



Role of Co-operative Bank: - A Review

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Abstract: -

Banks are the financial institution which deals in money and provide many subsidiary services. It is also called as an Institution for lending, borrowing, exchanging issuing or safe guarding money. Banks are those institutions which accept deposits from the general public for lending or investment and such deposit are repayable on demand. These deposits can also withdraw by way of cheque, drafts, orders etc. The Banking Regulation Act 1949 was extended to cover Cooperative Banks w.e.f 1st of April 1966. All Co-operative Banks whose paid-up capital is Rs One Lakh or more than Rs One Lakh comes under the control of RBI.

Key-Word: -

Co-operative Bank, Urban Co-operative Bank, Rural Co-operative Bank, Cooperative Credit Societies, Urban Co-operative Credit Movement, Joint Stock Companies, Banking Regulation Act 1949, RBI, Central Co-operative Bank.

Introduction: -

The term 'Bank' comes from German word 'Bank' which means 'Joint-Fund'. The Italian translation of German Word 'Bank' means 'Banco' and from their time word 'Bank' originates and get prevalent. The Co. CS Act 1904 was amended in 1912 whose aim is to enable organization of non-credit societies. Each Co-operative Banks have to be registered under Cooperative Society Act 1912.

History and Evolution: -

Up to 1996, the UCBs permitted to lend money for non-agriculture purposes. Traditionally these banks centered on communities' localities work place group and provide loan to small borrowers for business. But today their scope has been widened. The UCB movement was traced in nineteenth century which is inspired by Co-operative Movement in Britain and Germany. Co-operative societies based on Co-operation which means to help, decision making on democratic line and open membership. Co-operative represented alternative means to organization as against proprietary, firms, Partnership firms and JSC which is the form of commercial organization.

Evolutions of U Co CM in India go through 3 distinct phases.



Phase 1 (1904-1966): -

Taking inspiration by the success of U Co CM in Germany and Italy, the first mutual aid society “ANYONYA SAHAKARI MANDALI” was organized in the State of Baroda in 1889 under the guidance of Late Shri. Vithal Laxman Kavthekar. The enactment of Co CS Act, 1904 gave the real sense to the movement and the first Urban Co-operative Credit Society was registered in Kanjeevaram town in Madras in October 1904. After then, few more societies were organized in Madras and Bombay. In 1912. Provincial Government of Bombay passed the first State Co-operative Societies Act in 1925.

Phase 2 (1966-93): -

During period of 1966-93, the demand for extension of deposit insurance was gained in this way increase in the operation of UCB increases and also their volume of deposits. Some provisions of BRA 1949 applicable to Urban Co-operative Banks in 1966. Consequently, the Co-operative Banks comes under dual control of RBI and State Government. The functions of Banking like licensing, branch licensing, area of operation, exposure norms-interest rates etc. are governed by RBI. Directives and regulation, incorporation, registration of Co-operative Banks and other functions such as audit, management, liquidation, winding up, amalgamation etc. are governed by the State Government. The Urban Co-operative Banks, in association with to DCCB at district level and to SCB at apex level. These Banks, help nurse and guide the UCBs. UCBs were organized in semi-urban, urban and metropolitan centers. Hence, they popularly known as Urban Co-operative Banks.

Phase 3: -

Post 1993 – Scenario: - The year 1993 was the annual of Urban Co-operative Banking Movement. Narasimham Committee (Report 1) complaints about the problems of Banking system in 1991 and suggest to liberalize the banking sector and for the regulatory issues relating to UCBs. Also RBI appointed the Marathe Committee in 1991 to address these issues. Marathe Committee suggested “One district-one Bank” licensing policy and recommended organization of Banks. These banks based on the need for an institution and potential for a Bank to mobilize deposits and purveying of credit. RBI accepted these recommendations and had come out with its new policy approach in May 1993. On 31st March 1999 RBI has issued 537 licenses to set up new Banks. The financial strength of Bank strongly best on the liberal branch licensing policy. This policy brings positive result ie. Increased the branch network UCBs from 3691 at the end of March 1993 to 6619 by 31st March 1999. UCBs also permitted to extend their operational area to the entire district without specific approval from Reserve Bank of India. Banks, having the deposits of Rs.50 crores and above were got permission of their registration across the borders of



the States. Bank acts in accordance with certain norms can now open extension counters without permission RBI.

Role of Co-operative Banks: -

The Banking Regulation Act, 1949, which had come into force from 1st March 1966, has vested the Reserve Bank with various statutory powers of control and supervision over the Co-operative Banks.

These Banks organized on a Co-operative basis, the financial resources of these banks comprise of share capital contributed by the members and deposits received from the members as well as non-members. They sanction loans to the members at a reasonable rate of interest. The structure of Co-operative is based, on a three-tier system, Co-operative Banks are formed at village level are called Primary Banks, Bank formed at district level are called Central Cooperative bank. Primary Bank at a village level is linked with the CCB At state level, we have SCB, CCB are linked with the State Co-operative Bank. Again, Co-operative Banks may be classified into Urban and Rural. Urban Co-operative Banks fulfill the financial requirement of Traders, Businessmen, Artisans and Employees. In India, Co-operative Banks and credit societies are important agencies of rural finance, such as Agriculture finance for production and marketing of Agriculture product. Co-operative Banks are incorporated under Co-operative Societies Act 1912 of the state. The purpose is to accept from members and public for lending to weaker sections and small businessman. Limited funds are available at the disposal of the Banks and Area of operations is limited. Co-operative Banks are not nationalized. A bank accepts deposits from public. The deposits can be withdrawn on demand or after a certain period. A Bank advances loan to those who need money. The loan advance may be short term or long term loan. A Bank provides various Banking facilities and services to the customers. A Bank acts as a connecting link between lenders of money and borrowers of money. Bank collects money from those who have surplus cash and advances to those who need it. A Bank is a profit seeking institution having service-oriented approach. A Bank plays vital role in business. It is an important aid to trade which facilitates buying and selling. and also fulfill the needs of the public. Co-operative Bank has compulsory to be registered under the Co-operative Society Act 1912.

Conclusion: -

Co-operative Banks play a vital role in the rural and urban sector. Co-operative Banks mainly provides fund to fulfill the needs of rural sectors. Co-operative Banks are accepts deposit from those who wants to save or who have surplus one and provide assistance to those who need it. All over India, there are so many CBs are functioning out of them in India. Some Co-operative Banks are more advanced than many of the state and private sector banks. According to NAFCUB, the total deposits and lending of Co-operative Banks in India is much more than old



and new private sector banks. This growth of Co-operative Banks is seen due to their local reach, personal interaction with customers and their ability to catch the nerve of the local client.

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