



CO- OPERATIVE BANKS IN KARNATAKA STATE : A THEORETICAL VIEW

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ABSTRACT

Co-operative banks are the banks whose main objective is to provide financial assistance to economically weaker sections of the society. Cooperative banks differ from other bank by their organization, their objectives, their values and their governance. They are often regulated under both banking and cooperative legislation. They provide services such as savings and loans to non-members as well as to members. Indeed, even the movement of agreeable banks in urban regions has expanded incredibly as of late because of the sharp ascent in the quantity of mainstream helpful banks. Cooperative banks extend all types of credit lines to customers in cash as well as in kind, to anticipate consumer loans, extend banking services in rural areas, mobilize deposits, control the use of loans, etc.

KEYWORDS: Co-operative, Regulations, members, Banking Services.

INTRODUCTION

The cooperation, which means living, thinking and working together to achieve a common goal through co-operative principles, envisages a group of persons with one or more common economic needs, voluntarily agreeing to pool their resources both human and material and use them for mutual benefit, through an organization managed by the group itself in democratic lines. Subsequently, any organization formed by a group of persons to work together to accomplish the objectives for which it is formed through the co-operative principles is called a co-operative society.

A co-agent bank is a monetary substance which has a place with its individuals, who are in the meantime the proprietors and the clients of their bank. They are regularly made by people having a place with a similar neighborhood or expert network of sharing a typical intrigue. Co-agent banks by and large furnish their individuals with an extensive variety of keeping money and budgetary administrations (advances, stores, managing an account accounts, and so on.)

Generally agreeable development is accepted to have begun with the arrangement of Fenwick weavers' purchaser helpful in 1769 in Iyreshore Scotland. The movement then travelled around world gaining momentum thus becoming visible in social, cultural and economic sectors. In India, Cooperative movement is almost century old because it was in 1904 when first law, regulating the working of cooperative societies, was promulgated by British India Government. The first society registered, under this law, was in Kanjipoorum now in Tamil Nadu. Afterwards the registration of cooperative societies helped in institutionalizing of lending through banking institutions formed on the basis of principle of cooperation hence giving to birth one of the largest banking structures in India having base as primary credit societies, in middle the District Cooperative Banks and Apex as Central Cooperative Banks. This banking structure is vast

network spread in all geographical areas of India carrying the banking operations for a vast population segmented in communities or geographical areas.

OBJECTIVES OF THE STUDY:

1. To analyses the features of Co-operative banks.
2. To describe the Types and functions of Co-operative Banks in Karnataka State.
3. To identify the Problems faced by Co-operative Banks.

STATEMENT OF THE PROBLEM

Several Committees and Commissions as a part of improving the economy of rural sector were constituted to examine the working of cooperative banks with sound business operations including financial performance by evolving various means continuously as well as innovative thoughts to achieve the economic viability as well as commercial feasibility. For rural people those possess technical skill and entrepreneurial talent, credit is by no means a substitute, but, naturally, fall short of their owned funds to investment for the current operations of economy. But for this reason, a conspicuous need of credit arises; which ought to be met by the cooperative banks and give a fillip to rural economy.

METHODOLOGY OF THE STUDY

The study is based on Secondary Sources of data. It includes available published literatures such as books, journals, newspapers and relevant government websites. The study tries to look at the extent of Co-Operative Banks in India.

Limitations of the Study:

1. The paper concentrates only on Co-Operative banks in India special reference to Karnataka state.
2. The data is based on secondary sources.
3. The study is only about the functions and prospects of cooperative banks.

Review of Literature:

Jyoti Gupta and Suman Jain(2012)

A study on Cooperative Banks in India with special reference to Lending Practices.

They analyse the lending practices of cooperative banks in India and measured and compare the efficiency of Co-operative Banks of India.

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.

Dutta and Basak (2008) suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Campbell (2007) focused on the relationship between nonperforming loans (NPLs) and bank failure and argued for an effective bank insolvency law for the prevention and control of NPLs for developing and transitional economies as these have been suffering severe problems due to NPLs.

Features of Co-Operative Banks:

1.Customer-Owned Entities:In a co-operative bank, the needs of the customers meet the needs of owners, as co-operative bank members are both customer and owner. The aim of the co-operative bank is not to maximize the profit but to provide the best possible products and services to its members. Some co-agent banks just work with their individuals however the vast majority of them likewise concede non-part customers to profit by their keeping money and financial services.

2. Majority rule Member Control: Co-agent banks are claimed and controlled by the individuals, who equitably choose the leading group of the executives. Individuals as a rule have break even with casting a ballot rights, as indicated by the co-agent standard of "one individual, one vote".

3. Profit Allocation: A noteworthy piece of the yearly benefit is normally designated to saves. A part of this profit will be distributed to the members in the form of dividend.

Other Features:

- Co-operative banks are registered under the cooperative society's law of the state in which it is founded.
- They serve the needs of the rural and the agricultural sectors
- They provide short-term and medium-term credit to the members.

Types & Function of Co-operative Banks:

cooperative Banks can be categorized under three headings.

1. Urban cooperative Banks (UCBs)
2. Rural cooperative Banks (RCBs)
3. Multi state cooperative Banks (MSCBs)

These Banks have a dual regulatory control of State Government through registrar of cooperatives (ROC) and Reserve Bank of India. The ROC regulates the Management affairs while as the RBI supervises the regulation with regard to banking operations. according report published by RBI a continuing concern has been expressed on working of cooperative institutions. The report speaks them of being often plagued by financial health conditions. It also reports that following consolidation by UCBs the size of their balance sheets has increased while their number has reduced to 1574 as on 2015-16 from 1579 as on 2016-17. Further reports confirm that the profitability had come under serious stress because of deteriorating asset quality in line with other players in the segment. However to improve upon the working RBI launched some steps which included issuing of license to unlicensed banks and a financial assistance programme in 2016 to help the UCBs intending to shift over to centralized banking solutions. Again the reports by RBI declare that number of rural cooperative institutions has come down from 94718 in 2013-14 to 93913 in 2015-16 which includes State Central Cooperative Banks (SCCBs), District Central Cooperative Banks (DCCBs) and primary agricultural cooperative societies (PACs). These institutions observed a slowdown in their growth however experiencing a sharp increase in their operating expenditure.

Co-operative societies in karnataka as on 31-03-2017

Sl No.	Types	Working	Defunct	Liquidation	Total
1	Multi State Cooperative Societies	16	-	-	16
2	State level Cooperative Federations	35	-	3	38
3	District central Cooperative Banks	21	-	-	21
4	Primary Co-operative Agricultural and Rural Development Bank Ltd.,(PCARDB)	176	-	2	178
5	Primary Agriculture Co-operative Societies (PACS)	5265	26	162	5453
6	Large Size Adivasi Multi-Purpose Cooperative Societies (LAMPS)	25	-	-	25
7	Sericulture growers Cooperative Societies	27	4	11	42
8	Sahakari Grain Banks	92	1	12	105
9	Urban Cooperative Banks	247	-	41	288
10	Other Credit Cooperative Societies	2719	150	207	3076
11	Employers Credit Cooperative Societies	1048	50	108	1206
12	Taluka Agriculture Primary Cooperative Marketing Societies(TAPCMS)	180	-	8	188
13	Other Marketing Cooperative Societies	86	6	18	110
14	Cooperative Sugar Factories	25	2	10	37
15	Processing Cooperative Societies	119	10	27	156
16	Cooperative Spinning Mills	11	-	6	17
17	Oilseed Growers Cooperative Societies	221	41	67	329
18	Livestock Cooperative Societies	470	32	69	571
19	Milk Producers Cooperative Societies	14279	341	653	15273
20	Cooperative Milk unions	14	-	2	16
21	Joint farming Cooperative Societies	41	15	110	166
22	Lift Irrigation Cooperative Societies	75	11	35	121
23	Water Users Cooperative Societies	2837	265	42	3144
24	Fisheries Cooperative Societies	569	16	48	633
25	Weavers Cooperative Societies	620	74	152	846
26	Other Industrial Cooperative Societies	192	37	122	351
27	Industrial Cooperative Societies	258	57	261	576
28	Consumer Cooperative Societies	1122	61	160	1343
29	Central Co-operative Whole sale Stores	29	1	12	42
30	Housing Cooperative Societies	1266	126	343	1735
31	Forest Labour Cooperative Societies	18	4	17	39
32	Labour Cooperative Societies	78	21	56	155
33	District Cooperative Union	42	-	3	45
34	District Cooperative Federation	7	-	-	7
35	Multi-purpose Cooperative Societies	2032	180	162	2374
36	Student Consumer Cooperative Societies	107	4	10	121
37	Barber Cooperative Societies	68	-	9	77
38	Women Multi-purpose Cooperative Societies	1053	150	258	1461
39	Garibi Hatavo Cooperative Societies	32	-	7	39
40	Tailor Cooperative Societies	11	6	15	32
41	Leather Cooperative Societies	19	8	24	51
42	Tree Planters Cooperative Societies	9	-	12	21
43	Hand Pounding Cooperative Societies	1	-	5	6
44	Washer men Cooperative Societies	5	-	3	8
45	Electricity Cooperative Societies	10	2	-	12
46	Transport Cooperative Societies	8	1	6	15
47	Co-operative Hospitals	7	3	3	13
48	Co-operative Printing press	14	6	5	25
49	Wool weavers Cooperative Societies	261	12	27	300
50	Other Cooperative Societies	370	43	94	507
	Total	36237	1766	3407	41410

Problems of co-operative Banks :**1.Non-accountability:**

The government has given many benefits to co-operatives like reservation of items extra benefits like finance facilities so also it was also provided with other support this was a good thing to do, but then there was no further accountability which led to these cooperatives becoming more and more lethargic.

2.Vested interest of some people:

A lot of times people who are in position in control of cooperatives are actually people who have joined cooperatives for personal gains. One of the major problems this causes is conflicting of personal interests with the interest of the cooperatives now this affects the performance of the cooperatives in a negative way.

3.Lack of coordination:

Generally what happens in cooperatives is that different cooperatives at different level don't coordinate this makes the work of cooperatives difficult. Coordination is the key to success of any organization. The best example for this is AMUL which works best because of co-ordination.

5.Quality more than Quantity:

This is another major problem faced by different cooperatives who go in for quantity this causes a major problem because they think it's a quick way to earn money so this basically affects the productivity.

- 6.The NPAs of the cooperative banks are higher than those of commercial banks in NPAs to asset ratios.
- 7.They are largely depends upon government capital than the shareholders contributions.
- 8.The workers participation in the working is much lesser than expected.
- 9.They are facing infrastructural weakness and structural laws. They do not have potentials in members, deposits and borrowers.
10. Cooperative banks till now have to depend heavily on refinancing facilities from the govt., RBI and NABARD.
11. Modern banking facilities viz. net banking, mobile banking, online banking, e-banking, are not provided.

FINDINGS:

- 1.The co-operative banks in India play an important role even today in rural financing.
2. The organizations of co-agent banks in the urban territories likewise have expanded extraordinarily as of late because of the sharp increment in the quantity of essential co-agent banks.
3. The co-operative banks are expected to perform some duties, namely, extend all types of credit facilities to customers in cash and kind, advance consumption loans, extend banking facilities in rural areas, mobilize deposits, supervise the use of loans etc.
4. Co-agent banks in India back rustic territories under – Farming, Cattle, Milk and Personal Finance and so forth.
- 5.Co-agent banks in India back urban regions under: Self-business, ventures, Small Scale units, Home fund, Consumer Finance and Personal Finance and so on.
6. Urban cooperative banks are community controlled having poor management and lack of supervisory controls.
7. Rural cooperative banks need multipronged strategy like recapitalization and augmentation of human capital by upgradation of skills alongwith close monitoring to enforce supervisory control regulations.

CONCLUSION:

Customers want to open an account, deposit money, pay money to meet any of their needs anywhere, withdraw money, take a loan, and open a letter of credit. They do not distinguish between a cooperative and a commercial bank when it comes to meeting their own needs. Hence, cooperative institutions need to embrace technologies of a superior order such as artificial intelligence, and predictive analytics and put in place the necessary discretions at different tiers. This requires capital of a huge order.

They can improve the bottom lines through reduced costs, enhance customer experience and strengthen security and compliance through state-of-the-art encryption practices, audit trails and security certifications. Customers always need their data to be safe and secure.

The cooperative banks can be revitalized and made to be adynamic instrument of rural credit and rural development, their viability must be sure das more and more self-reliant, and make them function as efficient business units discharging their primary functions which were informed with sense of social purpose based on the fundamental principles of cooperation rather strategic initiative and direction. In addition to a cooperative friendly approach, the market friendly approach in the scenario of cooperative organization to-day will go a long way in rescuing the credit cooperatives from the clutches of the State and also the rural power structure.

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