

***Development Practice***

## **A Rural Co-operative's People Centric Sustainable Economic Development Initiatives: A Case Study of Palliyakkal Service Co-operative Bank in Kerala**

**Joseph M.K\***

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***Abstract***

Palliyakkal Service Co-operative Bank (PSCB) was established in 1943 and had recorded a below average performance in the first six decades of its business of co-operative financial services. The low productivity in the farming sector coupled with lesser employment opportunities for the labour class had negatively affected the financial performance of PSCB, but in the year 2000 the organisation had been re-energised by its co-operative leadership. It responded to the socio-economic challenges of the people by extending the services in manifold fields of local development with a renewed vision of 'achieving local self-sufficiency in primary production and to ensure local food security for the people in the operational area of the co-operative society'. Self-help groups were formed in seven sectors which were significant in realising the aforesaid vision. Co-operative self-help groups of Pokkali farmers, fruit and vegetable producers, bush jasmine growers, dairy farmers, poultry farmers, medicinal plant growers and fish farmers were organised and have been supported by the bank for the past 18 years. A unique initiative of PSCB was the promotion of Pokkali farming in the locality. Pokkali rice was awarded the status of Geographical Indication (GI) which grants the exclusive global rights to the farmers to cultivate Pokkali rice and sell the finished product with the brand name of Pokkali worldwide. The PSCB organised the farmers to increase the cultivation of

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\* Department of Social Work, Rajagiri College of Social Sciences,  
Kalamassery-683104, Kerala. Email: emkay2001@gmail.com; emkay@rajagiri.edu

Pokkali rice by providing interest-free loans and marketing support. The rural co-operative bank provided proactive leadership in organising the local community to achieve sustainable rural development.

**Keywords**

Co-operative bank, organic farming, Pokkali rice

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**Introduction**

Co-operatives are people's organisations established primarily for the economic advancement of their members. Self-help and mutual help are the basic strategies in realising the objectives of these member-based organisations. The people centred co-operatives often extend their activities to realise the common economic, social, and cultural needs and aspirations of the people. One of the principles of co-operatives, entitled 'concern for community' often motivates the co-operative organisations to work for the sustainable development of their communities through policies approved by their members. The role of democratically elected leaders in co-operatives is to provide appropriate direction to their fellow co-operators in achieving their socio economic objectives based on the motto of 'Each for All and All for Each'. The co-operative leaders have to formulate suitable policies which are beneficial for the stakeholders of the organisation and to convince the members that the co-operative could provide solutions to their socio-economic problems through their concerted efforts. In an established co-operative, the leaders often guide the members through a proper decision-making process to improve the organisational activities by undertaking more focused and revenue generating economic activities to achieve the overall goals of the co-operatives.

This case study has analysed the context as well as the process undertaken by the Director Board of the Palliyakkal Service Co-operative Bank (PSCB) in providing a renewed vision for the organisation in the year 2000 and how they have been implementing people-centric action programmes to achieve the agenda of sustainable local economic development.

**Reimagining of Palliyakkal Service Co-operative Bank (PSCB)**

Palliyakkal Service Co-operative Bank, established in 1943, is one of the registered primary co-operative societies under the Department of Co-operation, Government of Kerala. The Operational area of the Co-operative

Bank is limited to seven wards of Ezhikkara Grama Panchayath in the Ernakulam district. Being a co-operative institution, Palliyakkal Service Co-operative Bank has been engaged in its traditional business as a dealer in money, accepting deposits and lending to members as authorised under the Co-operative Act and Rules. For the first six decades, the agency had registered a very poor financial performance and brought about the situation of liquidation of the bank on several occasions.

Ezhikkara is predominantly an agrarian village famous for Pokkali rice cultivation and fish farming. The main source of income for the farmers is from the pokkali-rice-fish rotational farming practices prevalent in the traditional paddy fields of the region. The low profitability of rice farming, labour problems and climate change related issues have severely reduced the Pokkali rice farming in the locality, which in turn has affected the fish farming, resulting in low income for the people of Ezhikkara.

The low productivity in the farming sector coupled with reduced employment opportunities for the labour class have negatively affected the financial performance of the Palliyakkal Service Co-operative Bank with less demand for financial services. In the year 2000, the Board of Directors of the bank undertook a detailed analysis of the various challenges faced by the bank. They held in-depth consultations with the members of the co-operative society as well as the people from the operational area of the bank to address the agrarian crisis and allied issues faced by the co-operative society. As a result of the meeting, the Board of Directors formulated a strategic plan with a goal of sustainable local economic development.

The reimagining process helped the organisation to draft a people oriented development plan to address the needs of the people. The renewed vision of the PSCB stated that along with the goal of providing inclusive financial services to the people, the agency would address the challenges of attaining local self-sufficiency in production, and ensure local food security for the people in the operational area of the co-operative society. The strategic plan visualised various action programmes to support the farming sector. These were to increase the capability of the members of the co-operatives and their families, to increase the employment and income of the local community, to implement innovative agricultural practices among the farmers to enhance the production and productivity of their produce and to organise the farmers and labourers through co-operative

efforts to augment the local production in the area(PSCB, 2017a).

**Co-operative Self Help Groups:  
The Tool for Sustainable Local Economic Development**

The tool for achieving the aforesaid goal was the formation of self-help groups under the aegis of the bank. The community based groups of farmers were formed and affiliated to the bank. These groups were continuously activated by training, capacity building programmes, affordable credit facilities and with forward and backward linkages for improving the agriculture production. The bank promoted organic farming and extended services to farmers for better production and productivity. Facilities for the collection of products and distribution were also arranged. A better price for products to farmers was assured. The bank has its own distribution centre for seeds, seedlings, organic manure and organic pesticides, and the servicing of machine and man power at the farmers' service centre. The bank built a poly house for the production of seedlings and vegetables. A centre for the collection and marketing of vegetables and fruit is another milestone on the service side. Milk, flowers and eggs are also collected and locally marketed to the best advantage of the farmers. Saving and credit facilities are offered as per the norms of co-operative banks. The prevailing interest rate of loans for all agricultural activities is at four per cent, but for paddy cultivation an interest free loan is offered by the bank as an incentive to promote pokkali rice farming (PSCB, 2017b).

The Director Board has demonstrated commendable leadership over the past 18 years in implementing the action programmes visualised in the strategic plan to achieve the sustainable local economic development agenda. Self-help groups were formed in seven sectors which were significant in creating local food security and self-sufficiency in primary production. Co-operative self-help groups of pokkali farmers, fruit and vegetable producers, bush jasmine growers, dairy farmers, poultry farmers, medicinal plant growers and fish farmers were organised and supported by the bank over the years (PSCB, 2017a).

The seven self-help groups of farmers shown in the above table who are engaged in vegetable and fruit production with the technical and financial support of the co-operative bank have been in the field for the last 18 years. They have been producing several vegetables and different types of bananas on their farms. The products are collected and marketed by the

Table 1. Co-operative Self Help Groups affiliated to PSCB

<i>Sector</i>	<i>No of SHG</i>	<i>Total Members</i>	<i>Average No. of Members</i>
Vegetable and fruit production	7	58	8
Dairy farming	4	36	9
Pokkalarice farming	1	130	130
Bush Jasmine cultivation	5	80	16
Poultry farming(chicken & ducks)	13	253	19
Medicinal plantgrowers	1	29	29
Fisheries(farming/processing/marketing)	3	73	24
Local vendors self-help groups	1	90	90
<i>Total</i>	35	749	21

bank which has created an assured market for these farmers. The marketing wing of the bank has collected fruit and vegetables with a value of Rs. 1.67million, Rs. 4.98 million and Rs.3.491 million during the years of 2015-16, 2016-17 and 2017-18 respectively, and sold in the farmers' market functioning in the premises of the bank (PSCB, 2018).

Dairy farming is an allied agricultural sector where many small and marginal farmers are engaged to earn their livelihood. The state level Co-operative Federation and private agencies are involved in the collection, processing and marketing of milk and milk products in Kerala. In spite of the consistent demand for milk and milk products, the primary producers are often left with a meagre income due to the prevailing price mechanism and other operational and administrative problems in the sector. Following the ideology of local self-sufficiency in milk production and local food security, the bank has promoted four co-operative self-help groups of dairy farmers, as per the data given in Table 1, for the last 18 years. The bank has undertaken the responsibility of collecting, packing and distributing the milk which has created an independent unit of milk collection and sales in the local market. In addition to the financial services, insurance services, investment subsidies and training in dairy farming have been provided to support the farmer groups. The Co-operative Bank has become the unique agency which gives the highest price to the farmers who supply milk to the co-operative society in comparison to the major milk marketing organisations operating in the region. The dairy processing unit of the bank has transacted dairy related business amounting to Rs. 9.731 million,

Rs. 7.463 million and Rs.8.196. million in the years 2015-16, 2016-17 and 2017-18 respectively. The fluctuating trend observed in the business volume indicates the problems of the dairy sector in Kerala. Many small dairy farmers are withdrawing from the sector due to the very low profit margin for primary producers prevailing in the dairy sector. The bank has been providing incentives and production bonuses to the farmers to protect the interests of dairy farmers in the region since dairy farming is a major livelihood opportunity for many marginal farmers. Agriculture, and especially organic farming, both require organic manure and pesticides where household dairy farming is a sustainable source for supply of organic inputs for farming (PSCB, 2018).

A unique initiative of the Palliyakkal Service Co-operative Bank (PSCB) is the preservation and promotion of pokkali farming in the region. Pokkali is a unique variety of rice that is cultivated in an organic way in the water-logged coastal regions of Eranakulam, Alappuzha and Thrissur districts of Kerala, covering a total area of 5,500 ha. Pokkali rice has been cultivated for the past 3,000 years and is among the oldest known organically cultivated crops in the world. Pokkali rice was awarded the status of registered Geographical Indication (GI) by the Geographical Indications Registry Office, Chennai, and Tamil Nadu in 2008-2009. The GI registration gives farmers the exclusive global rights to cultivate pokkali rice and sell the finished product with the brand name of Organic Pokkali worldwide. The most challenging task taken up by the Palliyakkal Service Co-operative Bank is to organise the co-operative self-help group of pokkali rice farmers. The majority of the landowners do not cultivate the pokkali land due to low profitability, labour issues and lack of a premium price for pokkali rice(PSCB, 2016).

The PSCB intervened in pokkali farming in 2002 and as per the data in Table 1, the agency has formed one self-help group of pokkali farmers with 130 members. The PSCB provides interest-free loans for the pokkali farmers and initiated the collection, processing and marketing of pokkali rice under the brand name of Ezikkara Pokkali Rice in the local markets in Kerala. The government of Kerala gave financial aid to the PSCB to increase the processing and marketing of pokkali rice, which is considered a great recognition of the agency's efforts to preserve the age-old organic farming practice in paddy cultivation (PSCB, 2018).

The five self-help groups of women shown in Table 1, with a total of 18

years of experience, are engaged in floriculture, cultivating bush jasmine and other flowers which have seasonal demand in the state of Kerala. The group venture produced flowers worth Rs.0. 248 million and Rs. 0.172 million in the years 2015-16 and 2016-17 respectively. The climate challenges and market fluctuations have drastically reduced their produce over the years and the groups could only produce flowers worth Rs.45,000 in the year 2017-18 (PSCB, 2018).

A total of 253 farmers organised into 13 self-help groups as depicted in Table 1 are engaged in the production of chicken and duck eggs with the goal of local self-sufficiency in egg production. The groups produced eggs worth Rs.0.8 million, Rs. 4 million and Rs. 3 million in the years 2015-16, 2016-17, and 2017-18 respectively. A large quantity of the eggs produced is sold through the farmers market functioning at the PSCB campus, assuring market support for the poultry farmers. In spite of the tight competition from the poultry farmers of neighbouring states, the PSCB mobilised the farmers to produce eggs locally and achieve self-sufficiency (PSCB, 2018).

As presented in Table 1, one co-operative self-help group was encouraged to cultivate various medicinal plants and the preparation of value added products such as ayurvedic medicinal kits, herbal bathing soaps and organic pesticides which are sold in the farmers market of PSCB. Three self-help groups were promoted in the fishery sector, with one group engaged in fish farming in fresh and saline water, the second group marketing the fish and the third group processing the fish. These initiatives were aimed at improving all avenues of local production and local food sufficiency in the region (PSCB, 2018).

The PSCB has expanded its community engagement with the formation of co-operative self-help groups in other sectors. A local vendors self-help group was formed in 2009 with 64 members which increased to 90 members in 2018 as per the data provided in Table 1. The group was given loan and overdraft facilities based on a mutual guarantee scheme. The group members have benefited by having the necessary working capital for their small businesses at affordable interest rates. The programme has also helped the local merchants to avoid private money lenders who often charge exorbitant rates of interest. The income and savings of the group members have improved over the years as a long term outcome of the formation of the co-operative self-help groups of vendors (PSCB, 2017b).

### **Achievements and Recognition of PSCB**

The 18 years of concerted efforts by PSCB has resulted in creating a unique identity and replicable model for other co-operative organisations to emulate by creating local economic development, especially in the rural areas of the country. The agency has received many performance awards in the co-operative sector over the years. From 2013 onwards, PSCB has won the award for the best model co-operative society, the best SHG organisation and the best Onam market in the North Paravur Circle of Co-operative Union in Kerala.

The government of Kerala sanctioned financial support for developing a farmers service centre for PSCB to scale up the agriculture and allied livelihood activities in the region. A well trained food security team of 23 people was formed under the farmer service centre project to provide labour as well as technical support for the agricultural activities in the region. The services of the food security team are utilised by land owners and other agencies to improve the agricultural activities. As part of a special agricultural zone project, the Government of Kerala sanctioned Rs. 9 million for setting up a modern rice mill for processing Pokkali rice. This is a flagship project of PSCB. The pokkali farmers in the nearby Panchayats will also benefit from the proposed project (PSCB, 2017b).

The PSCB's initiatives in sustainable local economic development have captured excellent media attention in recent years. Many reports are published, especially regarding the promotion of co-operative self-help groups in pokkali farming, in both print and visual media. University students and development practitioners from India and abroad have conducted field visits and short term studies of the initiatives of PSCB in local economic development (PSCB, 2017b).

### **Prospective Plans of PSCB in Development Engagement**

The Director Board of PSCB is fully immersed in realising the dream of local food security by scaling up the primary production activities of the co-operative self-help groups affiliated to the agency. The completion of the flagship project of a modern rice mill for processing pokkali rice was given prominence since the processing, value addition and marketing of pokkali rice will increase the paddy production and enhance the income of the farmers and workers in the region.

The General Body of the agency has given permission to start a trial farm as an entry point activity for PSCB to harness the potential of agro tourism opportunities in the locality. The development of rural tourism services will augment the local economic development of the region (PSCB, 2018).

PSCB has also visualised a social work wing to develop linkages and partnerships with students and faculties of academic and research institutions from India and abroad. The agency will facilitate field exposure visits to special agricultural zones, rural sensitisation camps for the youth, and rural immersion programmes and action research projects for students, researchers and practitioners interested in sustainable local economic development.

### **The Development Outcomes**

PSCB has improved its performance during the last 18 years. This is well reflected in the increase of share capital, working capital, deposits and loans. New members are joining the organisation every year to partake in the initiatives under the vision of local self-sufficiency in the primary production and conservation of pokkali rice farming. About 9,500 people in the locality were members of PSCB in the year 2018 and a 22 per cent growth was observed in the membership of PSCB from 2008 to 2018.

The co-operative self-help groups of PSCB engaged in primary production transact their agro based business worth of Rs.30 million on a yearly average, resulting in the generation of employment and enhancement of income in the region. The objectives of need-based production, production-based development, increase in local employment and enhancement of family income are gradually being achieved by the organised work of the co-operative self-help groups under the monitoring team of PSCB which is comprised of the Board members, officials and well experienced community volunteers.

In addition to the quality improvement of local economic development, the initiatives of PSCB have created a spirit of unity and fellowship among the local community, utilising their physical and human resources for preserving and promoting sustainable agriculture and traditional cultural practices of the community.

### Conclusion

Palliyakkal Service Co-operative Bank (PSCB) has proactively responded to the agrarian crisis and the socio-economic challenges faced by their members by crafting and implementing its renewed vision of achieving local self-sufficiency in primary production and local food security by organising co-operative self-help groups in significant sectors of local economic development. The unique initiative of PSCB and the promotion of pokkali farming in the region received financial support from the state government to develop special agricultural zones for increasing the production of pokkali rice which has acquired Geographical Indication (GI) status. Motivated by the co-operative principle of 'concern for community' PSCB has been implementing people-centric programmes in order to achieve sustainable local development in line with the contemporary global theme of co-operatives: 'Sustainable societies through cooperation'.

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