



Study on Problems and Issues faced by Co-operative Banks in Indian Economy

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Abstract: *Co-operative banks play an important role in the economy of India. These Banks also contribute the major part in the India's banking and financial system. The role of cooperatives banks in Rural and Urban areas has been increased in a ample part nowadays because of increase of primary co-operatives and there main role of financing both rural and urban area is increasing day by day. 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 irregular problems of Indian Economic. The rural areas 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 necessities. The agricultural and other than agricultural processes in the rural areas is typically seasonal. The households required credit to work seasonal activities in generating revenue and spending of it. A co-operative movement plays a vital role in development of society and economic environment of the country. But Govt. of India has not provided a good support to the cooperatives due to which several issues and problems have been faced by them. Thus an attempt has been made to complex the problems and the relative perspective of co-operative banks in the Indian Economy.*

Keywords: *Co-operative Banks, Indian, Economy, Society, Govt. Banking, Financial*

I. INTRODUCTION

Co-operative banks are the body parts of the cooperation entities which are so much powerful and most emerged part of Indian Developing Process, the institutions were engaged in the production, processing, distribution, servicing, banking and marketing processes etc. In rural parts of India even today the required capital or funds for agricultural activities were increased through unorganized money market agencies which are moneylenders who were providing moneys at higher rate of interest. The co-operative banks has been moved towards rural areas for defeating such issues and problems and providing the capital required through short term and long terms borrowings at a lower rate of interest. Due to this effort of co-operative banks an effort 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 are serving to both smaller and marginal clients of the country.
- There were 105 Saving Accounts and 131 Cooperative banks per 1000 rural members in India for the year 2013.
- 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 net work for institutional credit in India especially in rural parts of India.
- Most of the cooperative banks are operating in the rural part of India
- The co-operative banks comprise approximately 16% of the total banking sector assets which is the second segment of Indian Banking System.
- The figures of PACs in rural areas in 2010 were 97274 while commercial banks were having 30405 branches.
- The financial health of the co-operative credit institutions, especially in rural area co-operatives has been proving to be unsmart by various committees.

II. FEATURES OF CO-OPERATIVE BANKS

- Besides the different figures and facts the characteristics of the co-operative bank are –
- The main features of Cooperative are serving i.e. no profit or no loss.
- These cooperative banks are based on the principles of cooperation, self help and mutual help



- The co-operative banks are the first govt. sponsored, supported and subsidized financial institutions in India.
- The co-operative banks were having a three tier linkage structure and straight line integration.
- These are small scale banking and the average size of these banks is quite small.
- They are subject to Monetary policy control and earlier their regulations were controlled by RBI. But now their most of the control has been deregulated.
- The borrowings are made by them through RBI, NABARD and other APEX Institutions.

III. OBJECTIVES OF THE STUDY

This research study is done with the following objectives:

- To study the issues and problems faced by Cooperative banks and give suitable suggestions to overcome the same.
- To provide view of recent cooperative sectors, especially banking sector.
- To elaborate growth and development of cooperative banks in Indian Economy.

IV. RESEARCH METHODOLOGY

To undertake the study the author has used secondary data through various sources. The researcher has used newspaper, Journal, internet and books to obtain relevant data for the study.

V. LIMITATIONS OF THE STUDY

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

VI. PROBLEMS AND ISSUES FACED BY COOPERATIVE BANKS

- The vital link in cooperative finance system of the country 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.
- The NPAs of the cooperative banks are higher than those of commercial banks in NPAs to asset ratios.
- They are sometime performing the unethical practices by the bodies of chairman.
- They are mostly depends upon govt. capital than the shareholders contributions.
- The employees' participation in the working is much lesser than expected.
- They are facing infrastructural problems and structural laws. They do not have potentials in members, deposits and borrowers.
- 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.
- They are facing from harmfully low or weak quality of loan assets and from highly bad recovery of loans.
- 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.
- 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.
- The areas of operation of the cooperative banks are restricted and limited to particular region.
- They are not having the modern practices of banking in their working which are 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.



VII. CONCLUSION

From the study it is observed that cooperative banks are playing an important role in the progress of rural India. 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 cooperatives. They should provide authority, leadership, guidance, supervision and control to the lower authority. There should be mutual support, help, accountability and responsibility in the system so that there should be a good and effective relationship between these 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 abolished. They should improve themselves through the principles of cooperation for its development.

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