

# ROLE OF CO-OPERATIVE BANKING IN INDIA

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## Abstract

A co-operative bank is a financial element which has a place with its individuals, who are in the meantime the proprietors and the clients of their bank. Co-operative banks are regularly made by people having a place with a similar nearby or proficient community or sharing a common premium. Co-operative banks for the most part give their individuals a wide scope of banking and financial administrations (loans, stores, banking accounts and so on.). Co-operative banks vary from investor banks by their association, their goals, their qualities and their administration. In many countries, they are directed and controlled by banking experts and need to regard prudential banking directions, which put them at a dimension playing field with investor banks. Contingent upon countries, this control and supervision can be actualized straightforwardly by state elements or designated to a co-operative alliance or focal body.

**Key Words:** Banking, Co-operative, Economy, Market.

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## INTRODUCTION

Co-operative banking is retail and commercial banking sorted out on a co-operative premise. Co-operative banking organizations take stores and loan cash in many pieces of the world. Co-operative banking, incorporates retail banking, as completed by credit associations, common funds and advance affiliations, building social orders and co-operatives, just as commercial banking administrations given by manual associations, (for example, co-operative alliances) to co-operative organizations.

The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three level government one.

- A State Co-operative Bank works at the pinnacle level.
- The Central Co-operative Bank works at the Intermediate Level.
- Primary co-operative credit social orders at base dimension.

Even if co-operative banks organizational rules can vary according to their respective national legislations, co-operative banks share common features as follows:

## CUSTOMER-OWNED ENTITIES

In a co-operative bank, the necessities of the clients address the issues of the proprietors, as co-operative bank individuals are both. As a consequence, the main point of a co-operative bank isn't to amplify benefit however to give the most ideal items and administrations to its individuals. Some co-operative banks just work with their individuals yet a large portion of them additionally concede non-part customers to profit by their banking and financial administrations.

## **DEMOCRATIC MEMBER CONTROL**

Co-operative banks are claimed and controlled by their individuals, who fairly choose the top managerial staff. Individuals more often than not have rise to casting a ballot rights, according to the co-operative guideline of "one individual, one vote".

## **PROFIT ALLOCATION**

In a co-operative bank, a huge piece of the yearly profit, advantages or surplus is normally apportioned to constitute holds. A piece of this profit can likewise be appropriated to the co-operative individuals, with legal or statutory impediments by and large. Profit is generally distributed to individuals either through a support profit, which is identified with the utilization of the co-operative's items and administrations by every part, or through an intrigue or a profit, which is identified with the quantity of offers bought in by every part. Co-operative banks are profoundly established inside neighborhoods communities. They are engaged with nearby development and contribute to the feasible development of their communities, as their individuals and the executives board more often than not have a place with the communities in which they practice their exercises. By expanding banking access in zones or markets where different banks are less present, agriculturists in provincial territories, center or low income family units in urban zones - co-operative banks decrease banking avoidance and encourage the economic capacity of a great many individuals. They assume a powerful job on the economic development in the countries in which they work in and increment the proficiency of the global financial framework. Their particular type of big business, depending on the abovementioned referenced standards of association, has demonstrated fruitful both in created and creating countries.

## **BANKS POLICIES FOR CO-OPERATIVE BANKS**

The Banks delegated a powerful committee in May 1999 under the chairmanship of Shri. K. Madhava Rao, Ex-Chief Secretary, Government of Andhra Pradesh to audit the execution of Urban Co-operative Banks (UCBs) and to recommend vital measures to fortify this sector. With reference to the terms given to the committee, the committee distinguished five wide objectives:

- To protect the co-operative character of UCBs
- To ensure the contributors' advantage
- To lessen financial hazard
- To set up solid administrative standards at the passage level to support the operational proficiency of UCBs in a competitive situation and advance measures to fortify the current UCB structure especially in the context of consistently expanding number of frail banks
- To adjust urban banking sector to alternate fragments of banking sector in the context of utilization or prudential standards in to and evacuating the aggravations of double control routine
- BANKS has broadened the Off-Site Surveillance System (OSS) to all non-planned urban co-operative banks (UCBs) having store size of Rs. 100 Crores or more.

## **TYPES OF CO-OPERATIVE BANKS**

The co-operative banks are little measured units which work both in urban and non-urban focuses. They fund little borrowers in modern and exchange sectors other than expert and salary classes. Controlled by the Reserve Bank of India, they are administered by the Banking Regulations Act 1949 and banking laws (co-operative social orders) act, 1965. The co-operative banking structure in India is isolated into following 5 components:

### **PRIMARY CO-OPERATIVE CREDIT SOCIETY**

The essential co-operative credit society is a relationship of borrowers and non-borrowers dwelling in a specific region. The assets of the general public are gotten from the offer capital and stores of individuals and loans from focal co-

operative banks. The obtaining forces of the individuals just as of the general public are fixed. The loans are given to individuals for the buy of dairy cattle, grain, composts, pesticides, and so forth.

### **CENTRAL CO-OPERATIVE BANKS**

These are the alliances of essential credit social orders in an area and are of two types-those having an enrollment of essential social orders just and those having a participation of social orders just as people. The assets of the bank consist of offer capital, stores, loans and overdrafts from state co-operative banks and joint stocks. These banks give money to part social orders inside the points of confinement of the acquiring limit of social orders. They additionally conduct all the matter of a joint stock bank.

### **STATE CO-OPERATIVE BANKS**

The state co-operative bank is an alliance of focal co-operative bank and goes about as a guard dog of the co-operative banking structure in the state. Its assets are gotten from offer capital, stores, loans and overdrafts from the Reserve Bank of India. The state co-operative banks loan cash to focal co-operative banks and essential social orders and not specifically to the ranchers.

### **LAND DEVELOPMENT BANKS**

Land Development Banks are established to fulfill the long term requirements of the farmers for development purpose and organized in 3 tiers:- State, Central and Primary. These banks do not accept deposits from the general public. The sources of funds for these banks are the debentures subscribed by both central and state government. These banks are supervised by National Bank for Agriculture and Rural development (NABARD)

### **URBAN CO-OPERATIVE BANKS**

Co-operative credit societies established in urban areas are referred to as urban co-operative banks. Urban Co-operative Banks are also called Primary Co-operative Banks (PCBs) by the Reserve Bank. The Reserve Bank of India defines PCBs as 'small-sized co-operatively organised banking units which operate in metropolitan, urban and semi-urban centers to cater mainly to the needs of small borrowers, viz., owners of small scale industrial units, retail traders, professionals and salaried classes'.

### **FUNCTIONS OF CO-OPERATIVE BANKS**

- Co-operative banks additionally play out the essential banking elements of banking yet they vary from commercial banks in the accompanying regards
- Commercial banks are business entities under the companies' demonstration of 1956, or open sector bank under a different demonstration of a parliament though co-operative banks were built up under the co-operative society's demonstrations of various states.
- Commercial bank structure is branch banking structure though co-operative banks have a three level setup, with state co-operative bank at summit level, focal/district co-operative bank at district level, and essential co-operative social orders at rustic dimension.
- Only a portion of the sections of banking direction demonstration of 1949 (completely relevant to commercial banks), are pertinent to co-operative banks, coming about just in halfway control by BANKS of co-operative banks and
- Co-operative banks work on the guideline of cooperation and not by any stretch of the imagination on commercial parameters.

## **PROBLEMS OF CO-OPERATIVE BANKS**

In any case, concerns in regards to the demonstrable skill of urban co-operative banks offered ascend to the view that they ought to be better managed. Expansive co-operative banks with paid-up offer capital and stores of Rs.1 lakh were brought under the domain of the Banking Regulation Act 2012 with impact from first March, 1966 and inside the ambit of the Reserve Bank's supervision. This denoted the start of a time of duality of control over these banks. Banking related capacities (viz. permitting, territory of tasks, financing costs and so forth.) were to be administered by BANKS and enrollment, the board, review and liquidation, and so on represented by State Governments according to the provisions of separate State Acts. In 1968, UCB's were broadened the advantages of store protection. Towards the late 1960s there was discussion with respect to the advancement of the little scale enterprises. UCB's came to be viewed as important players in this context. The working gathering on modern financing through Co-operative Banks, (2012 known as Damry Group) endeavored to expand the scope of exercises of urban co-operative banks by recommending these banks should back the little and cottage businesses. This was repeated by the Banking Commission in 1969

## **ROLE IN INDIA CO-OPERATIVE BANKS**

The concept of cooperation is as old as humankind and it frames the reason for domestic and public activity. The cooperation is only gathering impulse in human which empower one to live with others, work with others and help each other in the midst of anxiety. Without cooperation, the social and economic advancement would not be conceivable. It is outlandish for any progress to thrive except if the cooperation supplements the competition in human culture, assuming any. This is on the grounds that people have created out of gathering life and subsequently normally react to gathering and social improvements. Thus, the co-operative soul is natural and characteristic in people. In the cutting edge specialized sense, the introduction of co-operative development and its applications in the economic field was followed after the Industrial Revolution in England amid the second 50% of the eighteenth and first 50% of nineteenth century.

## **CO-OPERATIVE BANKING IN INDIA**

The co-operative banks in India have a background marked by right around 100 years. The co-operative banks are an important constituent of the Indian Financial System, in light of their job relegated to them, the desires they should satisfy, their number, and the quantity of workplaces they work. The co-operative development was begun in the west, yet the important that such bank have expected in India is once in a while paralleled anyplace else on the planet. Their job in rustic financing continues to be important occasion today, and their business in urban territories likewise has expanded incredibly as of late for the most part because of the sharp increment in the quantity of essential co-operative banks. Co-operative banks in India are enrolled under the Co-operative Societies Act. The co-operative banks are additionally managed by the Reserve Bank of India (BANKS) and represented by Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1955.

## **ROLE OF CO-OPERATIVE BANKS IN INDIA**

The co-operative banks in India assume an important job even today in rustic financing. The organizations of co-operative banks in the urban zones likewise have expanded exceptionally as of late because of the sharp increment in the quantity of essential co-operative banks. The co-operative banks are relied upon to play out a few obligations, to be specific, expand a wide range of credit offices to clients in real money and kind, advance consumption loans, broaden banking offices in country regions, assemble stores, regulate the utilization of loans and so on. The requirements of co-operative bank are unique.

Co-operative banks in India fund rustic regions under:

- Cultivating
- Dairy cattle
- Milk
- Incubator
- Individual fund
- Co-operative banks in India fund urban regions under:

- Independent work
- Enterprises
- Little scale units
- Home fund
- Consumer fund
- Individual fund

### **CONCLUSION**

Cooperative banks play an integral part in the implementation of development plans and are important for the effective functioning of the banking system in India. The cooperative banking system has to play a critical role in promoting rural finance and is specially suited to Indian conditions. Cooperative Banks have encouraged saving and investment by developing the habits of thrift among the agriculturists. Instead of hoarding money the rural people tend to deposit their savings in the cooperative banks. Co-operative banks are best suited to the socio-economic conditions of the Indian villages. Considering the great importance of cooperative banks, particularly in the rural areas, it is not surprising that every committee or commission, that has examined the working of the cooperative banking system in India, has expressed the common view that “cooperation remains the best hope of rural India.”

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