informal rules that influenced the value chain governance under the following heads;

- Formal rules for Exporters
- Formal rules for Wholesalers/Hill Produce Dealers
- Formal rules for Black pepper farmers
- Informal rules for Exporters
- Informal rules for Black pepper farmers
- Informal rules for Wholesalers/Hill Produce Dealers

**Formal rules for Exporters**

The formal rules and regulations were enforced over the exporters by the Central and State Governments in India and the Governments of importing countries, international agencies etc. and these rules were

implemented and monitored through different government agencies.

**Formal rules for Exporters.**

Formal Rules and Regulations	Rule Setting Authority
Import Export Code (IEC)	Directorate General of Foreign Trade
Certificate of Registration as Exporter of Spices (CRES)	Spices Board of India
Factory Registration (under Factories Act, 1948)	District Governing Authority
Guidelines for Quality Improvement (2014),	Spices Board of India
Quality Testing through Quality Evaluation Laboratory (QEL)	Spices Board of India
Spice House Certification to Spice Processing Establishments	Spices Board of India
Food Safety and Standards Act 2006	Government of India
Quality Standards required for black pepper export Japanese Agricultural and Organic Standards Korea Organic BIOSUISSE-Switzerland EU Regulations National Programme for Organic Production India(NPOP) United States Department of Agriculture National Organic Programme (USDA NOP) Demeter standards for bio-dynamic farming Naturland standards, Germany Naturland Fair, Germany Fairtrade (FLO ID-21286) ISO 22000:2005 by Bureau Veritas ISO 9001:2008 14001 :2004 BRC Grade AA by Bureau Veritas	Standards set by different Countries and Organizations



The formal rules and regulations to be complied by the exporters are presented in Table.1. Import Export Code (IEC), is a mandatory license and a prerequisite for importing or exporting commodities from India. It is a ten digit identification number issued by the Directorate General of Foreign Trade to start business that deals with export or import. Certificate of Registration as Exporter of Spices (CRES) is issued by Spices Board of India, under Section II of the Spices Board Act. Application should be submitted to Spices Board, with registration fee, GST registration certificate, bank certificate, PAN Card etc. In Kerala, factory registration is mandatory as per the provision of the Factory Act 1948, to ensure that a factory complies with the stipulated rules and safety guidelines. Spices Board's guidelines for the quality improvement of spices (especially for black pepper) includes limit of contaminants stipulated by importing countries, permitted level of pesticides residue, steps to be taken in harvesting, processing and storage of black pepper, the control of moisture content, hygiene- environmental and personal etc. Quality Evaluation Laboratory (QEL) was established by Spices Board in 1989, provides analytical services to the spice industry, monitors the quality of spices produced and processed in the country. The Laboratory in Kochi is certified by British Standards Institution, UK, accredited under NABL (National Accreditation Board for Testing & Calibration of Laboratories. Processing Units of Spices should obtain Spice House Certification also from Spices Board. Food Safety and Standard Authority of India (FSSAI) regulates the food sector by laid down the guidelines and standards to be followed by the food producers, under Food

Safety and Standard Act 2006. Good Agricultural Practices (GAP) are approved by American Spice Trade Association (ASTA) and recommended by Spices Board of India suggests various standards to achieve food safety. Sanitary and Phyto sanitary measures are World Trade Organisation (WTO) standards set by three organisations: i) Codex Alimentarius Commission (Codex) ii) World Organisation for Animal Health (OIE) and iii) International Plant Protection Convention (IPPC). In addition to the above explained regulations, certifications and standards, each importing country has their own standards separate for organic and inorganic products.

The formal rules from 1 to 7 (Table.1) were compulsory rules, therefore, complied by all the three exporters, while the exporters were not registered or certified for all quality standards required by various agencies in different countries. They have obtained the certifications of different countries according to their export requirement. Certificate of National Programme for Organic Production (NPOP) in India, United States Department of Agriculture National Organic Programme (USDA NOP) and Fairtrade (FLO ID-21286) were the quality Standards certified by all exporters included in the value chain.

#### **Formal rules for Wholesalers/Hill Produce Dealers**

The buying and selling of agriculture produces including allspices producing in the districts of Idukki and Wayanad were carried out by the wholesalers and hill produce dealers. They were liable to obey the following formal rules to start the business and to run their business in the locality. Table 2 gives an idea about the formal rules under which wholesalers and hill produce dealers were running their business.

#### **Formal rules for Wholesalers/Hill Produce Dealers**

Formal Rules	Rule Setting Authority	Hill Produce Dealers (N=38)	Wholesalers (N=32)
Certificate of Registration (Kerala Shops and Establishments Act, 1960)	Government of Kerala	38 (100)	13 (40.62)
Trade License Registration from Municipal Corporations, (Kerala Municipality Amendment Act 1996)	Government of Kerala	-	19 (59.38)
GST Registration	Government of India	38 (100)	32 (100)
Lease Agreement under Kerala Buildings (Lease and Rent Control) Act, 1965	Government of Kerala	33 (86.84)	31 (96.88)

The establishments which is not registered under the Factories Act, should be register under Certificate of Registration (Kerala Shops and Establishments Act, 1960) irrespective of the number of workers. The fees has to be remitted to the nearest Office of Assistant Labour Officer, that is, 60 days before the date of commencement of business and the application for renewal of registration should be submitted 30 days before the expiry of theregistration. Trade License Registration under Kerala Municipality Amendment Act 1996, became mandatory for doing dealer or wholesaler business by the amendment of the same act in 2014, where the Kerala trade license is a document of authorization issued by the state government for granting permission to regulate and carry out any form of business from a particular locality. Goods and Services Tax (GST) Registration started in July 1<sup>st</sup> 2017, gives all business a unique Goods and Services Tax Identification Number (GSTIN) after registration which aimed to replaced many indirect taxes and changed into a comprehensive, multistage, destination based tax that is levied on every value addition.

All the hill produce dealers were having certificate of registration from the Panchayat and forty one percent of the wholesalers were also registered under the Panchayat, while a remaining fifty nine percent of wholesalers were having trade license from the concerned municipality in the locality. It should be noted that all the

wholesalers and hill produce dealers had GST registration for the payment of goods and services tax. Lease or rent agreement was signed by 86.84 percent of hill produce dealers and 96.88 percent of wholesalers as majority of the dealers and wholesalers were on rented shops, and the lease agreement was prepared under Kerala Buildings (Lease and Rent Control) Act, 1965.

#### Formal rules for Black pepper farmers

The formal rules applicable to certified organic farmers and conventional farmers were listed in Table 3. The black pepper farmers (120 farmers from Idukki and Wayanad districts) were classified into 55 certified organic farmers (45.83 percent) and 65 conventional farmers (54.17 percent). For this reason, the formal rules which were liable to comply by both type of farmers were different. Out of the 120 farmers, 45.83 percent of the total farmers (55 certified organic farmers) has complied with the rules set by the organic certifying agencies and the NGOs. The NGOs and the organic certifying agencies checks and assures the compliance of organic farmers in the study area. The conventional farmers (54.17 per cent) got advice and recommendations from Krishi Bhavan and other research institutes.

Prohibition of cultivation in the forest land, eligibility to receive subsidy (under agriculture schemes and packages) and credit availability and the rate of interest were the other formal rules that the all the black pepper farmers are agreed to.

#### Formal rules for Black pepper farmers

Type of Farmers	Formal Rules	Rule Setting Authority
Organic Farmers	Crop management in the farm according to certifying agency (permitted organic pest control and organic manures only) Post-harvest handling of black pepper Maintain organic quality (to avoid rejection of produce after quality testing)	Organic Certifying Agency NGO (Promotes organic farming)
Conventional Farmers	Crop management in the farm (advice from Krishi Bhavan) Post-harvest handling of black pepper Maintain quality (to avoid rejection of produce after quality testing)	State Department of Agriculture Kerala Agricultural University
Organic and Conventional Farmers	Phytosanitary measures a. tolerance limit for residues, b. restricted use of substances, c. labeling requirements related to food safety, d. hygienic requirements	World Trade Organization
	Prohibition of cultivation in forest land (under Forest	Government of

	Conservation Act, 1980) Right of ownership and self-cultivation of forest land, access to collect, use and dispose of minor forest produce - under The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006. Credit availability & rate of interest  Eligibility to receive subsidy (Under Agriculture schemes and Packages)	India Government of India Reserve Bank of India, Public and Private sector Banks State Department of Agriculture
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The tribal farmers (5 per cent) has the right of ownership and self-cultivation of forest land, access to collect, use and dispose of minor forest produce under The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006. The phytosanitary measures adopted by WTO such as tolerance limit for residues, restricted use of substances, labeling requirements related to food safety and hygienic requirements does not have any influence over the farmers directly.

**Informal rules for Exporters**

The exporters included in the study mentioned about the unnecessary delay at Government offices as an important informal rule that affects their exporting business. Due to the high competition among the spice exporters in the country the exporters in the value chain keep secrecy of their export businesses and contacts abroad, to avoid losing business with foreign clients.

**Informal rules for Black pepper farmers**

It has been noticed that farmers were highly affected by the informal rules in the value chain as the black pepper value chain is a buyer driven value chain. The identified informal rules for the black pepper farmers were downgrading of the product by the buyers and buyers offer price less than the market price, are presented in Table 4.

**Informal rules for Black pepper farmers**

Informal Rules	Rule Setting Agency/Firm	Organic Farmers (55)	Conventional Farmers(65)
Downgrading of the product by the buyer	NGOs/Hill Produce Dealers	10(18.18)	65 (100)
Price offered less than the market price	NGOs/Hill Produce Dealers	-	65 (100)

Cent per cent of the conventional farmers felt that down grading of the black pepper to reduce the price purposefully by the dealers and they revealed that were mostly offering price less than the market price, so that they can ensure a better margin for their business. Further, they added that not all the buyers makes spot payment for the purchase, but they delay the payment to the farmers due to different reasons. Certain buyers encourage the farmers for advance payment from the traders, for their marketable surplus even before the harvest season, while the farmers in the study area denied such a practice.

**Informal rules for Wholesalers/Hill Produce Dealers**

Wholesalers and hill produce dealers informed that the important informal rule they compelled to follow were compromise over the price and the profit in order to keep relationship between the parties engaged in pepper trade. Though they deal in different hill produce everybody play safe to avoid loss in the business. When price of the black pepper was high the profits for the traders were high and when the price decreases, their profit also get reduced. Further, that it's not possible to pinpoint the informal rules exists in other areas, but they agreed that there exist certain practices like engaging the same labourers for cleaning and drying and loading and unloading of black pepper.

**Conclusion**

Value chain governance comprises of government regulatory frameworks enforced, contracts between value chain participants to even the unwritten "norms" that determines the participants in the market. It is noticed that the participants in black pepper value chain also have to follow certain informal rules other than the formal rules enacted by the rule setting authorities. Delay in getting permission at Government offices as an important informal rule that affected the exporters, while down grading of the black pepper to reduce the price purposefully by the dealers was revealed

by the farmers. Thus the farmer get less price than the market price which shows that the black pepper farmers are more affected by the informal rather than the formal rules imposed over them.

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## PRESENT STATUS AND PROSPECTS OF CONTRACT FARMING

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### *Abstract*

*The establishment of an agrarian economy that ensures food and nutritional security for a population of over a billion, raw material for an expanding industrial base, surpluses for exports, and a fair and equitable reward system for the farming community requires commitment driven contract farming which clearly is a viable alternative farming model. Previous literature reveals that several Indian and multinational companies have already begun contract farming initiatives in India and have been broadly successful. We find that their success is dependent on a profitable market, the physical and social environment, and government support. However, effort is needed to reduce negative impacts which arise from contract farming via the active involvement of institutions governing the contract farming business. The overall future of contract farming in India is quite promising due to increasing trend for organized retailing amongst the burgeoning middle class population and the food safety requirements of the export market in developed countries.*

**Keywords:** *Positive and negative impacts, Agribusiness firms, Contract farming in India.*

### **Introduction**

India has been a predominantly agrarian economy since the first human settlements on the subcontinent. While development efforts over the last four decades have doubtlessly strengthened India's industrial base, agriculture continues to be a significant pillar of the economy, contributing nearly 14 percent to GDP and representing approximately 11 percent of India's national exports. Liberalization, privatization and globalization of the post WTO regime have created new market opportunities and challenges. The agriculture sector, like any other sector of the economy, must evolve a response mechanism to face these new

realities. This requires reforms in agricultural marketing in order to bring about the requisite changes and to push the agriculture sector to take-off from its current low growth rate of 2-3 per cent to a healthier 4-5 per cent. Wide support for contract farming under the Structural Adjustment Programme (SAP) and liberalization policies and its promotion by the international development agencies such as the World Bank, the USAID, the IFC and the CDC has further supported the development of contract farming in India, which in turn helps reform agriculture marketing practices indeed.

The first known evidence of contract farming in India dates back to the British colonization; The East India Company had

contractual farming arrangements in the coffee and tea estates. As such, the concept of contract farming is not new to India but there are new forms and models of contractual arrangements which have prevailed post independence. The total area covered by contract farming is less than 2 percent of the total cultivable land. However, if one were to consider purely corporate contracts with farmers for their crops, then this figure would barely touch 0.05 percent of total cultivable land. Contract farming in India is changing towards this corporate contract model as reflected by the entry of many Multinationals such as, Cadbury, Pepsi, Unilever, ITC Ltd., Cargill and Frito Lay. Similarly domestic corporations like Ballarpur Industries Limited(BILT), JK Paper, and Wimco, Green Agro Pack (GAP) Ltd., VST Natural Products, Global Green, Interrgarden India, Kemp's City Agro Exports and Sterling Agro, United Breweries (UB) , Nijjer Agro, Tarai Foods, A I M Todd, McCain India are also entering into contract farming.

Given the current background, this paper primarily hopes to address the importance of contract farming and its impact on Indian agriculture using the available contract farming literature. The remainder of the paper is presented through five distinct sections: (1.) the concept of contract farming, (2.) contract models in India, (3.) the incentives of contract farming for the corporation and the farmer (4.) the positive and negative impacts of contract farming, and finally (5.) the future prospects of contract farming in India along with concluding remarks.

The Concept of Contract Farming  
Contract farming is a transaction wherein agribusiness and farms are vertically integrated. Baumann (2000) defined contract farming as a system where a central processing or exporting unit purchases the harvests of independent farmers and the terms of purchase are arranged in advance through contracts. Contract farming involves different institutions like processing firms, financial institutions,

input providing companies, and the farmers themselves. The details of a contractual arrangement vary according to the depth and complexity of the provisions in each of the following areas. In general, contracts can be classified into three non- mutually exclusive categories: (i). Market provision, (ii). Resource provision (iii). Management specification In the overall, the concept of contract farming promises i) to provide a proper linkage between the farm and market, ii) promote high degree of competition at the supply and market end, and iii) minimize intermediaries in order to increase farmer's income.

### **Contract Models in India and Preconditions for their Success**

Eaton and Shepherd (2001) classified 5 major models in which contractual arrangements occur between the firm and farmers. A sponsor (defined as the contracting firm/corporation) decides to follow a model depending on the market demand, production and processing requirements, and economic and social viability of the farmers.

**I. Centralized Model:** In a centralized model, a sponsor (a processor/ packer) buys from large number of small farmer. The quantity that will be bought is usually predetermined at the beginning of the sowing season and quality standards are strictly monitored and enforced. The firm provides inputs such as seeds, fertilizers, pesticides, credit and machines, etc. This model was used for annual crops and crops which often require a high degree of processing. Centralized Model contracts are also found concerning products where market requirements necessitate frequent changes in the farm technology with fairly intensive farm-level support from the sponsors. Sponsors involvement in production varies from minimal input provision to the opposite extreme where the sponsor takes control of most of the production aspects such as tomato processing by PepsiCo in Punjab. It is same as the Type I contract farming in the contract farming classification given in a study by the National Institute of Agricultural Marketing.

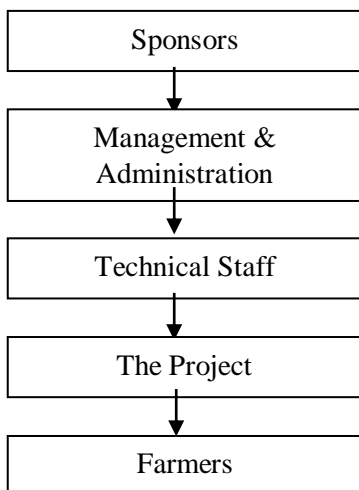


Fig-1 Centralized model

**II. Nucleus Estate Model:** Nucleus estate model is a variation of the centralized model where the sponsor also manages a central estate or plantation. The central estate is usually used to guarantee throughput for the processing plant but sometimes the estate is used only for research or breeding purposes. The sponsor provides a significant amount of material and helps with the management inputs. This model is appropriate for crops such as tea, coffee, rubber, cocoa, sugar and oil palm, crops with which farmers may have had little or no experience. These crops require significant long-term investment and generally require immediate processing after the harvest. Sometimes firm may also procure from farmers around the estate.

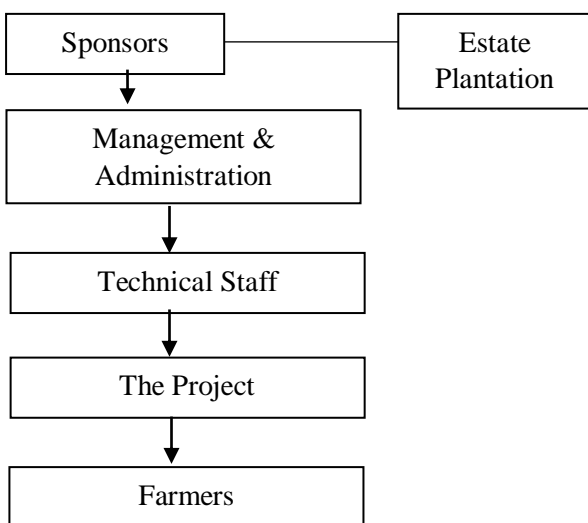


Fig-2 Nucleus Estate Model

**III. Multi-partite Model:** The multipartite model may involve a variety of organizations,

frequently including statutory bodies. Each entity may be responsible for providing different goods and services such as credit, inputs, machineries, equipments, transport, processing and marketing facilities. The following is an example of multipartite contracts in India: a leading firm (Dabar) acquired a leasing arrangement of land from the government and entered into an agreement with the tribal communities to grow medicinal plants. A similar example is the firm, Rallis which organized production with farmers on contract basis. The similar characters appear in the Type 4 classification of contract farming by NIAM, 2004.

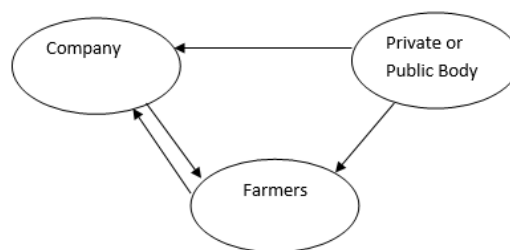


Fig-3 Multipartite model

**IV. Intermediary Model:** The intermediary model involves sponsors in subcontracting linkages of farmers with intermediaries. Using this model, sponsors run the risk of losing control of production and quality as well as prices received by farmers. If the processors/sponsors are not unduly bothered about quality and concerned only with quantity this model may work. The decision to appoint intermediary depends on the trade off in terms of cost and quality to the firm. An example of this model in practice can be seen in appointment of Rallies by The Hindustan Lever Limited for the procurement of wheat and paddy in Madhya Pradesh and Uttar Pradesh. The Type 3 and Type 4 model from NIAM, 2004 classification of contract farming is based on the same characteristics as commodity in quantities and at agreed quality standards to the company. Four main benefits encouraging smallholder to enter the schemes are; (i) Access to markets: Agribusinesses are considered being more specialized than farmers in terms of market knowledge, information links, legal expertise, economies to size in processing and transport, financial potentials, and relationship with the international markets. These advantages are far too costly for the farmers to do themselves; (ii)

Access to credit: many farmers with credit constraint can be supported with financial assistance from potential agribusiness firms. The repayment is usually through post-harvest cash settlement; (iii) Managing risks: Opportunities for reducing risk through contracting include diversification of farming, subsidies and extension services from the firm. (iv) Provision of information: Contracted farmers could receive advantageous information such as crop specific information, chemical restrictions related to food safety requirements in specific markets, timing of planting and harvest to meet markets, management of product quality, and other market and technical information. If these benefits are significantly larger than the following costs or risks which farmers would usually encounter (both in short-run and long-run), those farmers will decide to participate in contract farming schemes.

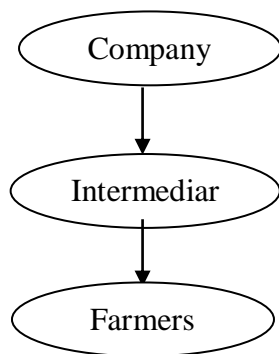


Fig-4 Intermediary model

**V. Informal Model:** The informal model is characterized by individual entrepreneurs or small companies. It involves informal production contracts, usually on a seasonal basis (Prasad, 2013). It often requires government support services in the form of research and extension. Informal contract arrangement can be found in crops that require minimal processing. Usually these are sorted and graded before being put to market. As such, this arrangement is mostly found in fresh fruits and vegetables. Typically, the firm’s involvement in actual production and input procurement is very minimal. Many supermarket chains in India usually follow this model to ensure a steady supply of produce. Even with these several successful models on contract farming in India, there are a myriad of necessary preconditions needed in order to facilitate successful contracts between firms and farmers. And the preconditions like

assured market and profitability, physical and social environment, adequate communication system, land , irrigation and input availability, social consideration of rural communities, and mutual trust between the firm and the farmer are noted for successful contract farming practices.

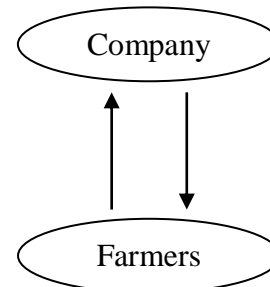


Fig-5 Informal model

**Incentives Facing Agribusiness Firms and Farmers to Enter Contract Farming**

Farmers and corporations have various motivations in joining contract farming agreements. Their motivations are typically not antagonistic and the incentives for contract farming are occasionally mutually beneficial for both the firm and the farmer. Below, we describe the incentives to enter contract farming from both the firm’s and the farmer’s perspective.

**Agribusiness Firms.**

Contract farming is an attempt for large agribusiness firms to expand the scale of operation in order to improve profitability or to manage their risks through product diversification. The expected duties of a company are to provide some production support for the farmers through the supply of inputs or technical advice describes the reasons why firms choose to contract growers rather than buying products from the spot market or engaging a policy of self-plantation. Simmons refers to “Transaction Cost Theory” which suggests that without a pre-existing contract, firms who transact by seeking products on the open market, especially for high-value food products (HVF) encounter 3 possible kinds of uncertainties like uncertain quality, uncertain supply, uncertain price. Meanwhile, if agribusiness firms choose to operate their own plantation, they find that the transaction costs like high cost of supervision, uncertainty over crop yield, technical constraints, high land acquisition cost and high



skill acquisition cost outweigh the benefits of predictable supply. Therefore contract farming schemes would be adopted by the firm.

**Farmers**

Farmers joining a contract farming scheme are responsible to provide a specific Contract production tends to shift farm production in favor of export-oriented and cash crops at the cost of basic food crops for the poor. This can lead to higher prices of the food commodities and products, especially for non contract farmers and the labor households who do not benefit from higher incomes attained by contract farming. Even regional differentiation tends to increase as the firms choose relatively better-off areas for implementing contract farming schemes

**Positive and Negative Impacts of Contract Farming**

The proponents of contract farming argue that contract farming can lead to significant increases in incomes and employment in poor agricultural regions and can eliminate low levels of productivity and instability in production. The benefits of contract farming can thus put the local economy on the path of growth and development. Below we point out the positive and negative impacts of contract farming.

**The Future Prospects of Contract Farming**

The future of contract farming in India is quite promising, thanks to the increasing awareness about food quality and safety among the rising middle class population coupled with rising domestic disposable income and the stringent food safety requirements of the export market of the developed countries. As the Indian economy grows, there will be an increase in the number of people with high disposable income and consciousness about quality and health who will demand food products of certain specifications.

Further, developed countries prescribe exacting standards of quality for imports of agricultural commodities and processed food from developing countries. The WTO agreements on Sanitary and Phytosanitary (SPS) measures are in accordance with food safety and food standards set by the Codex Alimentarius Commission (CAC). An important component of the CAC guidelines is the implementation of a food safety system

called Hazard Analysis and Critical Control Points (HACCP). This needs to be incorporated in the food quality system of the food processing units; otherwise the SPS agreement can act as a non-tariff barrier for exports. Contract farming enables firms to have control over production of agricultural commodities at various stages of growth, thus making it possible to meet such standards of food safety.

**Positive and negative Impacts of contract farming**

Positive Impacts	Negative Impacts
Contract farming increases the income of participating farmers due to improved access to market, better use of resources and better management of technology.	Simmons (2003) agribusinesses corporations mostly prefer to deal the contracts with large farmer groups because they have lower average costs and are more reliable suppliers in terms of quality and quantity.
Contract farming benefits rural employment by providing additional employment opportunities through processing.	Most contract farming schemes occur only in the regions where, commercial agriculture is already established and offering reliable infrastructure and access to markets.
Contract farming helps in improving farmer’s production through the provision of apt technology and through the creation of structured, efficient farming operations.	Due to unequal power in terms of bargaining, negotiating, or contract enforcement contracts between agribusiness firms and farmers tend to be unfair and lead to exploitation.
Agribusiness firms enable the farmers to reduce their price risk through predetermined prices, production risk through provision of technology, extension services and diversification of farm activities.	Sometimes contract farming may act as catalyst for gender conflict within the household due to the condition that the agreement is usually through man though women do the bulk of the farm work

## Conclusion

Contract farming is no doubt a viable alternative farming model in India, which can provide assured and reliable input services to the farmers and desired farm produce to the contracting firms. Several Indian and multinational companies have already begun such initiatives in India and have demonstrated repeated success. The successful cases of contract farming should provide a blueprint for further expansion of contract farming in order to increase the quality of agricultural produce as well as to increase the incomes of rural farm communities. It is important to note that the success of contract farming depends on a profitable market, the physical and social environment and government support. The contracting firms must consider physical infrastructure, telecommunications infrastructure, land availability and tenure, input availability, and social considerations.

An implication from the pre-existing literature suggests that contract farming has both positive and negative aspects but benefits outweigh the negative effects which can be addressed through the involvement of institutions related to the governance of the contract farming business. However, in the present context, contract farming is clearly a win-win situation for both the companies and the farmers. The future of contract farming in India is quite promising due to increasing consciousness about food safety and quality among the rising middle class population and the quality demands of the export market in the developed countries.

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## AN OVERVIEW OF FINANCIAL INCLUSION THROUGH DBT IN INDIA

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### *Abstract*

*Financial Inclusion is one of the effective and innovative approach which helps to reach the financial services, assistance and subsidies to the real beneficiaries. Government of India introduced the Scheme on financial inclusion to provide financial services to the unreached people at an affordable or free of cost. RBI instructed to all the commercial banks to open No frills accounts to all the people those who are don't have bank account. To speedy and digitalised financial inclusion in the country, Government implemented a new scheme in the name of Pradhan Mantri Jan DhanYojana in August, 2014. With this effects total number of beneficiaries amounted to 320215027 with the deposits of Rs. 793711.06 Lakhs. And 240921418 Rupay cards have been issued to beneficiaries as on up to April 2018. The present paper discusses about the financial inclusion through Direct Benefit Transfer in India with respect to the major social defence schemes such as PratyakshaHastaantaritLaabh (PAHAL) or Direct Benefit Transfer for LPG, Mahatma Gandhi National Rural Employment Guarantee Act, National Social Assistance Programme, Scholarship scheme, Public Distribution System and others. The major social defence schemes are highlighted such as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), The National Social Assistance Programme (NSAP) and PratyakshaHastaantaritLaabh (PAHAL) or Direct Benefit Transfer for LPG (DBTL).*

**Keywords:** *Direct benefit transfer, Financial inclusion, Digital transaction.*

### **Introduction**

Direct Benefit Transfer is one of the new approaches where the Government funds reach the beneficiaries bank account directly and systematically. The Direct Cash / Benefit Transfer scheme provides for direct transfer of money into the bank accounts of eligible persons for pension, scholarship, payments

under the Employment Guarantee Scheme and benefits/subsidies under other Government welfare programs. This can facilitate the beneficiaries to use this money to buy goods and services in quantity and of quality from the market at competitive prices. Under the scheme the difference between the market price and subsidized price is directly

transferred to the beneficiary in cash in proportion to the quantity uplifted from the market. The scheme depends upon basic two requirements viz. Aadhaar, the Unique Identification (UID) Number and Bank Account. Aadhaar is a 12-digit individual identification number issued by the Unique Identification Authority of India [UDAI] to serve as proof of identity and address. The cash transfer will be enabled through 'Aadhaar,' a numerical biometric identification that is currently being given to all citizens of the country. The bank account is the most important criterion for the scheme.

Direct Benefit Transfer Mission was created in the Planning Commission to act as the nodal point for the implementation of the DBT programmes. The Mission was transferred to the Department of Expenditure in July, 2013 and continued to function till 14.9.2015. To give more impetus, DBT Mission and matters related thereto has been placed in Cabinet Secretariat under Secretary w.e.f. 14.9.2015. First phase of DBT was initiated in 43 districts and later on 78 more districts were added in 27 schemes pertaining to scholarships, women, child and labour welfare. DBT was further expanded across the country on 12.12.2014. 7 new scholarship schemes and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was brought under DBT in 300 identified districts with higher Aadhaar enrolment.

Electronic Payment Framework was laid down vide O.M. dated 13.2.2015 and 19.2.2015. This Framework is to be followed by all Ministries/ Departments and their attached Institutions/PSUs and is applicable on all Central Sector (CS)/ Centrally Sponsored Schemes (CSS) and for all schemes where a component of cash is transferred to individual beneficiaries. Aadhaar is not mandatory in DBT schemes. Since Aadhaar provides unique identity and is useful in targeting the intended beneficiaries, Aadhaar is preferred and beneficiaries are encouraged to have Aadhaar. JAM i.e. Jan Dhan, Aadhaar and Mobile are DBT enablers. These provide a unique opportunity to implement DBT in all welfare schemes across country including States & UTs.

#### **Schemes covered under DBT**

The scope of DBT include all welfare/subsidy schemes operated by all the Ministries/ Departments of Government of

India directly or through implementing agencies, which involve cash / kind benefits' transfers to individuals. Accordingly, the scope of DBT covers the following categories of schemes.

#### **Cash Transfer**

This category includes schemes or components of schemes wherein cash benefits are transferred by Government to individual beneficiaries. Example PAHAL, MGNREGA, NSAP etc. This transfer of cash benefits from Ministry/Department to beneficiaries happens through different routes, as given below:

Directly to beneficiaries

Through State Treasury Account to beneficiaries

Through any Implementing Agency as appointed

Centre/State Governments to beneficiaries

#### **In-kind**

This category includes schemes or components of schemes wherein kind benefits are given by the Government to individuals through an intermediate agency. Typically, Government or its agent incurs expenditure internally to procure goods for public distribution and make services available for targeted beneficiaries. Individual beneficiaries receive these goods or services for free or at subsidised rates.

#### **REVIEW OF LITERATURE**

Some of the review of literature have been undertaken to understand the financial inclusion DBT and social defence schemes. The following review has been categories into financial inclusion, DBT etc.

**Sarah, F., Pearce, D., & Sebnem, S. (2015)**, Financial inclusion strategies are the roadmaps of actions, decided and defined at national or sub national level which stakeholder follows to achieve financial inclusion objectives. More than 50 countries across the globe has made commitments towards the financial inclusion and many of them including India has already developed the National Financial Inclusion Strategies (NFIS) and remaining nations are developing the same to accelerate the level of financial inclusion in that specific nation.

**Rajasekaram N (2018)**, In his article he has concluded and suggested that The Reserve Bank of India and Government of India has taken many initiatives to include the people those who financially excluded. This paper outlines the various barriers that impede

financial inclusion in India. The government of India has overcome the barrier of “Lack of legal documents” by issuing Aadhaar number to everyone. Now the banks are accepting the Aadhaar card as a legal document for opening bank account. RBI has identified five target groups of people for improving the financial literacy level and conducted many outbound camps. No Frill and Basic Services Demat Account (BSDA) were created for serving the poor people.

**Gwalani and Parkhi (2014)**, have studied the financial inclusion in the Indian context. They pointed out that poverty, unavailability of banking services, complex procedures, financial illiteracy, traditional cultural values and lack of faith in the banking system are the reasons for financial exclusion. They discussed the different models such as lead bank system, correspondent banking, mobile banking, microfinance model to include the financially excluded people.

**Jisha Joseph and Titto Varghese (2014)**, have studied the role of financial inclusion in the development of Indian economy. They made this study based on secondary data from RBI, GOI and another review of the literature. They pointed out that the RBI and Government of India (GOI) have taken many initiatives to include the financially excluded people such as Branch expansion, business correspondent, business facilitator model, Relaxed KYC norms, acceptance of Aadhaar card for opening a bank account, opening no-frill accounts, General Purpose Credit Card (GCC) and Kisan Credit Card (KCC) and direct benefit transfer etc.

**Mahasweta M. Banerjee (2016)**, has indicated that the opportunity to earn, save, borrow, and invest money as well as the ability to understand and manage one’s finance skill fully are critically important for family well-being. Policy recommendations to address the FC of poor people in India require significant research evidence. Longitudinal, randomized, mixed-methods research should examine existing FC programs and disentangle the effects of occupation, gender, marital status, family size, family type, education, and health in both financial inclusion and abilities.

**Kumar Bijoy (2018)**, has recommended to policy makers to concentrate on the creation of job opportunities for all through financial inclusion in India. There is a need to strengthen the financial infrastructure

for delivery of financial services at the doorstep of all. However, the study finds through primary survey that the low income groups are even not able to utilize the existing financial structure due to lack of sufficient sustainable income. Government efforts can put efforts to only open bank accounts for the poor in an active way through Fund Transfer.

**Grakolet Arnold Zamereith Gour`ene and Pierre Mendy(2017)**, In their articles would stimulate the economic growth by increasing savings and therefore investments. At the same time, they should strengthen and liberalize the investment regulatory framework and create an environment conducive to exports by facilitating administrative procedures and fighting against corruption. All of this will promote the economic growth which in turn will increase the supply of available financial services. Policymakers and financial authorities should promote the financial inclusion, simulate macroeconomic growth, giving its strong positive impact on financial inclusion.

**Onaolapo (2015)**, studied the effects of Financial Inclusion on the economic growth of Nigeria. He found a significant positive relationship between financial inclusion and economic growth. The author also showed that Financial Inclusion greatly influenced poverty reduction and financial intermediation through positively impacted Bank Branch Networks, Loans to Rural Areas and small enterprises.

**Das and Bhattacharjee (2016)**, revealed that DBT is to bring transparency and terminated pilferage from distribution of funds sponsored by Central Government. DBT in Food Grains is an essential commodity. It helps the 60 percent households of the country to provide necessary food. But still there are some problems and challenges like subsidy transfer, information gap and financial inclusion.

**Sakthivel Nand Mailsamy R, (2018)**, have revealed about LPG PAHAL scheme is a result of an intensive Information Education Campaign comprising advertising through various means, direct reaching out to consumers, and dealer level campaigns. The Ministry of Petroleum and Natural Gas has undertaken several innovative measures such as guardian officers for each district, deployment of technology by use of SMS, and a single window portal to enable consumers to

join the scheme. This portal is an important step in bringing transparency and gives details of who is benefiting from subsidy.

**Neha Sharma (2017)**, has concluded that at an implementation level, there still exists scope for improvement. Also, improvement in financial awareness can indirectly help in successful implementation of this scheme. DBT Policy is pro-poor policy which can surely accomplish the anticipation of the stake holders (Both the people and the government). The scheme may not fully eliminate the all anomalies but will surely bring some principal changes in the delivery of benefits. It will surely eliminate the growth of black marketing. Also, it will enhance the standard of living of people or provide some

really deprived ones the basics of the life by providing them access to cash.

**Amiya (2015)**, stressed the Direct Benefit Transfer as an initiative for inclusive growth and suggested its merits and future probability of the schemes. The researcher says that the schemes have potential to control much rooted corruption in public distribution system its success in fact depends upon institutional and infrastructural development in the rural and urban areas. Although the scheme comes with best of intentions, there is a spring of impractical idealism in the way proposed has been drafted and no fool proof measures have been taken to cater the benefits as desired and perceived.

#### Combined Progress Report of Key Programme under DBT

Name of the Scheme	Total number of Beneficiaries*	Total number of Beneficiaries data seeded with Aadhaar	Percentage of Beneficiaries seeded with Aadhaar (%)	Fund Transferred		
				Using Aadhaar Bridge Payment	Electronic Fund Transfer W/o Aadhaar Bridge Payment	Total
MGNREGS	11.15	9.11	81.75%	13,354.11	69,829.68	83,183.79
NSAP	2.76	1.44	52%	2,963.09	17,767.15	20,730.24
PAHAL (DBTL)	18.73	15.32	81.79%	35,546.30	16,530.54	52,076.85
All Scholarship Schemes	2.27	1.18	52%	873.73	21,022.86	21,896.59
Other Schemes	0.81	0.3	37%	263.79	4,520.12	4,783.91
<b>Grand Total</b>	<b>35.71</b>	<b>27.35</b>	<b>76.60%</b>	<b>53,001.01</b>	<b>129,670.35</b>	<b>182,671.36</b>

Source: DBT Progress Report, March 2018, Cabinet Secretariat, Government of India, New Delhi.

Total number of beneficiaries amounted to 35.71 crore, of which 27.35 crore of beneficiaries data seeded with Aadhaar which constitutes 76.60 percentage. Total fund

transfer amount through using Aadhaar Bridge payment and electronic fund transfer amount to Rs. 182671.36 crore from 01.01.2013 to 31.03.2017.

#### Total funds disbursed and fund disbursed through Aadhaar Payment Bridge from 01.01.2013 to 31.03.2017.

No. of Scheme	Total Fund Transfer	Fund Transfer Through Aadhaar	% of Fund Transfer Through Aadhaar
MGNREGS	83183.79	13354.11	16.05%
NSAP	20730.24	2963.09	14%
PAHAL (DBTL)	52076.85	35546.3	68.26%
All Scholarship Schemes	21896.59	873.73	4%
Other Schemes	4783.91	263.79	6%
<b>Total</b>	<b>182671.36</b>	<b>53001.01</b>	<b>29.01%</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages of total fund transfer through Aadhaar  
 Total funds transferred amounted to Rs. 182671.36 crore of which MGNREGS, amounted to Rs. 83183.79 crore, NSAP amounted to Rs. 20730.24 crore, PAHAL amounted to Rs. 52076.85 crore, All Scholarship Schemes amounted to Rs. 21896.59 crore and others amounted to Rs. 4783.91 crore.

Fund transfer through Aadhaar amounted to Rs. 53001.01 of which MGNREGS, amounted to Rs. 13354.11 crore, NSAP amounted to Rs. 2963.09 crore, PAHAL amounted to Rs. 35546.30 crore, All Scholarship Schemes amounted to Rs. 873.73 crore and others amounted to Rs. 263.79 crore.

**Total funds disbursed and funds disbursed through Aadhaar payment Bridge from 01.01.2013 to 31.03.2017**

Sl. No	No. of Scheme	Total Fund Transfer	% In Share of Major Schemes
1	MGNREGS	83183.79	46
2	NSAP	20730.24	11
3	PAHAL (DBTL)	52076.85	28
4	All Scholarship Schemes	21896.59	12
5	Other Schemes	4783.91	3
	<b>Total</b>	<b>182671.36</b>	<b>100</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages in share of major schemes  
 MGNREGS constitutes 46 percent of the total fund to the major schemes followed by PAHAL (28 %), all Scholarship schemes (12 %), NSAP (11 %) and other schemes (3 %).

**Total beneficiaries & Beneficiaries with Aadhaar seeding from 01.01.2013 to 31.03.2017**

Sl. No	No. of Scheme	Total No. of Beneficiaries in Cr	% In Share of Major Schemes
1	MGNREGS	11.15	31
2	NSAP	2.76	8
3	PAHAL (DBTL)	18.73	53
4	All Scholarship Schemes	2.27	6
5	Other Schemes	0.81	2
	<b>Total</b>	<b>35.71</b>	<b>100</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages in share of major schemes  
 PAHAL constitutes 53 percent of the total fund to the major schemes followed by MGNREGS (31%), NSAL (8%), all scholarship schemes (6 %) and other schemes (2 %).

**Total beneficiaries & Beneficiaries with Aadhaar seeding as of 31.03.2017**

Sl. No	No. of Scheme	Total Beneficiaries	No. of Beneficiaries data Seeding with Aadhaar	Aadhaar seeding %
1	MGNREGS	11.15	9.11	81.75%
2	NSAP	2.76	1.44	52%
3	PAHAL (DBTL)	18.73	15.32	81.79%
4	All Scholarship Schemes	2.27	1.18	52%
5	Other Schemes	0.81	0.3	37%
	<b>Total</b>	<b>35.71</b>	<b>27.35</b>	<b>76.60%</b>

Source: Direct Benefit Transfer, Government of India.

Nate: The figures are indicating the percentages in Aadhaar Seeding Beneficiaries  
 Total beneficiaries of PAHAL amounted to 18.73 crore of which 15.32 crore

(81.79 %) beneficiaries data seeding Aadhaar followed by total beneficiaries of MGNREGS amounted to 11.15 of which 9.11 crore (81.75 %), total beneficiaries of NSAP amounted to 2.76 of which 1.44 crore (52 %), total beneficiaries of all scholarship schemes amounted to 2.27 of which 1.18 crore (52 %) and total beneficiaries of other schemes amounted to 0.81 % of which 0.3 crore (37 %).

**Direct Benefit Transfer and total number of transaction as on 2018-19**

Schemes	Total DBT in Cr	Total No. of Transaction in Cr
PAHAL	95372.87	387.89
MGNREGS	92795.16	73.32
NSAP	14338.61	17.73
Scholarship Schemes	11274.37	0.40
PDS	73788.19	127.49
Others	152634.35	21.45
<b>Total</b>	<b>440203.54</b>	<b>628</b>

Source: Direct Benefit Transfer, Government of India.

Note: The figures are indicating the Total No. Transaction, 2018-19 is not considered as it is not completed

DBT amounted to Rs. 95372.87 crore with 387.89 crore of transaction under PAHAL schemes, PDS amounted to Rs. 73788.19 crore with 127.49 crore transaction, MGNREGS amounted to 92795.16 with 73.32 crore transaction, other schemes amounted to Rs. 152634.35 crore with 21.45 crore transaction, NSAP amounted to Rs. 14338.61 crore with 17.73 crore transaction and Scholarship schemes amounted to Rs. 11274.37 with .40 crore transaction. On the whole, total DBT amounted to Rs. 440203.54 crore with 628 crore transaction during the year 2018-19.

**MAJOR FINDINGS AND SUGGESTIONS**

Financial inclusion is one of the sustainable inclusive scheme which helps to eradicate the financial untouchability among the people in the country. With this aspects Financial Inclusion schemes was initiated in the year 2006 and it extended as PMJDY on 2014. As on 31.03.2018, there are 236784654 bank accounts opened under PMJDY in India.

Public sector banks play a major role in opening of bank accounts under the PMJDY. As the end of April, 2018, total

number of beneficiaries amounted to 314521825 with the deposit of 8054569.93.

Total number of beneficiaries under DBT from 01.01.2013 to 31.03.2017 amounted to 35.71 crore the fund transfer of Rs. 182671.36 crore, which resulted that, beneficiaries are able to avail their financial subsidies through DBT.

Total funds transferred amounted to Rs.182671.3.6 crore of which Rs.53001.01 crore fund transferred through Aadhaar (29.01%).

46 percent of the total funds transferred to the MGNREGS followed by PAHAL (28 %) and scholarship scheme (12%).

PAHAL constitutes 53 percent of the total fund to the major schemes followed by MGNREGS (31%), NSAL (8%), all scholarship schemes (6%) and other schemes (2%).

Total number of beneficiaries amounted to 35.71 crore, of which 27.35 crore of beneficiaries data seeded with Aadhaar which constitutes 76.60 percentage.

DBT amounted to Rs. 95372.87 crore with 387.89 crore of transaction under PAHAL schemes, PDS amounted to Rs. 73788.19 crore with 127.49 crore transaction, MGNREGS amounted to 92795.16 with 73.32 crore transaction, other schemes amounted to Rs. 152634.35 crore with 21.45 crore transaction, NSAP amounted to Rs. 14338.61 crore with 17.73 crore transaction and Scholarship schemes amounted to Rs. 11274.37 with .40 crore transaction.

**CONCLUSION**

Direct benefit transfer is a scheme which enable with the help of digitalisation of the financial transaction with a common and the accessible network. Digital India facilitates the DBT made easy to perform financial inclusion in a digital format. More than 80 percent of the population in the country have bank account with Aadhaar seeding to avail incentives, subsidies and benefits through DBT. DBT provide an opportunity to utilise banking and financial services to empower the people economically and also it reduces corruption and commission by middleman. It ensures beneficiaries directly enjoy the schemes of the Government with this aspects, it is conducted that DBT is one of innovate player is the field of financial inclusion with the help of information and communication



technology.

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## LEADER SUB-ORDINATE COMPARISON OF ORGANIZATIONAL COMMITMENT OF LOWER LEVEL POLICE PERSONNEL IN GUNTUR DISTRICT OF ANDHRA PRADESH

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### *Abstract*

*Employees are bound to their organization due to organizational commitment. The extent of commitment is an important factor that contributes to the effectiveness of an organization. Many research studies brought out that the employees who are highly committed usually tend to work more efficiently than the less committed employees. Highly committed employees have good self-confidence, strong self-esteem. They can balance between what they want and what they are capable of. The present study aims at assessing the difference in the organizational commitment of leaders and subordinates at lower level of police personnel in Guntur district of Andhra Pradesh. The findings revealed that the leaders have more affection towards the department than the subordinates at lower level of police personnel.*

**Keywords:** *cadre, Organisational commitment and police personnel*

### **Introduction**

Organizational Commitment is usually measured by aspects such as employees “willingness to work hard to develop their organization, the match or correlation between the organization’s and the employee’s values, how reluctant they are to leave the organization, and their faithfulness towards their organization or how proudly people work for their

employers”. In recent days, the aspect of organizational commitment has gained considerable momentum. Much research is done to understand and analyse the extent of intensity and stability of an employee’s commitment towards the organization.

Organizational commitment is defined as the extent to which an employee relates himself or herself to a specific organization and its objectives, and desires

to maintain relation with the organization. According to the **Meyer & Allen (1997)**<sup>1</sup> organizational commitment “is a psychological condition by which the employee relationship is characterized with the organization and has considerable extent of influence for the choice to prolong organizational membership.” From the above definition it can be understood that commitment is completely different from motivation or general attitude. Commitment can drive employees to behave in a specific way. From the point of view of neutral observer it may appear distinctly to their own self-interest. The researchers have the opinion the definition given by Allen and Meyer for the study Employee commitment is important because high levels of determination lead to several favourable organizational results. It clearly indicates to what level the employees identify with the organization and how committed are they to organizational goals.

In the area of organizational behaviour, studies of relationship with the organization, particularly those of Organizational Commitment, are given special emphasis due to their role in enabling a wider knowledge of the relationships established between employees and their organizations. From these organizational factors' points of view, commitment is anticipated due to its influence on required variables, such as performance and organizational citizenship behaviour, among others. Ranging from this premise, several studies have been conducted in recent times so as to ascertain the variables that contribute to the development of this relationship or association, and also the consequences anticipated with its establishment.

#### **Review of literature on job commitment**

The thought of organizational commitment has gained much attention in the literature on industrial and organizational psychology. Earlier research on organizational commitment considered the ideas as one aspect,

based on attitude point of view, bringing out identification, loyalty and involvement. As far as **Porter et al (1974)**<sup>2</sup> is concerned the attitudinal aspect relates to the psychological attachment or affective commitment formed by an employee is in relation to identification and involvement with the respective organization. He further explains that organizational commitment is “how employees relate themselves to the organization, how they characterise intentionally to be attached to it; how they identify with the values and goals of the organization; and how willing are they to put in extra efforts on its behalf”. Employees usually consider the extent to which their own values and goals relate to that of the organization as part of organizational commitment, therefore it is considered to be the main link between an individual employee and the organization.

Yet another aspect on organizational commitment is the “exchanged-based definition” or “side-bet” theory by **Alluto, Hrebimak & Alonso, (1973)**<sup>3</sup>. This theory holds that people get committed to the organization as long as the individuals hold their portfolios, no matter how stressful situations they undergo. In spite of these things, if they get alternative advantages, they will voluntarily resign and leave the organization.

**Mowday, Porter and Steers (1979)**<sup>4</sup> added to the the “side-bet” theory by explaining organizational commitment as organizational behaviour “relating to the method how individuals become attached within a specific organization and the way how they tackle with this issue”. This behavioural point of view related to organizational commitment is better through calculative and normative commitments.

**Wiener and Vardi (1980)**<sup>5</sup> explained organizational commitment as “someone’s intention of behaviour or how an employee reacts to influenced as per

the person's perception of the normative pressure”.

**Meyer and Allen (1984)**<sup>6</sup> at first viewed commitment towards organization as two-dimensional specifically, affectionate and continuance. They outlined the first aspect, namely affectionate commitment as “positive feeling of identification and how one gets attached to. and also self involvement in the work”. The second aspect, specifically continuance commitment as “to what level employees feel committed by virtue of the costs that they feel are associated with leaving the organization”. After further research, they also included a third aspect, normative commitment and mentioned it as “the employee’s feeling of obligation to be with the organization”. As a result, the aspect of organizational commitment is described as a tri-dimensional one.

**Hashim (2010)**<sup>7</sup> focussed on Human resource management practices on organizational commitment mentioned that employee’s level of commitment is impacted by many factors together with the styles of management inside an organization. He observed the management of human resources from the Islamic view point and its impact on organizational commitment among the chosen staff in Islam organizations in the country of Malaysia. The final outcomes show that this method in HRM was extremely and considerably correlated to organizational commitment.

### Objective of the Study

The main objective of the present study is to assess the Commitment of the leaders and their subordinates towards Organization at lower level of police hierarchy.

### Hypothesis Formulated

The following hypothesis has been formulated and tested:

There is no significant difference between the Cadres in Organizational Commitment of police personnel.

### Methodology

The study was conducted in Guntur district. In the present research study about 12 per cent of the population has been randomly taken as sample for the study. Here the researcher adopted simple random sampling without replacing, by drawing a random sample of 360 respondents. The table.1 shows the details of respondents participated in the study as per their designation irrespective of their place of work and gender. The respondents for the study constitute CI, SI, ASI, Head Constable and Constable Positions. Further, the respondents have been classified into two categories such as Leaders and Subordinates. Leaders constitute CI and SI while others positions are categorized as subordinates. The classification is done by using the nature of their job. Officers i.e., CI and SI are empowered to make a decision at their jurisdiction, while non officers or subordinates are not empowered to make a decision regarding their operations.

**Table. 1**  
**Sample frame for the study**

CADRE	POPULATION	SAMPLE	CLASSIFICATION	
Inspector(CI)	65	6	Leaders	18
Sub-Inspector(SI)	189	12		
Asst. Sub-Inspector(ASI)	224	16	Subordinates	342
Head Constable(HC)	503	65		
Police Constable(PC)	2023	261		
<b>Total</b>	<b>3004</b>	<b>360</b>		<b>360</b>

*Source: Field data*

**Data collection Measures for organizational commitment:**

A Likert type five-point scale which was developed by Hyde and Roy (2006) has been used to assess the commitment of police personnel in the present study. The questionnaire contains 30 questions which have been framed in both the languages (English and Telugu). The following 8 factors of organizational commitment have been studied.

**Factors**

1. Empowerment
2. Career Goal
3. Empathy
4. Positive thinking
5. Work Environment
6. Affection towards organization
7. Contentment and
8. Goal fulfilment

**Table. 2**  
**Results of One-way ANOVA for cadre and commitment**

Factors of organizational commitment		Df	Mean Square	F-value	p-value
Empowerment	Between Groups	1	3.032	4.455	0.035*
	Within Groups	358	0.68		
	Total	359			
Career Goal	Between Groups	1	0.599	0.507	0.477 NS
	Within Groups	358	1.181		
	Total	359			
Empathy	Between Groups	1	0.599	0.921	0.338 NS
	Within Groups	358	0.65		
	Total	359			
Positive Thinking	Between Groups	1	0.458	1	0.318 NS
	Within Groups	358	0.459		
	Total	359			

Work Environment	Between Groups	1	0.347	1.376	0.242 NS
	Within Groups	358	0.252		
	Total	359			
Affection towards Organization	Between Groups	1	1.543	4.93	0.027*
	Within Groups	358	0.313		
	Total	359			
Contentment	Between Groups	1	2.744	8.091	0.005*
	Within Groups	358	0.339		
	Total	359			
Goal fulfilment	Between Groups	1	0.099	0.619	0.432 NS
	Within Groups	358	0.16		
	Total	359			

Source: Primary Data

Note: \* Significant at 0.05 level, NS: Not Significant at 0.05 level

**Results and Discussion**

Table. 2 represents the results of one-way ANOVA for job commitment and cadre in police department. The results show that some of the dimensions of commitment are significantly related with cadre such as empowerment (F=4.455, p=0.035 which is less than 0.05). It is obvious that officers feel better empowered than the lower level police staff in the department. Affection towards the department (F=4.930, p=0.027 which is less than 0.05) is also significant with cadre. It is observed that Leaders are more affectionate towards the department than the lower level police staff. Finally, contentment (F=8.091, p=0.005, which is less than 0.05) is also found to be very significant with the cadre. This is also obvious that leaders are more content with their job than subordinates in the police organization. Other dimensions of commitment such as career goal, empathy, positive thinking, work environment and

goal fulfilment are found to be insignificant with the cadre.

### Conclusion

Leaders showed higher level of commitment than subordinates in general. However, the difference is not very significant. Since the commitment has been measured with several dimensions, dimension wise analysis gives better understanding of the commitment between leaders and subordinates. One-way ANOVA reveals that Leaders are more affectionate towards the department than the lower level police staff. Finally, contentment is also found to be very significant with the cadre. This is also obvious that leaders are more content with their job than subordinates in the police organization. Other dimensions of commitment such as career goal, empathy, positive thinking, work environment and goal fulfilment are found to be insignificant with the cadre.

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## **RELATIONSHIP BETWEEN DISABILITY AND POVERTY: A SOCIOLOGICAL STUDY IN THE CONTEXT OF INDIAN SOCIETY**

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### **Introduction**

Poverty considered as a cause of social inequality in rural India. Social inequalities are there on the base of on caste system and land relations. 68 % of Indian population are living in rural areas. Past, present and future of India is depends upon development of villages. Agricultural economy mostly depends on natural factoring India. Poverty is an economical problem consider in India. Government and non-governmental efforts has been carried out to remove poverty in rural Indian communities. According to Gandhi, “without strong and developed villages we can’t achieve real independence.”

There is a relationship between poverty and disability in Indian society. In India’s constitution disabled people have been given the status of poor classes. The population of India is also known as a people- based population on the population structure. Disability in a person is considered a physical defect, But in the Indian society, the person’s physical defect has linked to social system. The person’s disability is considered to be a person’s karma, punya etc... In the traditional Indian society there was an intimate relationship between business and caste. Physical labour was considered to be the main part of any profession. So those who couldn’t do the labour work, their financial condition was poor. However, due to the impact of reservation system, government schemes and welfare programs in the current India, their economic condition has changed, but there has not been a significant change in the social status. It is examined in the present study about the relationship between poverty and disability, based on Indian society.

### **Disability, the Concept**

Disability is defined by the World Health Organization (WHO) as any restriction or lack of ability (resulting from impairment) to perform an activity in the manner or within the range considered

normal for a human being (WHO, 2004). International Labour Organisation (ILO) defines a disabled person as an individual whose prospects of securing, retaining and advancing in suitable employment are substantially reduced as a



result of a duly recognized physical or mental impairment.

The Americans with Disabilities Act (ADA) states 'Disability means with respect to an individual (i) a physical or mental impairment that substantially limits one or more of the major life activities of such individual, (ii) a record of such an impairment, or (iii) being regarded as having such an impairment. The meaning of disability in any society needs to be negotiated as embedded in multiple cultural discourses with subtle nuance. On the one hand, there is the assumption that disability implies a lack or a flaw, leading to diminished capability while on the other hand, disability is associated with deceit, mischief and evil.

The sociologist Irving Zola (1993) is critical of strictly classifying a person into a particular type and degree of disability as the „fixity“ of numbers is underscored by the inherent dynamism of status of disability that changes because of temporality of health status, the importance of context in manifesting a limitation and the vagaries of conflicting classification systems. Zola argued Disability is not a „thing“ possessed by some persons and not by others but it is described rather as a set of characteristics everyone shares to varying degrees and in varying forms and combinations.

As per the Persons with Disabilities (Equal Opportunities Protection of Rights and Full Participation) Act, 1995, disability has been defined under seven broad heads i.e. Blindness, Low vision, Leprosy – cured, Hearing impairment, Loco motor disability, Mental retardation and Mental illness.

### **Meaning of Poverty:**

Shukla Rohit said that “poverty is a situation, which arise through lack of essential commodities and inadequate nourishment essential for human livings.”

A person who expense less than minimum expenditure criteria suggested by Indian planning commission is considering as a poor.

Peter Townsend said that “A person or a family who can not living reasonable and acceptable life style and standard of life in the society consider as poor.”

So poverty is a situation in which a person couldn't get his daily living requirements lack of sufficient resources for living life. A criteria index has been developed for determine poverty, named as “poverty line” or “Line of poverty.” Person or family who lives below poverty line defined as poor.

Situation of poverty can seen every where in India. Various committees has been formed in India to solve the problem of poverty. C Rangrajan committee is among one of these committees. C Rangrajan committee presented a report in 2014. According to their report “A person of urban area who earns less than Rs. 47 per day is considers as poor person and rural area who earns less than Rs. 32 per day is consider as a poor.

According to Aravind pangadhiya committee's report , A person who can not get 2400 collieries per day in rural area and 2100 collieries per day in urban area is consider as a poor.

In 2013 planning commission distributed of total 25.7 % of poverty combining 13.71% rural areas where as a 21.9 of urban areas poverty.

According to Rangrajan committees report there are 29.5% people consider as below poverty line in India. World bank reports of 2016 figures shows 27% Indian people are poor.

At present in every Indian state, the proportion of poverty seen in either more or less extents. For example Chhatisgarh 39.93% Zarkhand 36.96% and Bihar

33.74 poverty. Gujarat has 16.63% of poverty proportion.

### Disability data in India:

As per the census 2011 in India out of the 121 cr. Population, 2.68 cr. Persons are disabled which is 2.21% of the total population. Among the disabled population 56% are male and 44% are females. In the population, the male and female population are 51% and 49% respectively. 69% of the disabled population resided in rural areas and 31% resided in urban areas.

The percentage of disabled population among males and females are 2.41% and 2.01% respectively. At all India level as well as disaggregated by various social groups, the proportion of disabled in the corresponding population is higher for males than females.

### Proportion of disabled population by social Groups in India- Census, 2011

Social Group	Persons	Male	Females
Total	2.21	2.41	2.01
SC	2.45	2.68	2.2
ST	2.05	2.18	1.92
Other than	2.18	2.37	1.98

The percentage of disabled to total population increased from 2.13% in 2001 to 2.21% in 2011. In rural areas, increasing ratio was from 2.21% in 2001 to 2.24% in 2011 whereas, in urban areas, it increased from 1.93% to 2.17 during this period. Similar trend observed among males and females during this period.

The Census 2011 revealed that, In India, 20% of the disabled persons are having disability in movement, 19% are with disability seeing and another 19% are with disability in hearing. 8% has multiple disabilities.

### Disabled population by type of Disability in India -Census, 2011

Sr. No.	Type of Disability	Percentage
1	Seeing	19
2	Hearing	19
3	Speech	07
4	Movement	20
5	Mental Retardation	06
6	Mental illness	03
7	Any Other	18
8	Multiple Disability	08

### Methodology

The present study has been a descriptive form. In this study primary and secondary information has been used for data collection. The objective demonstration method has been used to determine the study unit. Interview schedules and inspection methods have been used for data collection. Based on this data collection and analysis, such findings were found. The present study has been done with Bhavnagar district in mind. Total 200 respondents have been selected by selecting 20 respondents from 10 Talukas of the district. The main objectives of this study were as follows.

1. Finding the concept of Poverty, getting information about its Causes and Salutations.
2. Find out how the person's handicap is responsible for poverty.
3. Find out how a disability is responsible for poverty
4. Find out how to overcome poverty arising due to disability.

Collection of primary data is a most important stage in every investigation. The researcher visited household and working places, where the physically challenged are there and collected data or needed information according to the objective of the study by personal interviewing them. It is observed that the respondents are from all background educated, the researcher personally interacted with the respondents and collected information on their personal, educational, occupational, socio-economic, awareness, problems, challenges, type of support they are getting and attitudinal aspects.

### **Social Background and Problems**

According to International Labour Organization the, people living with physically disability face barriers across the worldwide to proper employment and other related facilities. One potential solution for physically disabled people with entrepreneurial skills are play vital role in self employment. The collection of information of the respondent's background is necessary for the detailed analysis of the collected data from field of the present study.

### **Type of Disability**

Disability is the consequence of an impairment that may be physical, cognitive, mental, sensory, emotional, developmental or some combination of these. The type of disability indicate that, out of 300 physically challenged respondents, about 28% are multiple disability followed by hearing disability respondents are about 24% disability in speech are about 19% and visually disability respondents were about 24% respectively.

### **Religion**

Religion is the way of life in which people are having faith, culture and tradition. Religion in one of the oldest serving social institutions of humanity. According to karl Marx religion is the opium for the masses an individuals attitudes, beliefs, faith and action pattern are considered to be influenced by the religion to which the individual is attached. The distribution of respondents were are about 84% were belongs to Hindu religion, the second high numbers of respondents were belongs to Muslims religions and represented by 11% and the lowest number of respondents were belongs to Christians. The majority of the respondents were males of 74% and females were 26%. The data on family background of respondents are presented 34% were came from rural family background, about 66 % were belongs to urban family background. The distribution of nature of the family among the 350 respondents of the present study, about 56% respondents were living in nuclear family, whereas nuclear family respondents were 44%. Among all respondents about 14% were illiterate, followed by undergraduate respondents were about 35%, graduated respondents are about 18% primary level of education were completed by about 11% and post graduate respondents were about 1%. This information regarding that majority of the respondents were about more than 50% are not much exposed to the education, this may be due to the their disability and poor economic status.

### **Engagement of the Respondents:**

It serves as an indicator of socio-economic status and position of the individual. It reflects that way of life style, behavior, conduct, ethical and moral values of the individuals in the society.

The degree of respect, honor and prestige is attached with which kind of work under taken by the man. The distribution of the respondents according to their engagement in various aspects and the data reveals that, among total respondents, about 30% illiterate and unemployed, followed by respondents are about 21% engaged in education, respondents were about 18% are doing agriculture or allied works, respondents are about 8% are engaged in small business or self employed, where, respondents are about 3% engaged in employment in organized sector and about 20% respondents are engaged in seasonal employment or employment in unorganized sector respectively.

### **Attitudes of Society:**

The people are living with physical challenges are encounter problems associated to the society and their surroundings in which they surviving. The present study has focused on the kind of societal problems are faced by physically challenged people in the present society. Here we also took in to consideration of some other related problems facing in the contemporary society and having fear effects on their life. In the present study the variables impact on the societal status of the disable person has been studies and explain about opinion of the respondents on attitude of society towards disabled people indicate that, majority of the respondents about 82% were stated that society will see in inferior towards the disabled people. The data explain about opinion of the respondents about 72% were stated that they think the disability is a curse, annoyance it has great extent of impact on their mental status, whereas about 28% of the respondents are stated that they do not have any mental impact

due the presence condition or having disability in their life.

### **Feeling of respondents and family members towards disable:**

The data analysis on feelings of respondents towards disability indicate that, majority of them are dissatisfied in life their percentage is about 49% followed by about 18% were feeling lucky with compare to others and 33% were feeling normal like others. Over the years, perception about disability or physically challenged have been varied considerably from one community to a community. Literature on disability or physically challenged history continues to pose a major challenge to disability studies in their make an effort to draw the development and arrangement of perceptions towards persons living with disabilities. It is towards this end that this work tries to find the present coherent literature review on cross-cultural variables that power of perceptions in the direction of with disabilities from a historical background. The final section provides a few example that illustrate positive steps taken by the international community and several countries to improve disability perception.

The data on mental status of the respondents comparing to normal persons indicated that about only 9 % respondents are stated that they are equal to the normal person, whereas, majority of the respondents are about 91% are not feeling equal to the normal persons. The data indicate that, analysis on feelings of family members towards disability respondents reveals that, majority of them are showing love and affection towards the physically challenged people and their percentage is 42% followed by about 27% are receiving equal with other family members and 24% are cordial and

cooperative with the physically challenged people, whereas about 8% of them are hostile with the physically disabled family members.

## Conclusions

The summary of findings of the study is given here.

### Education

The level of education of a disabled child is dependent on a number of factors including family income, availability of school facility, distance from school, physical and social access to education etc. It was seen that indicators of disability such as extent of disability, onset of disability, age at onset of disability, whether aid received, appliance used, treatment taken, inter-alia, significantly affect educational attainment of persons with disabilities.

The difficulties faced by persons with multiple disabilities were manifested in lower level of educational status of such people, generally at all levels of education. It was found that illiteracy rate was the highest amongst persons with multiple disabilities (72.5%) when compared with single, physical or mental disability. The mean educational levels of disabled population by type of disability, sex and sector were analyzed by taking the educational status on a ten point scale starting with '0' value for illiterate. Persons with mental retardation had the least educational attainment mean, which was perhaps due to their inherent difficulty of learning on account of low mental development. Comparison of education among different types of disabilities through Duncan Mean test showed that educational level varied significantly depending on the type of disability.

It was found that, along with increase in the extent of disability from mild to severe, there was a rise in per cent of illiterates. An almost universal decline in the proportion of disabled person at every level of education was observed

with increased severity confirming that greater extent of disability impacted education adversely at all levels. Degree of disability, which can be taken as similar to 'extent' of disability, was also observed to be significantly associated with illiteracy or low level of educational attainment. Analysis of variance was done to show that the variation in mean education for various extent of disability was significant. Chi-Square test indicated a significant association between extent of disability and educational status, thus establishing the interlinked between extent of disability and education.

### Employment

The association between various disability indicators and employment/unemployment status in general has been examined focusing on some observable limiting features of employment, due to disability. It discussed the relative disadvantageous position of the persons with disability in employment as compared with the overall population. The adverse impact of disability on the employment status was evidenced to increase along with the severity of disability. It was observed that high level of unemployment and employability is associated with disability on account of a wide array of disability related factors which, in turn, affect economic well-being of persons with disability.

Due to limitation of functional activities, the persons with disability mostly remained out of labour force. Only about twenty five percent of disabled persons were employed whereas the majority, seventy five percent was out of labour force. The persons who were able to work and also were seeking the same stood at a meager 0.7%. The mentally retarded persons were worst affected in terms of employment with a whopping 94.3% of such population remaining out of labour force followed by persons with blindness. Hearing disabled and loco motor disabled persons however, had

better employment levels respectively. Analysis of employment status of disabled persons by sex indicated that overall employment of females was less. In urban areas, persons with loco motor disability had the highest employment level of 42.3% as against the hearing disabled persons (36.5%). Whereas only 61.4% of rural overall population was out of labour force, 74% rural disabled persons were sharing the same fate. As regards overall population, majority of the persons out of labour force were engaged in attending educational institutions followed by persons attending domestic duties. In case of disabled population however, the majority of persons who were out of labour force belonged to 'other' category which included people not being able to work 'due to disability'. It shows that employment is adversely affected by disability conditions. A higher percentage of beggars in case of the disabled persons were indicative of social bias and their not being able to attend to domestic duties or educational institutions. Evidence has pointed to the fact that disability effectively hindered people from being able to get employment, which in turn, is likely to drag them to economic poverty. It has been found that the employment status, be it self-employment, regular employment or casual labour, three categories of disabled persons i.e. mentally retarded, mentally ill and blind persons were the worst affected ones as compared to persons with other disabilities.

Amongst the employed, the percentages of self-employed and regularly employed were higher in case of literates whereas higher percentage of illiterates worked as casual labourers. Persons with below primary level education had a lower level of employment than even the illiterates and those who were just literate without any formal schooling. This may be due to the inhibitions of persons who have attended school towards accepting any type of manual/casual work, unlike a person who

is either illiterate or never gone to school for formal education. The association between literacy and activity status was found to be significant. Severe disability is likely to throw a person out of labour force which means he is not even fit for seeking employment. The study shows that as the severity or the extent of disability increases from mild to moderate and then to severe, the proportion of person out of labour force also correspondingly witnessed an increase from 66.3% to 81.6% and thereafter, to as high as 93.4%. Amongst the persons with mild disability, employment was 32.8% as against 6.3% in case of persons suffering from severe disability. As extent of disability increased, there was a substantial drop in employment. As extent of disability moved from moderate to severe, the loco motor disabled persons suffered the most with a decline of employment by 13.4%, followed by hearing disabled persons.

In case of blindness, low vision and speech disability the drop in employment was between. It confirms the hypothesis that extent of disability is strongly negatively associated with employment. Further probe into the impact of extent of disability on the employment of persons with disabilities was done by bi-furcating the data on the basis of onset of disability, by sex and sector. It was witnessed that there was an unusual decline in the employment level and universal increase in the percentage of persons who were out of labour force, in both situations i.e. when the extent of disability increased from 'mild to moderate' and then from 'moderate to severe'. In general, regular employment was lower for people who had disability at birth where as their proportion as casual labourers was higher than those who acquired disability. Among urban males, employment was lower for people who had disability since birth as compared with persons who acquired disability later in course of life.

Analysis of age at onset and employment status of the disabled

population indicated that up to age-at-onset group 30-34 years, early onset of disability was associated with lesser percentage of employed persons indicating that early onset limits employment and hence reduces economic status. After 35 years of age i.e. around mid-life and thereafter, the picture reverses and may be due to coupling effect of progression of disability and other geriatric conditions at every higher level of onset age group of onset of disability.

Amongst persons who acquired disability in course of life, 37.2% were working before onset of disability, in general. Whereas the proportion of employed males were higher the same for females were lower. It was found that, disability had caused loss of work in case of 55.3% persons and change of work for 13.2% of them. However, only 31.4% escaped any loss or change of work after acquiring disability. Blind persons were affected most through loss of job and only 15.3% could manage status quo. The mentally ill persons were found to have lost their jobs in about 77% cases due to the onset of such illness. Mentally retarded persons who were already very low in terms of working before disability, suffered loss of job in 62% cases. The disabled persons who were least affected by loss of jobs were persons with speech disability (9.2%). Blind persons losing their jobs in most cases is likely to be more because of lack of barrier free access, assistive devices as also any plan for rehabilitating the employee who suffers such loss, whereas in case of mentally disabled persons, it is likely to be the social stigma that has caused the job loss. Generally, females were driven out of job in higher proportion than males.

These findings substantiate the fact that disability played havoc with the employment status of persons working before onset of disability in case of as high as 68.5% persons indicating a strong negative inter-linkage between occurrence of disability and his/her employment

status. Results shows that amongst those who were employed, a majority worked in primary sector (56%) as compared with secondary and tertiary sector. Sex wise analysis showed that amongst disabled population, higher percentage of female worked in primary sector compared to males. This was more prominent in rural areas compared with urban areas.

Generally, disabled persons commanded relatively higher (26.6%) employment in the tertiary sector as compared with overall population of the country. It was seen that a substantial 93.4% of severely disabled population were out of labour force due to high extent of disability as compared with the non-severe category. The employment pattern of those who had vocational education with engineering trades were observed to have a substantially higher level of employment as compared to those from non-engineering background. However, the employment level of disabled persons who did not have any vocational education was very low at only 24.4%. It was striking to observe that the percentage of beggars amongst those who lived alone was very high at 3.6% as compared with only 0.6% for those who lived with others in a house hold.

It was observed that disability is the single major reason for a person remaining out of labour force. It was universally true that a whopping percentage of disabled population could not work due to disability showing that disability and unemployment are strongly and positively inter-linked. This phenomenon was true across all age groups and also across sector and sex. The study has evidenced that the proportion of persons who were not able to work due to disability, grew sharply in the 50's and beyond which is intuitively likely on account of coupling of other geriatric conditions with the specific disability he/she suffered in life. It was found that if aid has been advised and acquired, the disabled persons' employment levels

witnessed an increase. Amongst all types of disabled persons, mentally retarded persons were found to be not only disadvantaged in terms of employment, but also, had least proportion of regular or self-employed jobs, as most of them were casual labourers. Females, across all types of disabilities were generally seen working as casual labourer insubstantial proportion in urban areas. It was revealing to observe that all urban

mentally retarded females were employed only as casual labourers whereas 55% of rural females were engaged as casual labour. In contrast, generally least of the loco motor disabled females in urban areas were engaged in casual labour, may be because of availability of assistive devices and lesser social bias.

This may be because of the greater employment avenues in urban areas which make the remaining members of the household to work and the disabled females to attend to domestic duties only. It was observed that the percentage of beggars was significantly high amongst the blind persons in rural areas. Loco motor disabled had the highest proportion of beggars in urban areas.

### **Economic Poverty**

The poverty ratios of disabled persons were calculated and found to be lower at 35.1 per cent for rural areas, as compared with a whopping 68.9 per cent for urban areas and 42.8 per cent at a national level. In contrast to overall population where urban poverty was less than rural poverty, it emerged that in case of disabled persons, urban poverty was much higher than the rural poverty. This may be because of (a) the higher standard of living that is required for moving above poverty line in urban areas, (b) relatively stronger social cohesion, sensitivity and support system for the disabled persons in the society in rural areas, (c) higher level of employment in rural areas as compared with their urban counterparts

This study has shown that poverty ratio was not only more among persons having severe disability as compared to mild disability, but the same was even higher when aid and appliances were advised but not acquired by the disabled persons. In rural areas, for severely disabled persons, reduction in poverty from 44.2% to 28.4% occurred with use of aid/appliance. This confirmed that disability hinders employment and accentuates poverty and therefore, use of aid and appliances did show to have ameliorated the economic condition. The association between poverty and aid acquired was found to be statistically significant.

Thus, it has been observed that economic implications of disability on poverty through low education and unemployed status are adverse and quite significant. There exists, thus, a close inter-linkage between disability and economic poverty. The study has gone into the detailed implications of various parameters of disability subject to limitation of data and explored the economic implications of disability on education, employment and economic poverty. This has given broad insights into the mechanism of inter-linkages between economic poverty and disability in India. The null hypotheses that economic poverty and disability are not linked to each other has been rejected by the findings as disability associates with economic poverty through economic parameters such as education, employment and income. Adverse implications of disability on the economic parameters i.e. education, employment and income have all been evidenced and tested to be valid, through this comprehensive and first such study undertaken in India. We have also reviewed the policy interventions in the disability sector in India with an objective to bring out policy suggestions from the results of the study, which are discussed in the subsequent paragraphs.



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## A STUDY ON PRISON INDUSTRY IN TAMIL NADU

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### Abstract

*Prisons serve the public by keeping in safe custody those committed by the courts and treating them with humanity and helping them lead a useful life in society as law abiding citizens after their release from the prison. Prison in India is an age old concept. In the early periods, unused old forts were used as prison where the persons who acted against the government were lodged. During the period of the Sultanate, there were no regular prisons. Prisoners are one segment of the population who are treated as a special category under the custody of court of law for their involvement in illegal activities or against the government. In India, prison is an age old concept from ancient periods but in British periods it was regularized and a model prison was constructed and a special Act was enacted to systemize the prison administration in India.*

**Keywords:** Prisons, administration, Society, Prisoners, entrepreneurial competence, prison bazaar, product.

### INTRODUCTION

The words 'Prison' and 'Goal' derived from the Latin words which mean to "Seize" and "Cage" respectively. The Oxford English Dictionary defines prison as, "A place properly arranged and equipped for the reception of persons who by legal process are committed to it for safe custody while awaiting trial or punishment". Prison is one of the complicated and pathetic places where the convict and the under trial persons are lodged because of their involvement in illegal or unlawful activities. It is the universal phenomenon which had an ancient history from the age old periods.

System and treatment of prison and prisoners have been changing owing to growing evaluation of the human rights approach. In the early periods, prison was one of the places where the anti-social and anti-national persons were lodged, but now it has been changing, and even if the prisoners are convicts, they are treated as human beings and his/her rights are protected by law. That rehabilitation steps are being taken to create a new life after imprisonment is quite common all around the world. With this view, the present paper discusses the prison industries in Tamil Nadu.

## PRISONS IN TAMIL NADU

The Presidency Jail for women in Vellore, was the first prison constructed in Tamil Nadu during the year 1830 followed by Madras "Penitentiary" during the year 1837 and thereafter all other prisons were constructed one by one up to the year 1872. After Independence Central Prison, Puzhal was the only prison constructed during the year 1981 and some additional accommodation was made in other prisons. All the prison buildings are more than 150 years old.

## REVIEW OF LITERATURE

Bhattacharya has devoted many years of first-hand study to the subject of prison reform and penal reform in general which is very near to his heart. Looking at world penological literature we do not find very many examples of High Court judges appearing in the role of reformers and interesting themselves in all the details of this unpopular topic with the enthusiasm and knowledge exhibited by author.

The prison is a community within the community. It is a social system which despite occasional disruption, function reasonably well (Cloward, 1960).

Srivastava (1977) has concluded in his study that prison as a system may develop a sub-rosa organization and may maintain all those institutional characteristics which form an essential part of any social organization. In such a social system a prison is once again able to maintain a status and role in the prison community.

Datir's 'Prison as a social system' (1978) is the first comprehensive work on the subject in India. Vidyabhushan has written a work called "Prison Administration in India" and Dr. Barkar has also given us an account of modern prison system in India. The work of these scholars deal with one aspect of prison system. His comprehensive, historical, analytical study had concluded with certain deeper theoretical debates connected with the prison as sub system, and its relation to specific larger-class

society. His book suggests many ideas which can be analyzed in a more fundamental manner.

George H. grosser in his "Exteranla Setting and Internal relations of the Prison" provides an introduction to the prison as a social system through age neral discussion of its relationship to larger society, its internal dynamics, including patterns of deviance and control, and some implications of its organizational structures to the stated goal of treatment.

John Gatling in his "The Social Functions of Prison", analyse the social functions of the prison. He brings to his work the necessary academic scholarship in the social sciences plus the direct experience of his incarceration in a Norwegian prison as a conscientious objector.

**Table 1**

**Prisons in India and Tamil Nadu**

Category of Prisons	Number		Percentage to India
	India	Tamil Nadu	
Central Prisons	131	9	6.87
Special Prison for Women	19	3	15.78
Borstal School	20	12	60.00
Special Sub Jails (Men : 2 Women : 3)	37	5	13.51
District Jails	364	9	2.47
Sub Jails (Men : 87 Women : 8 )	758	95	12.53
Open Air Prison	54	3	5.56
Others	04	-	-
<b>Total</b>	<b>1387</b>	<b>136</b>	<b>9.80</b>

*Source: Tamil Nadu Prison Department*

Table 1 indicates that there are 9 central prisons, 3 special prisons for women, 12 borstal schools, 5 special sub jails, 9 district jails, 95 sub jails and 3 open air prisons in Tamil Nadu.

**Table 2**  
**Prison Industry**

Sl. No	Name of the Prison	Industries
1	Central Prison -I, Puzhal	Sealing Wax, Tag Making, Weaving
2	Central Prison, Trichy	Manufacture of Wash well soap, Weaving of Gauze & Bandage cloth and Woollen Blankets, Book Binding and flat file making
3	Central Prison, Madurai	Hand Made Paper, Weaving manufacture of flat files & covers
4	Central Prison, Vellore	Boot making Industries, Weaving of bandage & Gauze cloth, Binding, flat file making
5	Central Prison, Salem	Aluminum Industry, Black smithy Industry, Hand Made paper flat file making & binding
6	Central Prison, Coimbatore	Weaving, Tailoring, Book Binding, Hand Loom Spinning, manufacture of T.C. Cloth, Carpet, Raincoat, Mosquito Net, convict cloth, uniform garment and flat file making
7	Central Prison, Cuddalore	Weaving (Gauze and Bandage)
8	Central Prison, Palayamkottai	Handmade paper, Weaving of bandage & Gauze Cloth Manufacture of flat file cases and covers
9	Special Prison for Women, Vellore	Tape Making, Twisted thread making and Bandage
10	Borstal School, Pudukottai	Manufacture of Phenyl, Tag making

*Source: Tamil Nadu Prison Department*

The above table 2 indicates the prison industry in each central prison in Tamil Nadu. Weaving is the most common industry in almost all the central prisons.

**Table 3**  
**Prison Industries in Tamil Nadu**

Industry	Prison
Coir production unit	Central Prison, Cuddalore
Hollow Block Brick-making unit	Central Prison, Trichy Central Prison, Madurai
Bakery Unit	Central Prison – I Puzhal
Removing of thread from the Baniyan Waist	Central Prison, Coimbatore and Special Prison for Women, Puzhal
Agharbathi Making	Special Prison for Women, Vellore.

*Source: Tamil Nadu Prison Department*

Apart from the general training and industry in prisons in Tamil Nadu, some of the special production units are functioning such as coir production unit in central prison, Cuddalore; hollow block brick making unit in central prison, Tiruchirappalli and Madurai; bakery unit in central prison-I Puzhal; removing of thread from the baniyan waist in central prison Coimbatore and special prison for women, Puzhal and Agharbathi making unit in special prison for women, Vellore.

A Bakery Unit has been established in Central Prison-I, Puzhal at a cost of Rs. 45.00 Lakh. Bakery products such as Bread, Bun, Cookies etc., are prepared by the prisoners in this unit and supplied to the prisons and sold to the public at a nominal rate in the Prison Bazaars

Terry Cotton & Poly Viscose uniform clothes required for the Police, Fire and Rescue Services and Prison Department in Tamil Nadu are being manufactured in the Weaving Industry in Central Prison, Coimbatore. This industry is being upgraded by installing new modern power looms, at a cost of Rs. 150.00 Lakh, to augment the production capacity and attain self-sufficiency.

Handmade Paper Units are being established in all Central prisons at a cost of Rs. 90.00 Lakh.

### PRISON BAZAARS

Prison bazaar is one of the novel concepts which help to markets the prisoner's products in the prison industry. Now days it is very popular in all the central jails in Tamil Nadu. In order to channelize the manpower of the prisoners towards a positive direction and to provide an opportunity of reformation and rehabilitation to the prisoners confined in prisons PRISON BAZAARS were established in Central Prison Complexes. The articles manufactured in the prisons, such as Bakery items, Paper cups, Greeting Cards, Leather Shoes, Wallets, Mineral Water, Nursery Products, Detergent Soap/Powder, Candles, Mosquito Net, Rain Coat, Ready Made Garments, Honey, Masala Powder, Handicrafts etc., are sold to the public at nominal rates, in this Bazaar, under the brand name of "FREEDOM". An outlet of the PRISON BAZAAR is functioning in the Prison Head Quarters also.

**Business standard (2012)** under a new initiative called 'Freedom', the Tamil Nadu government has decided to sell products including clothes and [bakery products](#) made by the jail inmates in the state through a 'prison bazaar'. The programme has been launched at the Central Prison at suburban Puzhal in Chennai. Tamil Nadu chief minister [J Jayalalithaa](#) had earlier announced the setting up of prison bazaars with an investment of Rs 10 lakh, in May last year. These would sell cloth, bakery products, footwear, soaps and masala products among others. It is part of the state's efforts to provide an opportunity for reformation and rehabilitation to the prisoners. After Chennai, Coimbatore would be the next in line to get a bazaar, which would be ready this month. The products will be priced at a nominal rate, and will be available at the prisons between 9 am and 9 pm.

### CONCLUSION

Industries are the backbone of the economic development of the country which helps to generate income, employment, purchasing power, utilization of local resources etc. Developing countries like India need more industries to meet the demands of the people. Therefore government has taken serious steps to promote the industries through entrepreneurship development activities. But it has been reached only in limited aspects. Many people are having entrepreneurial competence, but they could not practice because of lack of awareness or poor supportive mechanism. If the environment is suitable, any one and even prisoners can start the industry. In our country almost all the central jail have certain type of industrial units which make a lot of products by prisoners. As such prison industry in Tamil Nadu is also contributing significantly to the economic development of the state. Weaving, Tailoring, Bread making, Handle making, Brick making, and Food products making are very popular in the prison industry of Tamil Nadu. Prisons Bazaar is one of the milestones in the history of prison reforms, which transform the prisoners into entrepreneurs. This kind of practice will be very useful to the prisoners to become successful entrepreneurs after competing their imprisonment.

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