

A CRITICAL REVIEW ON CO-OPERATIVE BANKS IN INDIA

Manoj Kumar

Assistant Professor

Department of Commerce

Guru Dronacharya Girls College, Mandi Adampur

Email id:manojmehta21@gmail.com , Mob. 9466472706

Abstract

Cooperatives, credit cooperatives in particular, are an integral part of the Indian rural economy. They are having far reaching direct and indirect impacts on agricultural growth and rural development. In the changing scenario characterized by globalization, structural adjustment programmers, transition from a centrally planned to a market oriented economy, processes of democratization and decentralization, agricultural industrialization and rural out-migration, cooperative are facing new challenge. But they must succeed and have to be resilient to weather the transition. They need to reevaluate and reinvent themselves, adapt to the changing paradigm and reestablish their relevance as effective rural institutions. This paper reviews the evolution of cooperative movement, examines its role and problems, and highlights its potential to adjust to the new perspectives in the context of Haryana India. It concludes with some policy suggestions reposing great hope on the cooperative sector.

Keywords- Cooperatives, Agricultural, Industries, Rural, Development

Introductions

Co-operative bank forms an integral part of banking system in India. This bank operates mainly for the benefit of rural area, particularly the agricultural sector. Co-operative bank mobilize deposits and supply agricultural and rural credit with the wider outreach. They are the main source for the institutional credit to farmers. They are chiefly responsible for breaking the monopoly of moneylenders in providing credit to agriculturists. Co-operative bank has also been an important instrument for various development schemes, particularly subsidy-based programmers for the poor. Co-operative banks operate for non-agricultural sector also but their role is small.

Though much smaller as compared to scheduled commercial banks, co-operative banks constitute an important segment of the Indian banking system. They have extensive branch network and reach out to people in remote areas. They have traditionally played an important role in creating banking habits among the lower and middle income groups and in strengthening the rural credit delivery system.

Cooperative Movement in India:

An Overview A cooperative is a voluntary autonomous association of people designed to meet their common economic, social and cultural needs through a jointly owned and democratically managed organization. Cooperative movement can be defined as a voluntary movement of people to carry out a given economic activity through a democratically controlled enterprise by pooling together their resources with the purpose of securing certain benefits to the members and promoting certain values such as mutual help, self reliance, self management and general good for all.

The Seven Driving Principles. A cooperative is guided by seven driving principles which are central to their formation, organization and activities.

They are the following

Voluntary and Open Membership. A cooperative must justify its existence to the people. Those who feel that they will benefit by it will join and those who feel they will not benefit will stay away. This means that people enjoy entry and exit options.

Democratic Member Control A cooperative is managed and controlled democratically by members' representatives elected on the one member one vote principle. Commitment and participation in decision making process are ensured by this principle.

Economic Participation Member participation in economic activity is a fundamental principle of cooperation. A cooperative distributes profit arising out of its operations among the members in a judicious and prudent way so that it automatically avoids one or some gaining at the cost of another or some others. So doing it overcomes exploitation of a member by a member.

Autonomy and Independence A cooperative enjoys the right to run its administration and economic activity as it deems fit without undue external interference. It takes decisions on its own and prompt action is ensured.

Education, Training and Information A cooperative endeavors to educate and train its members to improve their economic activity (by adopting new farm technology in the case of agriculture based cooperatives for instance)

and provide information to arouse awareness among them and spread the details of cooperatives among the masses. In the process members' positions are strengthened and cooperatives grow into a movement.

Objectives of the Study

1. To know the lending practices of cooperative banks in India.
2. To measure and compare the efficiency of Cooperative Banks of India.
3. To study the impact of „size“ on the efficiency of the Cooperative Banks.
4. To suggest the appropriate measures to improve the efficiency of the Cooperative banks.
5. To know different type of loans preferred by different sets of customers.
6. To know the satisfaction level of the customers from Bank's lending policies

Review of literature

Bhaskaran and Josh (2000) concluded that the recovery performance of co-operative credit institutions continues to unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking. Jain (2001) has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra. Singh and Singh (2006) studied the funds management in the District Central Co-operative Banks (DCCBs) of Punjab with specific reference to the analysis of financial margin. It noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets. Mavaluri, Boppana and Nagarjuna (2006) suggested that performance of banking in terms of profitability, productivity, asset quality and financial management has become important to stable the economy. They found that public sector banks have been more efficient than other banks operating in India. Pal and Malik (2007) investigated the differences in the financial characteristics of 74 (public, private and foreign) banks in India based on factors, such as profitability, liquidity, risk and efficiency.

Methodology

Study area

The study area selected for the present research work is Sirsa and Fatehabad districts of Haryana state. Economically, the study area is a mixture of rural and urban population and both districts include the 8.83% of the total population of the Haryana (www.census2011.co.in). To fulfill the objectives of the proposed study only rural population of the studied area is focused.

Scope of the study

The present study aims to evaluate the performance of Cooperative Banks in Rural development in Haryana. The study attempts to examine and compare the various aspects of performance of Cooperative Banks in the state and assesses the perception of customers and bank employees regarding the working of these banks in the state.

Need for the study

Cooperative credit banks are an important constituent of Indian financial sector in general and the banking sector in particular. Cooperative movement in India is the largest movement. There has been significant growth of cooperative credit sector and rural development, but the problem is that the success of cooperative movement depends much upon the efforts made by the government as its control and monitoring stays with the governmental agencies and as such it cannot be characterized as a people's movement.

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