



A Multidisciplinary Indexed International Research Journal

ISSN: 23203714

Volume: IX



## **BENEFITS & CHALLENGES FACED BY THE COOPERATIVE BANK**

M.SUNIL MANOHAR SUBBAIAH &  
(Asst.prof), Department  
Of management, **M.B.A M.Com**  
Gates Institute of Technology.  
Gooty.  
Mobile no.8886108360  
E-mail:sunilmanu555@gmail.com

N.HEMALATHA  
P.G Student,  
Gates Institute of Technology  
Gooty.  
Mobile no: 9492308830  
E-mail: hemalathabainavlay@gmail.com

### **ABSTRACT**

“A Co-operative bank, as its name indicates is an institution consisting of a number of individuals who join together to pool their surplus savings for the purpose of eliminating the profits of the bankers or money lenders with a view to distributing the same amongst the depositors and borrowers.” The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing Centre. At present there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system. In brief, the cooperative banks have to act as a friend, philosopher and guide to entire cooperative structure. The paper is based on some successful co-op banks in Andhra Pradesh (India). The paper of the bank’s performance along with the lending practices provided to the customers is herewith undertaken. The customer has taken more than one type of loan from the banks. Moreover they suggested that the bank should adopt the latest technology of the banking like ATMs, internet / online banking, credit cards etc. so as to bring the bank at par with the private sector banks.

**Key words :-** Internet/Online Banking, Rural Indebtedness, Lending Practices, Loan, ATMs, Bank’s Performance, Cooperative Banks, Cooperative movement of India, Credit cards and private sectors Banks.

## INTRODUCTION

Indian banking is the lifeline of the nation and its people. Banking has helped in developing the vital sectors of the economy and user in a new dawn of progress on the Indian horizon. The sector has translated the hopes and aspirations of millions of people into reality.

A cooperative bank is a financial entity which belongs to its members, who are at the same time the Owners and the customers of their bank. Cooperative banks are often created by person belonging to the small local or professional community or sharing a common interest.

Cooperative Banking Institutions take deposit and lead money in most part of the words. It provides financial assistance to the people with small means to protect them from the debt trap of the money lender. Cooperative banks are organized and managed on the principal of cooperative, self- help & mutual help.

## OBJECTIVES OF THE RESEARCH

- To study the benefits of Cooperative Bank.
- To identify challenges faced by the Cooperative Bank.
- To suggest techniques adopted by the Co-operative.

## BENEFITS OF COOPERATIVE BANKS

A Cooperative Bank carries on the normal banking business i.e. the business as defined in Section 5 (b) of the Banking Regulation Act, 1949 and engages in one or more forms of business specified in Section 6(1) of that Act. A Cooperative bank may, in particular, undertake the following types of business, namely:

- The granting of loans and advances, particularly to small and marginal farmers and agricultural labourers, whether individual or in groups and to co-operatives societies (including agricultural marketing societies, agricultural processing societies, Co-operative farming societies, primary agricultural credit societies or farmers' service societies) for agricultural purposes or agricultural operations or for other connected purposes.
- The granting of loans and advances, particularly to artisans, small entrepreneurs and persons of small means engaged in trade, commerce or industry or other productive activities within the notified area of a Cooperative Bank.

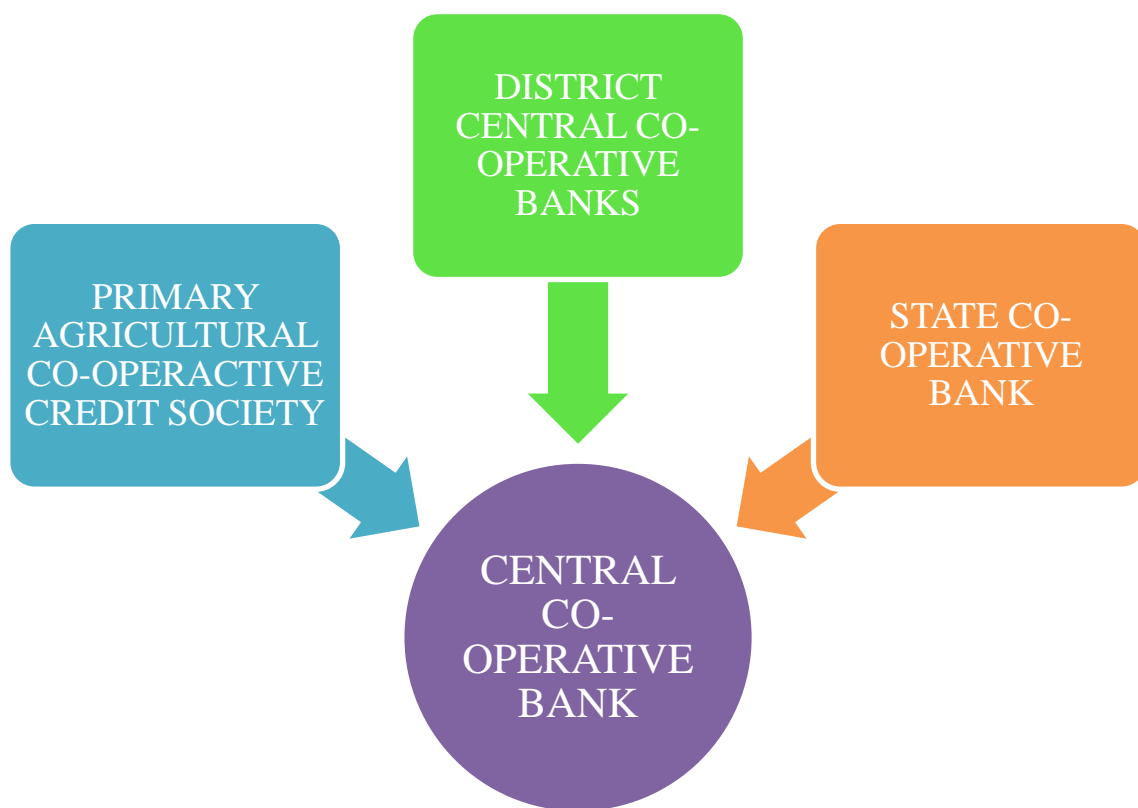
## CHALLENGES FACED BY COOPERATIVE BANKS

1. The cooperative financial institution is facing severe challenges which have restricted their ability to ensure smooth flow of credit.
  - i. Limited ability to mobilize resources.
  - ii. Low Level of recovery.
  - iii. High transaction of cost.
  - iv. Administered rate of interest structure for a long time.

2. Due to cooperative legislation and administration, Govt. interference has become a regular feature in the day-to-day administration of the cooperative institution. Some of the problem area that arises out of the applicability of the cooperatives legislative is:

- Deliberate control of cooperatives by the government.
- Nomination of board of director by the government
- Participation of the nominated director by the government.
- Deputation of government officials to cooperative institution etc.

### **STRUCTURE OF CO-OPERATIVE BANK**



### **RESEARCH METHODOLOGY**

This paper is theoretical based on the extensive research for which information has collect form secondary sources (Books, Online publications, Annual report of the Bank, Article )

### **SUGGESTION**

→The banks should adopt the modern technologies of banking like internet banking, credit cards, ATM, etc.

- The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
- The banks should plan for expansion of branches.
- The banks should improve the customer services of the bank to a better extent.

## **CONCLUSION**

In this paper that all Cooperative banks have both problems and comparative benefits. The Co-operative bank is just another business model and not by definition the key to success. The success of all banks, including mature co-operative banks, is ultimately determined by the level of customer/member satisfaction, which is in turn influenced by many variables, including the quality and prices of products and

services, innovative capacity, the perceived corporate social responsibility and employee attitude, knowledge and competences. For co-operative bank, tangible and intangible advantages of membership are an additional factor. The success of current mature co-operative banks can be explained by their evolving comparative advantages as well as their capability to react to and/or anticipate changes in the external environment. Co-operative Bank play pivotal role in the rural and urban banking system yet failure/bankruptcy of these banks raise many doubts about their viability and sustenance.

## **REFERENCES**

WWW.GOOGLE.COM  
WWW.COOPERATIVE BANK