

## **AN ENQUIRY IN TO THE DECLINE OF 'PANAMPAYATTU'**

**Dr. BABU P**

**Associate Professor,**

**Government College, Madappally, Vatakara, Kozhikode.**

***Abstract:** Panampayattu, a social collateral based indigenous finance system, existed in Malabar, is about to end for its inability to cater to the changing needs of the society. Though fast approaching its exit, the system has a history of having made great contribution to the economic and social development of the area. Being most appropriate for fostering saving habit among wage earning segments, the system may suit the times if properly modified. This paper attempts to understand the reasons for the decline of Panampayattu.*

***Key words:** Panampayattu, Kurikkallyanam, indigenous finance, micro finance, rotating saving and credit schemes, indigenous banking, interest free banking.*

**Introduction:** Panampayattu has been a system of daily savings in practice among people in many parts of Malabar for a long time. It can be described as a system of saving daily disposable income in one's personal networks for being reciprocated when the person is in need. People as a whole considered it a part of social life responsibilities to contribute to the monetary requirements of others in return for a reasonable guarantee of repayment, a social norm. Panampayattu has been a system indigenous finance based on social capital. The system contributed heavily to people's wellbeing in the area as an essential ingredient in financing most life cycle events of community members like marriage, housewarming, employment, migration for labour etc.

### **Review of Literature**

Studies by Ramzan, Shaheed, (2008), studies Panampayattu in great detail and brings to light the role played by the system in economic and social life of people in this area. He however, does not report signs of decline of the system during that time. Yasir (2003), describes the role of PP in creating and maintaining an integrated society. Raghu and Sasikumar (1995) describes the system as one playing a role comparable to formal institutions in nurturing the social and economic life of people. Abdulla v (2001) describes the system as an effective form of fund mobilisation. Rajesh KP (2017) makes a descriptive study of Panampayattu system. None of the studies reviewed by the researcher discusses recent decline of PP and hence this study is being undertaken.

### **Statement of the Problem**

The Panampayattu (PP) system has been in vogue in many parts of Malabar till recently. People worked hard to be able to adhere to the social norm of reciprocating in Panampayattu and thus,

continue to be eligible members in PP networks. However, in recent years the Panampayattu system has been facing a decline in most of these areas. The 'Panampayattu Halls' built during 1990s with the sole aim of letting out for the conduct of PP, now remains unoccupied in most market places of the area. The present study has been made to analyse the reasons behind the decline of PP and make an attempt to suggest a model that would enable its revival.

**Significance of the study:** Panampayattu has been a simple system of voluntary economic co-operation that existed among ordinary villagers of Malabar. The system is most suitable for the wage earning village community who would find it a pleasure to cooperate with one another in their own social circles. The system now in decline, have delivered great benefits in the past, and is capable of becoming so in future also, if properly modified to suit the changing environment. It is in this context that the study is being made.

**Objectives of the study:** This study has been made with the aim of analysing the factors behind decline of Panampayattu in recent years.

#### **Methodology of the study**

The study uses primary data as the major basis of analysis. Primary data were collected through face to face interview using a structured interview schedule from 176 respondents selected from various parts of Kozhikode district. The mathematical tool of percentage has been enough for most of the analysis as the responses have been truly convincing. Arithmetic average has also been used where appropriate.

This paper is a part of a larger study and the first part which describes the social and economic implications of PP has already been published. As the profile of respondents has been described in the earlier paper it is not attempted here.

#### **I. Decline of Panampayattu**

Ramzan, Shaheed (2008), has reported that more than 90% of the people of the area were members in PP networks during the period of his study. But now, in spite of numerous invaluable merits Panampayattu offers, it is facing sharp decline in many parts of the area. It has become a nostalgic memory in most of the urban and suburban areas of the region. However, the researcher could find the system in practice in some rural villages of Kozhikode district. Table No.1 reveals the severity of its decline.

**Table: 1. Decline of PP among respondents**

<b>Question</b>	<b>Answer</b>	<b>Rural</b>	<b>Urban</b>	<b>Total</b>
Do you now continue PP?	Yes	49 (54%)	14 (16%)	63 (36%)
	No	41 (46%)	72 (84%)	113 (64%)
Total		90 (100%)	86 (100%)	176 (100%)

Source: Survey Data.

The table shows that only 36% (63) of the respondents remain in PP now. All the other respondents have exited from their networks due to one or other reason examined afterwards. The fall of PP has been faster in urban, semi-urban areas with 72 out of 86 (84%) reported exit as against 41 out of 90 (46%) in rural areas.

### I. 1. The reasons behind the decline of Panampayattu

The withdrawal of a participant from PP may be the result of a multiplicity of causes. In order to identify the factors behind the decline of PP, the respondents were asked to reveal the reasons for them to quit. The principal reasons pointed out are:

**Table: 2. Reasons for exiting PP networks**

Sl. No.	Reason	Frequency	Percentage	Rank
a.	Quitting by many of own clients	86	76	I
b.	Difficulty to maintain	63	56	II
c.	Bad debts and low turnover	31	27	III
d.	Fall in personal income	27	23	IV
e.	Having none to continue PP	22	19	V
f.	Having become old	18	16	VI
g.	Switching to better alternatives	09	08	VII
h.	Migration to Gulf	05	04	VIII

Source: Primary Data.

The most important reason is a general withdrawal of people from networks rendering them unattractive. This means that in recent years, quitting became a general trend as opposed to the past when it was a shame. Difficulty to maintain is ranked second. This can be particularly important as every client of one's network will have to reach the place where PP is being conducted. This may, sometimes, need considerable travel, time and expense. The third important reason is bad debts and low turnover. Low turnover is expected as it is a period of decline of PP. But, bad debts can be the result of open membership, which permits entry of people of low credit standing in to one's network. Fall in personal income and having become old can be the reasons for quitting if there is none to continue PP. Thus, most of the reasons shown can be mutually contributing and the effect of some other factors not directly revealed by respondents. Therefore, an enquiry in to the possible reasons of this general trend is made afterwards.

The respondents were asked to opine why PP has become unattractive to people in general and especially among youth. The responses are summarised in table 3.

**Table: 3. Reasons for decline of Panampayattu**

Sl. No.	Factors	Average weight	Rank
<b>I</b>	<b>Economic Factors:</b>		
1.	Availability of more convenient alternatives	4.73	I
2.	Popularity of banks	4.65	II
3.	Long maturity period of PP	4.32	III
4.	Change in means of living	3.68	IV
5.	Difficulties of daily maintenance	3.64	V
6.	Emigration of men for employment	3.52	VI
7.	Change from daily wage to salary	3.35	VII
8.	Bad debts and low turn over	3.30	VIII
9.	General economic progress	3.25	IX
10.	Lowering dependability of PP	3.19	X
11.	Decrease in agricultural income	3.07	XI
12.	Insufficiency of fund mobilised	2.61	XII
<b>II</b>	<b>Social factors</b>		
1.	Decrease in social concerns of people	4.01	I
2.	Change in structure of social relationships	3.56	II
3.	Decrease in cooperative mentality	3.41	III
4.	Inappropriate for the new generation	3.38	IV
5.	Reluctance to depend others	3.31	V
6.	Changes in values	3.25	VI
7.	Reduction in social connections	2.56	VII

Source: Survey Data.

The first three reasons viz. emergence of more convenient alternatives, spread of banks, and long maturity period of PP makes it unattractive. However, it should be noted that only 8% of the respondents cite availability of better alternatives as a reason for them to quit personally. It shows that though emergence of better alternatives is thought of as a reason for decline, the said alternatives had not been considered a true alternative by those who participated in PP. This can be because that PP addresses the needs of a segment that are kept away from banks for many reasons including the 'qualifying amount' needed for a deposit. However, emergence of better means can be a reason for the apathy of the new generation. This may prompt many elders to withdraw early out of fear of failure to reciprocate in future. Besides, PP networks exist mostly among people of similar age and social contexts, giving bigger chances for massive withdrawal. Other Reasons viz. change in means of living, difficulty of maintenance, emigration of men, are also important as they

differ in average weights only marginally. Similarly, reasons 7 to 10 are also relevant. The only reason negated is insufficiency of funds mobilised. Similarly, the most important social factor is found to be decreasing social concerns of people. Other reasons are also important. However, the reason 'reduction in social connections' is found unimportant.

A second look at the reasons cited can reveal the story of decline of PP. Economic, social and educational uplift of people in this area has contributed to decline in PP. A segment of the population whose means of living and income levels improved found PP unnecessary and difficult to maintain and withdrew from it making it unfashionable. Another segment whose means of living changed and daily wages was replaced by salary found it difficult to maintain. Educated new generation found other means of financing more convenient and easier. With changes in all fronts, social norms governing PP became weaker. Entry of people lacking financial discipline led to high rates of bad debts and made it economically unviable. Life became busier and localised social connections became thin. To sum up, thus, PP in its original form has become an idea unfit for the times in these areas.

However, the system offers several merits making it highly relevant in any community which is dependent on daily earnings. India is home for a major share of the poor in the world and majority of these people are wage earners. PP, if modified properly, can be implemented among any group of people who reside in an area for a considerable period of time.

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