



REVIEW ARTICLE

PROBLEMS AND PERSPECTIVES OF CO-OPERATIVE BANKS AND IN INDIAN ECONOMY

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ABSTRACT

Co-operative banks are contributing the constituent part in the India's banking and financial system. The role of cooperatives in urban areas has been increased in a sufficient part now a days due to increase of primary co-operatives there but their main role of financing the rural areas is also goes on increasing. 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 are imposing the main effect on the 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. Thus, an attempt has been made to elaborate the problems and the relative perspective of co-operative banks in the Indian Economy.

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INTRODUCTION

Co-operative banks are the organs of the cooperation institutions, which are very powerful, and most emerged part of Indian Developing Process, the institutions were engaged in the production, processing, distribution, servicing, banking, and marketing processes. In rural parts of India even today the required capital or funds for agricultural activities were raised through unorganized money market agencies i.e. money lenders who were providing moneys at higher rate of interest. The co-operative banks has been moved towards rural areas for overcoming such problems and providing the capital required through short term and long terms borrowings at a reasonable rate of interest. Due to this effort of co-operative banks an attempt was made to bring about unity unorganized and organized parts of the Indian Financial Market. 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 are comprising 14% of the total banking sector assets which is the second segment of Indian Banking System.
- The figures of Primary Agricultural Co-operative Societies 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 unsmarts 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.

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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 RBI controlled their regulations. 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.

Objectives of the study

1. To draw out the problems, difficulties and suggest remedies.
2. To generalize and view the introduction and progress of co-operative sector specially banking.
3. To elaborate the growth and development of cooperative banks.

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.

Hypothesis

1. The co-operative banks are having a full support from the government.
2. The overall progress of the co-operative banks is sufficient.
3. There are lots of problems, which are under control.

Limitations

1. The study is limited up to cooperative banking sector only.
2. The study is only about the problems and prospects of cooperative banks.
3. The study is limited up to restricted area.

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 properly and some of them are existing only on the paper.
2. The Non-Performing Assets of the cooperative banks are higher than those of commercial banks in Non-Performing Assets 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.
8. They are facing from harmfully low or weak quality of loan assets and from highly bad recovery of loans.
9. They are having much political and official intervention in their work. Besides that govt. interventions also coming in their way of progress and preventing them to become self-reliant. Large of the banks are governed or directed by Politicians.
10. 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.
11. 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

It seems that cooperative banks are playing a vital role in the progress of the rural areas. Besides that, they have to face number of problems. In other words, the suggestions of Khusro Committee that cooperative 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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