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Labour Bank Experiment in Kerala — SWOT Analysis[§]

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Abstract

The experience gained from the path breaking experiment of formation of labour bank has been reported and SWOT analysis has been carried out. The strengths, weaknesses, opportunities and threats of the Labour Bank have been reported. The capital of Labour Bank is the working capacity of the registered labourers. The Bank lends, even though for a short period, the working capacity of the labourers. The significance of Labour Bank experiment lies in the need of the agricultural sector to break the shackles on account of labour-related problems. The experience gained from this experiment can be used to develop similar labour organizations in other panchayaths also. The study has offered some suggestions based on the Labour Bank in Kunnathukal Panchayath in Thiruvananthapuram district of Kerala and its current relevance for implementation of rural employment programmes.

Key words: Labour bank, SWOT analysis, Labour organization, Democratic decentralization

JEL Classification: J43, J21, J54

Introduction

The state of Kerala thrives on an agrarian economy, but its agriculture sector has failed to show adequate growth which has led to overall stagnation of the economy. One of the reasons for this situation is related to labour. The rural labour market of the state is typically characterized by the paradoxical coexistence of high rates of unemployment and one of the highest wage rates for rural labourers, including agricultural labourers. The high wages and low market prices have made farming unprofitable (Franke and Chasin, 2000). To enhance the income of agriculturist (by cutting down production cost) and that of farm workers (by providing remunerative employment for more days), the Government of Kerala launched a decentralization drive in the state in 1996. This decentralization drive visualized attainment of sustainable development in all sectors of

the economy and aimed at restructuring the socio-economic development of the state (Namboodiripad, 1996). In this regard, The Kerala Panchayath Act, 1994 based on the framework of central legislation brought in a new paradigm of planning from the grass root level (Government of Kerala, 1996). The three-tier Panchayati Raj system came into existence in the State on 2 October, 1995 and on 16 July, 1996, the Planning Board officially announced decentralized planning in Kerala (CDS, 2000). The primary objective of the campaign was to ensure that the Panchayati Raj bodies prepared and prioritized a set of integrated schemes, in a scientific manner and consequently, evolved functionally relevant and purposeful peoples' participation. The enthusiastic response to the concept of local level planning resulted in the establishment of many local level institutions. One among them was the 'Labour Bank' which was created for regularizing employment of farm labourers and for smoothing out work patterns over the farming year (Franke, 2008). This organization was materialized in Kunnathukal village panchayath in Thiruvananthapuram district. The village development committee, facing the necessity to

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find a solution to the multidimensional problems of primary sector in the village came up with this path breaking concept of 'Labour Bank'.

The capital of Labour Bank is the working capacity of the registered labourers. The Bank lends, even though for a short period, the working capacity of the labourers (Issac, 2001). This aspect, i.e. transaction of real labourer as a loan through an institution created for the purpose of conducting transactions of labour, makes it an innovative approach to address the developmental crisis of the economy. Labour Bank is an attempt to mobilize rural manpower potential in a useful manner to benefit the society as a whole. A rigorous enquiry needs to be conducted into the efficacy of this type of labour institutions, their organizational strengths and weaknesses and their replicability in other areas which could have far-reaching implications for the future of the local area developmental planning.

Origin and Organization of Labour Bank

In 1997, Kunnathukal Grama Panchayat as a part of the decentralization process, identified acute shortage of agricultural labourers as one of the major problems in the village and decided to establish a 'labour army' with the following objectives.

- To create a permanent system whereby the farmers are provided with the services of sincere agricultural labourers at the right time,
- To develop strict discipline, dedication, timeliness and sincerity among the agricultural labourers,
- To ensure employment security for agricultural labourers to encourage them to stay in agricultural field,
- To increase the dignity of labour and to improve the social status of agricultural labourers, and
- To implement partial mechanization whereby labour efficiency could be improved.

The labour army, inaugurated on 16 September, 1998 was registered as a voluntary organization under the Charitable Societies Act (Faizi, 2000). Later on, its sphere of activities was widened and its name was changed to 'Labour Bank' with effect from the year 2000. Initially, Panchayat Krishi Bhawan (Village Agriculture Office) served as the office of labour army for the entire village, but due to reasons of operational efficiency, offices were established in each of the

constituent wards of the village. For this purpose *Karshaka Sahaya Sammithis* (Farmers Helping Groups) were established in each ward.

The ultimate decision making body of the Labour Bank is the Panchayat level *Karshaka Sahaya Samithi*. The Labour Bank is headed by a President elected from among the ward level convenors of Farmers Helping Groups. The ward level convenors in turn, are elected from the members of Labour Bank in that ward. The Farmers Helping Group at Panchayat level has the Panchayat President as its Chairman. Representatives of farmers, labour unions, cooperative societies operating in the area, fertilizer dealers, etc. are included in Farmers Helping Group at Panchayat level. Apart from these representatives, agricultural officer of the Panchayat Krishi Bhawan and district resource person for decentralized planning are also included. The functions of Farmers Helping Group at Panchayat level include

- a) Wage fixation
- b) Fixing work schedule and norms
- c) Recruitment of labourers
- d) Purchase of machinery and implements
- e) Distribution of subsidy to farmers
- f) Sub-contracting of public works on behalf of labour army
- g) Imparting training to members, and
- h) Overseeing the activities of ward level Farmers Helping Groups.

Salient Features of Labour Bank

The Labour Bank offers employment guarantee for not less than 20 days per month to labour members. The salary of labourers is disbursed on weekly or monthly basis, as desired by the labourers. The distribution and delivery of government subsidies to farmers have been channellised through Labour Bank. The subsidies for farmers are now given as actual labour. The farmers pay only the labour charges after deduction of subsidy due to him. This strategy has increased the employment opportunities and maximized the use of subsidies.

To address the problem of unemployment during summer months, Labour Bank has started undertaking

Table 1. Strengths of Labour Bank in Kerala

Sl. No.	Strength	Respondents	
		Number	Percentage
1.	Bringing scattered labourers together	37	82.2
2.	Increased employment days	27	60.0
3.	Improvement in dignity of labour	22	48.9
4.	Professional organizational back up	16	35.6
5.	Defined organizational structure	11	24.4

public works programme of Grama Panchayath and accomplishes it using labourers recruited under Labour Bank. The advantage for the farmer in the village is that they do not have to search for labourers. The farmer approaches the Farmers Helping Group in his/her ward and gives his requirements. The Farmers Helping Group allots the required number of workers and supervises the execution of the work.

Methodology

Out of the thirteen wards of Kunnathukal village Panchayath, the following three wards were selected at random: Mooverikkara, Paliyode and Narani. From the list of the members of Labour Bank in each ward, 15 members were selected at random and 15 non-members labourers were selected randomly from each ward. Primary data were collected from the sample labourers, both members and non-members using a structured schedule for interview. For SWOT analysis, the content analysis of interview with members was done and their responses were categorized and prioritized based on the frequency.

The institutional attributes of Labour Bank have been presented in the following sections. SWOT analysis has brought out the strengths, weaknesses, opportunities and threats faced by the Labour Bank. Each of the attributes has been presented separately along with their tabular analysis based on frequency of responses in each class.

Results and Discussion

Strengths of Labour Bank

Strengths of an institution are those factors which enhance the performance of the institution (Kothai, 1993). They are incorporated into the basic structure of the organization. The results obtained from

discussions with the Labour Bank members regarding the strengths of this labour organization have been shown in Table 1. A perusal of the table reveals that 82.2 per cent of the members regard the 'organization's ability to bring the labourers together' as its biggest strength. The increase in employment days, which occurred due to establishment of Labour Bank, was the second important strength according to 60 per cent of the respondents. The other major strengths pointed out by the members were improvement in dignity of labour (49 %), professional organizational back up (36%) and well-defined organizational structure (24%).

By bringing the scattered labourers together, this labour organization has increased its capacity to undertake a wide range of works of varying magnitudes. The feeling of unity among the labourers to make this organization is a great source of strength for the Labour Bank. The increase in employment days for the members has uplifted the stature of the organization among the labourers and has improved the image of Labour Bank among non-members who were skeptical about this project. All these have resulted in increased confidence for the Labour Bank management to face the challenges confidently and to venture into hitherto unexplored areas of opportunity.

The Labour Bank system of fixing working norms, wage rates, issue of identity card for workers, fixing of working hours and option for receiving weekly or monthly wages have all helped to increase the dignity of agricultural labour. This has infused confidence in the labourers and increased their socio-economic status. All these factors attract new agricultural labourers to the Labour Bank.

Professional organizational back up and defined organizational structure were the two other strengths of Labour Bank. The operations and activities of Labour Bank being transparent have helped the organization in gaining a trustworthy image.

Table 2. Major weaknesses of Labour Bank

Sl. No.	Weakness	Respondents	
		Number	Percentage
1	Absence of adequate financial mobilization	31	68.9
2	Negative attitude towards labour organizations	23	51.1
3	High degree of institutional dependency	19	42.2
4	Limited area of operation	18	40.0
5	Lack of managerial experience for members	7	15.6
6	Low socio-economic profile of members	4	8.9

Weaknesses of Labour Bank

The major weaknesses of Labour Bank identified by the respondents have been listed in Table 2. These were: Absence of adequate financial mobilization (69% respondents), Negative attitude towards labour organizations (51%), High degree of institutional dependency (42.2%), Limited area of operation of Labour Bank (40%), Lack of managerial experience of members (16%) and Low socio-economic profile of members (9%).

The absence of adequate financial mobilization is one of the major weaknesses that plague the Labour Bank and the success of Labour Bank will depend on its ability to mobilize financial resources. The habitual negative attitude towards any labour organizations is prevalent among the rich farmers. This will affect the activities of Labour Bank and retard its growth. The high degree of dependence on governmental institutions like Krishi Bhawan, Planning Board, Public Works Department etc. raises doubts about the ability of the organization to function independently. The members feel that the Labour Bank should establish itself independently.

The Labour Bank operates within the geographical boundaries of Gram Panchayath of Kunnathukal. It limits for employment generation potential to that available within the Panchayath since the area of operation is limited. Some members pointed out the lack of management experience of members as a weakness of Labour Bank. Certainly, an organization cannot function properly without adequate managerial skills. Therefore Labour Bank management needs to overcome this weakness.

Low socio-economic profile of members reduces the bank's capacity to mobilize resources even from its own members. The Bank's expansionary activities

require good financial investment and the entire capital requirement cannot be raised through borrowing from other agencies. The Labour Bank should try to generate some financial resources on its own.

Opportunities for Labour Bank

The opportunities available to Labour Bank are listed in Table 3. At the time of formation, the Labour Bank was designed to function independently without any external financial assistance. But, the need for financial assistance was felt soon. One of the major opportunities for Labour Bank is to channellize government resources for this societal project. The organization hopes to get indirect assistance from government by the grant of public work contracts within the panchayat, which will enhance employment availability also.

Though Labour Bank was started as a labour-lending institution, the success of the concept and need to mobilize finance to become independent emboldened it to plan its entry into agro-industrial ventures. The large untapped potential in agro-industrial sector in the village makes this an attractive opportunity for Labour Bank. It will generate additional employment opportunities as well as needed capital by way of profits to expand the horizon of Labour Bank.

Labour Bank started leasing-in land from the willing farmers and cultivate it employing its own labourers. The area under this cooperative farming system is limited, but an opportunity lies ahead for the Bank to increase the area under cooperative farming and thereby create more employment for labourers. Establishment of similar organizations in other panchayaths will increase the scope of these institutions, as the members hope that large project spread over different panchayats could be taken up by cooperation

Table 3. Opportunities for Labour Bank

Sl. No.	Opportunities	Respondents	
		Number	Percentage
1	Channellisation of government funds for Labour Bank	41	91.1
2	Initiating agro-industrial ventures	37	82.2
3	Increasing area under cooperative farming	27	60.0
4	Spreading the concept for widening the scope	23	51.1
5	Taking up social problems for action	9	20.0

between similar organizations in other panchayats. Though, only 20 per cent of the respondents have felt that Labour Bank could take up social problems like liquor addiction and smoking successfully, it remains an opportunity for the Bank. It will help the Bank to become a leading institution in the society in which it operates.

Threats to Labour Bank

The threats being faced by the Labour Bank have been presented in Table 4. The Labour Bank was started as an organization of agricultural labourers and members were selected on the basis of prefixed criteria established by its governing body. But after a period of smooth functioning of Labour Bank, some members began to polarize based on political affiliations. Though the organized structure of Labour Bank was able to counter most of the conflicts arising out of such political differences, it remains as one of the major threats as perceived by 35 per cent of the members.

One of the major groups affected adversely by the establishment of Labour Bank is of the private contractors. Prior to the establishment of Labour Bank, these contractors were getting government contracts and making good profits. With the establishment of Labour Bank, the contracts for most of the government works are being awarded preferentially to them. These

contractors have established political bargaining power and have started using it to their advantage by trying to prevent the contracts from going to Labour Bank. Though Labour Bank, with the active help from Panchayath has been able to ensure steady availability of contract works, contractors are seen as a threat to Labour Bank.

Labour Bank has introduced mechanization of farming activities and use of harvester, thresher, winnower, etc. in paddy cultivation is being promoted. But, this has reduced the labour demand in cultivation. Therefore, Labour Bank has decided to follow a policy of partial mechanization and funding alternative employment opportunities.

The migrant labourers from the neighbouring state of Tamil Nadu have posed serious threats to the viability of Labour Bank. The farmers prefer them as they work on lower wage rates than of Labour Bank. Intra-group conflicts have also been reported as a threat to the Labour Bank by 6.7 per cent members. These conflicts arising between labour members from the same Farmers Helping Group could affect the effective working of Labour Bank at the ward level. Thus, intra-group conflicts have also developed as a threat to the Labour Bank.

Table 4. Threats to Labour Bank

Sl. No	Threat	Respondents	
		No.	Percentage
1	Destabilization of Labour Bank on political grounds	35	77.8
2	Contractors lobbying against the Labour Bank	35	77.8
3	Farm mechanization reducing job opportunities	17	37.8
4	Migrant labourers ready to work at lower wages	14	31.1
5	Intra-group conflicts and demotivating incidents	3	6.7

Conclusions

Kerala's experience from democratic decentralization and its outcomes holds significance for finding solutions for cross-cutting issues and unresolved concerns about development (Raghuram, 2000). The implementation of National Rural Employment Guarantee Scheme in Kerala is sought to be linked with Labour Banks to be established in all village panchayaths based on the experimental model of Labour Bank in Kunnathukal village. The experience gained from the experiment of Labour Bank can be used to develop similar labour organizations in other panchayaths also. Some suggestions put forward in the light of the study on Labour Bank in Kunnathukal Panchayath are:

- Labour Banks should be structured to suit the socio-economic and geographical characters of the panchayath.
- Labour Bank should depend on leadership from among the labourers rather than from outside. The government agencies should play a supportive role only.
- Labour Banks should be independent of political affiliations, and clear democratic procedures should be put in place to ensure their smooth functioning.
- Training should be given to impart management knowledge and skill to the labour managers of an established Labour Bank.
- Labour Banks should be allowed to take up normal banking activities on a limited scale to ensure availability of financial resources.
- Labour Banks should be given preferential treatment in awarding of public work contracts by the government.

The participatory approach in the design, organization and operation of the Labour Bank can be

a powerful institutional intervention for mitigating some of the imperfections in the agricultural labour markets.

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