



ROLE OF CO-OPERATIVE BANKS IN INDIA

Shafeek S.

**Head & Asst Professor in Commerce, Ideal College of Arts and Science,
Cherpulassery, Palakkad, Kerala.**

ABSTRACT

Now a day the role of co-operative banks has been increasing significantly. The term co-operation is derived from Latin word 'co operari' implies working together. It is a vast movement which promotes the voluntary association of individuals. The main motto of co-operation is self-help and mutual help. The co-operative banks origin can be drawn out in the 1904 when the efforts are made to open financial concerns based on cooperation's principles for solving the peculiar problems of Indian Economic Environment. The rural areas imposing a major stress on the working of co-operative banks. The rural area requires funds for two reasons viz. Working capital through short terms needs and agriculture and other bearing activities through long run requirements. The agricultural and other than agricultural processes in the rural areas is typically seasonal. The households required credit to work seasonal activities in earning and expenditure. A co-operative movement plays a major role in development of social and economic environment in India. But Govt. of India has not provided a good support to the cooperatives due to which many problems has been faced by them.



KEY WORDS: Co-Operative Banks, Reforms, Self-Help, Mutual Help.

INTRODUCTION

Co-operation as a form of organisation for doing business is having only two centuries of age. It was during the second half of the 19th century. Co-operative business organisation exactly started for protecting and helping the common people or under privileged people who were denied even primary facilities of life by the rich or capitalist. The type and methods of co-operation accepted and followed by the people in different centuries was suited to their needs. The consumer co-operative movement in England, credit co-operative movement in Germany, Diary co-operative movement Denmark, labour co-operative movement in Italy, collective farming co-operative movement in Israel and USSR, industrial co-operative in China, marketing co-operative in USA and fisheries and forestry co-operatives in Japan are a few examples of the above.

Co-operative movement in India is called an official movement, rather than a spontaneous democratic movement. The socio economic condition prevailed during the last decades of last century and first half of this century compelled them to introduce this movement in India. Due to the high density of population in land and resultant fragmentation and sub division, absentee landlordism, primitive method of cultivation, low productivity, absence of alternative source of employment etc. immersed the farming community in India in to indebtedness and poverty. There was no institutional agency to provide credit to agriculturists; as a result they depended for credit on usurious money lenders. The money lenders of India are rightly compared with the rope which supports the hanging man in hanging. The difficulty of the farmers led them to revolt not only against the money lenders but also against the authorities. It was at this time British Govt revoke and came forward with some measures of relief of common people especially the

farmers. Deccan agricultural relief act of 1879, the land improvement loans act of 1883 and agricultural loans act of 1884 were a few examples of these measures. Fredric Nicholson report and 1904, 1912 acts are the milestone in the history of co-operative movement.

The overview form and pattern of working in general can be observed through the following points.

- Co-operative banks serving to both smaller and marginal clients.
- There were 102 Saving Accounts and 113 Cooperative banks per 1000 rural members in India for the year 2009.
- The share of rural co-operatives in the total institutional credit was 62%, 34% and 53% in the year 1992-93, 2002-03 and 2006-07 respectively.
- The co-operative banks are having effective network for institutional credit in India especially rural parts of India.
- Large parts of working area for the co-operative banks were in the rural parts.
- The co-operative banks comprise 14% of the total banking sector assets which is the second segment of Indian Banking System.
- The figures of PACs in rural areas in 2009 were 97224 while commercial banks were having 30393 branches.
- The financial health of the co-operative credit institutions, especially in rural area co-operatives has been proving to be unsmart by different committees.

Besides the different figures and facts the characteristics of the co-operative bank are:

1. The main theme is serving i.e. no profit or no loss.
2. They are based on the principles of cooperation, self-help and mutual help
3. The co-operative banks are the first govt. sponsored, supported and subsidized financial agency in India.
4. The co-operative banks were having a three tier linkage structure and straight line integration.
5. These are small scale banking and the average size of these banks is quite small.
6. They are subject to Monetary policy control and earlier their regulations were controlled by RBI. But now their control has been mostly deregulated.
7. The borrowings are made by them through RBI, NABARD and other APEX Institutions.
8. They are featured by functional organizations.

Hypothesis

- The roles of co-operative banks have manifold impact on the social and economic development of India.

Objectives

- To study the progress of co-operative banks.
- To identify the problem faced by co-operative banks.

Importance

Co-operative banks in India have become an integral part of the success of Indian financial inclusion story. They have achieved many landmarks since their creation and have helped a normal rural Indian to feel empowered and secure.

Overall development of our country depends on structural and sectorial development. This is impossible without the improvement of agriculture. In the sense that already the industrial and service sector development has been established. For promoting agriculture, co-operative banks provide a lot of credit facilities to them.

Research Methodology

The secondary data is playing the major role in the study which is collected through various Newspapers, Journals, Souvenir, Internet and Books. The study is confined to overall co-operative banking sectors. There is no such statistical tools are used.

Data Analysis

According to the preamble the objectives were to encourage thrift, self-help and co-operation among agriculturists, artisans and person of limited means.

India co-operative structures are one of the largest such networks in the world with more than 200 million members. It has about 67% penetration in villages and fund 46%of the rural credit. It also stands for 36%of the total distribution of rural fertilizers and 28%of rural fair price shops.

Problems faced by Co-operative Banks

1. The vital link in cooperative finance system i.e. cooperative banks itself remains very poor. They are too small to operate property and some of them are existing only on the paper.
2. The NPAs of the cooperative banks are higher than those of commercial banks in NPAs to asset ratios.
3. They are performing the unethical practices by the bodies of chairman.
4. They are largely depends upon govt. capital than the shareholders contributions.
5. The workers participation in the working is much lesser than expected.
6. They are facing infrastructural weakness and structural laws. They do not have potentials in members, deposits and borrowers.
7. Cooperative banks till now have to depend heavily on refinancing facilities from the govt., RBI and NABARD. They are not able to become self-reliant through their own resources of deposits.
9. They are facing from harmfully low or weak quality of loan assets and from highly bad recovery of loans.
10. They are having much political and official intervention in their work.
11. Different regulations have been put on them besides that they are weak in their working. In fact the existence of multiple regulatory authorities has come in the way of effective regulations, control and monitoring of cooperative banks.
12. The areas of operation of the cooperative banks are restricted and limited. 12. They are not having the modern practices of banking in there working viz. net banking, mobile banking, online banking, e-banking, ATM banking and all other modern banking practices. Due to which they have been eliminated and remained back foot in the modern era of marketing.

CONCLUSION

As per this study, it reveals the social and economic development has happened with the role of co-operative banks too.

It seems that cooperative banks are playing a vital role in the progress of the economic and social wellbeing. Besides that they have to face number of problems. In other words the suggestions of Khusro Committee co-operative banks should work as a total system and develop self-reliance. The higher authorities of the banking should help the lower authorities in the way of mother institutions. They should provide authority, leadership, guidance, supervision and control. There should be mutual support, help, accountability and responsibility in the system so that there should be a good and effective relationship between there tiers. The deposit mobilization profit and reserves should be commonly shared. In fact the self-reliance is the main theme of progress of cooperatives deposit mobilization. The mobilization of small savings from large number of peoples as possible is the desired strategy for deposit mobilization which is the key of success for cooperative banks. The modern practices should be co aided with some institutions for remained alive in the modern era. The computerization and improper leadership should be eliminated. They should improve themselves through the principles of cooperation.

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