

COOPERATIVE BANKS IN INDIA: OPPORTUNITIES AND CHALLENGES

Sikandar Ali*

ABSTRACT

Co-operative banks are play very fateful role in the economy of India especially for people engaged in agricultural and agriculture-based operations. Despite efforts being made by RBI to transform this all-important sector of the Indian financial system, the call for change needs to come from the co-operative banks themselves. With the young generation increasingly becoming dependant on the virtual ease of working, the brick and mortar system of banking by co-operatives need to take a positive turn. While it is a supporting hand in the financial economy, commercial banks have been increasing their presence by providing a complete support. It can be easily inferred that although the business of these commercial bank is flourishing, the consumers cannot be totally relieved of the pain that they have been facing for so long. Co-operative banks, with their improved attitude relevant to the present scenarios, can be seen as a hope like the mirage of an oasis in the desert. The Indian Rural Sector has an agricultural dominance. The engagement of majority population in farming and related activities that are seasonal in nature, leads to their occupation giving them far less returns to complete their future requirements. These Banks also contribute the major part in the India's banking and financial system. This paper will be present benefits and challenges of cooperative banks in India got much important in the Indian Economy growth and betterment of farmers and middle class families.

KEYWORDS: *Cooperative Banks, Rural and Urban Area, Benefits and Challenges.*

Introduction

The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. . Co-operative societies in their formative phase came to be organised to fulfil the needs of their members. From its origins then to today, co-operative banks have been working to mobilise savings from the middle- and low-income urban groups and purvey credit to their members - many of which belong to weaker sections. The motto of the co-operative revolution is happening for almost 110 years stands successful with the advent of co-operation theory amongst the lending and saving institutions that run the complete financial system. Initially the momentum was fixed onto self-financing and self-help institutions. The Cooperative Credit Societies Act, 1904, which was amended in 1912, to enable a broad base of non-credit societies.. The committee observed that such institutions were eminently suited to cater to the needs of the lower- and middle-income strata of society and would inculcate the principles of banking amongst the middle classes. The committee also felt that the urban cooperative credit movement was more viable than agricultural credit societies. The recommendations of the Committee went a long way in establishing the urban cooperative credit movement

Cooperative banks are often created by person belonging to the people with small means to protect them from the debt trap of the money lender and Cooperative banks. The Government should also provide exemption of relief if any person invested the surplus amount in the deposit in urban cooperative banks. RBI should identify the places without bank facilities and help the people in those

* Research Scholar, Department of EAFM, University of Rajasthan, Jaipur, Rajasthan, India.

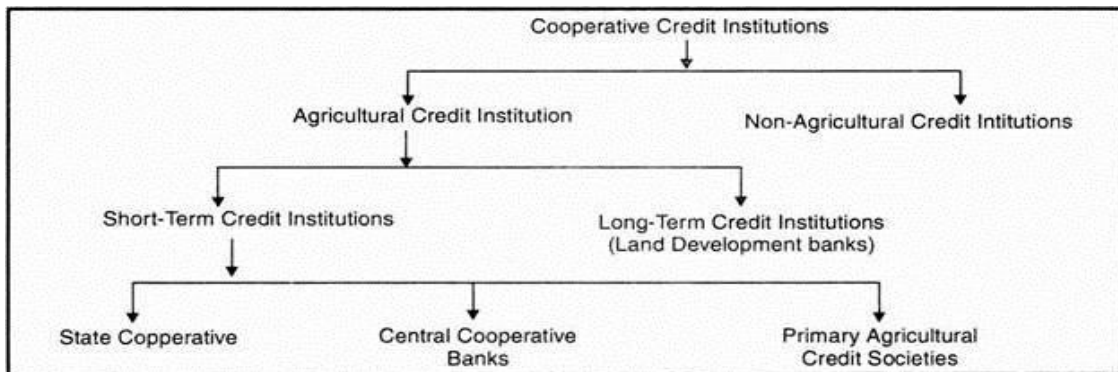
places to have a branch. Semi-urban and rural area customers must be educated periodically by banks to realize the importance of savings habit in the form of deposits. The successful credit operations can be achieved with the cooperation of the customers. Transparently express the availability of the loans and documents demanded. This would help the customers to avail the loans without any procedural delays.

History of Cooperative Bank in India

- Indian co-operative structures are one of the largest co-operative banking networks in the world with more than 200 million members. It has about 67% penetration in villages and fund 46% of the total rural credit. It also stands for 36% of the total distribution of rural fertilizers and 28% of rural fair price shops.¹
- Cooperative banks in India play an important role in rural financing. Even the activity of co-operative banks in urban areas has increased phenomenally in recent years due to the sharp rise in the number of popular co-operative banks.
- But this clearly doesn't make the zero global reach of the Indian co-operatives being overlooked. Indian co-operatives still need to upgrade themselves and mark themselves upon a formidable and admirable position rather than sulking over petty politics that has been a co-operative concern for over 4 decades now.

Cooperative movement in India was started primarily for dealing with the problem of rural credit. The history of Indian cooperative banking started with the passing of Cooperative Societies Act in 1904. The objective of this Act was to establish cooperative credit societies "to encourage thrift, self-help and cooperation among agriculturists, artisans and persons of limited means."

Structure of Cooperative Banking:



Functions and Services

The functions of a co-operative bank are same as that of a commercial bank, but in small size. They accept deposits, give loans, provide cheque and insurance services, allow savings account RD, FD, term deposits facilities. They also provide secured loans. But they mainly serve small enterprises, salaried and self-employed people. On a general note though, there are many modern financial facilities that rural co-operatives don't provide. Yet, they assure the society of being non-ambiguous when it comes to the financial help.

Co-operative Banks in India Fund Rural Areas under

- Agriculture
- Livestock
- Dairy

The Indian Financial System is largely dependent on banking institutions, and a co-operative bank plays a vital role especially at the village level. They play an imperative role in running the economy of the country alongside the commercial banks. While commercial banks focus in their profit motive, co-operative banks provide encouragement to the scrawny and highly neglected society of the economy. This doesn't stop here. Co-operatives also help other co-operatives as well as the richer section of the society. The affairs of the bank are conducted in a manner beneficial to the interest of its present and future depositors and be served to the designed market segment. The market segments, although highly classified as the industrialists of small or no capital, also includes the salaried section keen on creating savings and fixed accounts.

- Nursery
- Self-employed industries
- Handicrafts
- Personal finance

Cooperative Banks in India Finance Urban Areas by Virtue of

- Self-financed industries
- Small-scale units
- Home finance
- Consumer finance
- Personal finance
- Vehicle finance
- Educational finance

Challenges Faced by Cooperative Banks

The cooperative banks are facing severe challenges which have restricted their ability to ensure smooth flow of credit, Limited ability to mobilize resources, Low Level of recovery, High transaction of cost, Administered rate of interest structure for a long time. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones. The Government should also provide exemption of relief if any person invested the surplus amount in the deposit in urban cooperative banks. RBI should identify the places without bank facilities and help the people in those places to have a branch of urban cooperative banks. Semi-urban and rural area customers must be educated periodically by the urban cooperative banks to realize the importance of savings habit in the form of deposits. The successful credit operations can be achieved with the cooperation of the customers. The urban cooperative banks should transparently express the availability of the loans and documents demanded. This would help the customers to avail the loans without any procedural delays.

Review of Literature

Gagan Bihari Sahu and Biswaroop Das, in their study in the period 2007-09, titled, "Self-help Co-operatives, Deposit Mobilization and Supply of Credit", aimed at exploring as to how co-operatives (a) function and deal with members while delivering micro finance; (b) mobilize funds, and (iii) get shaped and reshape the contents of members participation. They extracted raw data of various co-operatives and self-help groups to analyse their results and give a base to their study.

"Report of the Expert Committee on Licensing New Urban Co-operative Banks", submitted to Dr D Subbarao, Governor (2011), RBI, by YH Mangalam, reviewed the role and performance of the UCBs over the decade, and the need of organizing new UCBs in the existing legal framework. It studies the need of licensing UCBs, both existing and new and financially sound or unsound. It also studied the need of umbrella organization.

Jyoti Gupta and Suman Jain (2012) in their study titled "A study on Cooperative Banks in India with special reference to Lending Practices" studied the Cooperative banks of India, while paying attention to their lending practices in general. The study was of a descriptive type, with a lot of reliance upon secondary data collected by authors. They found that majority of the loans were house loans, and a 64% of the respondents for the survey conducted for the study preferred to take a long-term loan, mostly longer than 3 years.

Objectives of the Research

- To study the benefits of Cooperative Bank.
- To identify challenges faced by the Cooperative Bank.
- To suggest techniques adopted by the Co-operative Bank.

Research Methodology

This paper is theoretical based on the extensive research. Secondary data includes data collected from various sources, published as well as unpublished research work, books, magazines, government reports, brochures, journals, periodicals, research papers presented in various conferences, internet websites etc. So, extensive Literature Survey was conducted to collect secondary data for the identification.

Conclusion

The Co-operative bank is just another business model and not by definition the key to success. The success of all banks, including mature co-operative banks, is ultimately determined by the level of customer, which is in turn influenced by many variables, including the quality and prices of products and services, innovative capacity, the perceived corporate social responsibility and employee attitude, knowledge and competences. For co-operative bank, tangible and intangible advantages of membership are an additional factor. The success of current mature co-operative banks can be explained by their evolving comparative advantages as well as their capability to react to and/or anticipate changes in the external environment. Co-operative Bank play pivotal role in the rural and urban banking system yet failure/bankruptcy of these banks raise many doubts about their viability and sustenance. The results reveal that banks performed better on one parameter but weaken on other which led to dwindling situation.

References

- ⇒ Alamelu and Devamohan (2014), "Efficiency of Commercial Banks in India", Professional Banker,(Jan.) ICAI University Press, Hyderabad.
- ⇒ Bagchi (2006), "Agriculture and Rural Development are Synonymous in Reality: Suggested Role of CAs in Accelerating Process", The Chartered Accountant, Journal of Institute of Chartered Accountants of India, Vol. 54, No.08 (Feb.), New Delhi.
- ⇒ Balister Singh; and Vishwajit 2014), "A Paper of Overdues of Loans in Agriculture", Indian Co-operative Review (April), New Delhi.
- ⇒ Bhatia, R.C. (2008), Banking Structure and Performance– A Case Paper of the Indian Banking System, An un published Ph.D. Thesis submitted to West Virginia University.
- ⇒ Carlos, Pestana Barros; Nicolas, Peypoch; and Jonathan, Williams (2005), "Productivity Changes in European Co-operative Banks", Journal of Economic Literature, 2005 Classification G-21 and D-24, IDEAS.
- ⇒ Chander and Chandel (2010) analyzed the financial efficiency and viability of HARCO Bank and found poor performance of the bank on capital adequacy, liquidity, earning quality and the management efficiency parameters.
- ⇒ Chopra, Kiran (2015), Managing Profits, Profitability and Productivity in Public Sector Banking, ABS Publications, Jalandhar.
- ⇒ Das, Debabrata (2012), "A Paper on the Repayment Behaviour of Sample Borrowers of Arunachal Pradesh State Co-operative Apex Bank Limited", Indian Cooperative Review, Vol. XXX No.2 (Oct.), New Delhi.
- ⇒ Das, M.R. (2007), Productivity in Nationalised Banks, A Paper Presented in Bank Economists Conference, IBA- Bulletin (Oct.), Mumbai.
- ⇒ Debasish Sathya Swaroop (2003), "Prime Discriminates of Profitability in the Indian Commercial Banks", Prajnan, Vol. XXXI, No.4 (Jan.-June), NIBM, Pune.
- ⇒ Deolalkar (2009), "The Indian Banking Sector on Road to Progress", www.abd.org , www.scribd.com accessed on 07.03.09.
- ⇒ Devadas, Bhorali (2011), Co-operative Banking and Economic Development, Deep & Deep Publications, Delhi.
- ⇒ Dhanappa (2009), "Performance Evaluation of UCBs: A Case Paper of Kallappanna Awadelchakaranji Janata Sahakari Bank Ltd., Ichalkaranji", Indian Cooperative Review, Vol- XXXVII, No-2, (Oct.), NCUI – New Delhi.

