



# EFFECTIVENESS OF COOPERATIVE BANKS IN ECONOMIC DEVELOPMENT

<sup>1</sup>Smt. I K Mathad, <sup>2</sup>Dr. M G Hiremath,

<sup>1</sup>Research Scholar, <sup>2</sup>Associate Professor,

<sup>1</sup>Department of Commerce,

<sup>1</sup>Bharthiar University Coimbatore Tamil Nadu, India

**Abstract:** After the Industrial Revolution during the 18th and 19th centuries, the genesis and the implementation of the cooperative movement in a modern technical sense can be traced. Hermann Schulze and Friedrich Wilhelm Raiffeisen during their economic downturns have taken shape, as cooperative banks worldwide, to provide small enterprises and poor parts of society with easy credit.

**Index Terms - Economic, Cooperative, Banks, Development, Financial Condition.**

## 1.1 Introduction:

A cooperative bank is a financial entity which belongs, at the same time, to its members and customers. Often people from the same local or professional community have a common interest. It is designed to promote and protect the upliftment of the financially weaker sections of society from the seizures of money lenders which provide loans to the needy at an unreasonably high interest rate.

The Co-operative structure is based on cooperation principles, mutual assistance, democratic decision-making and open membership. The 'one shareholder, one vote' and 'no profit, no loss' principle are applied. In terms of organisation, administration, interest rates and functioning, objectives, and values, co-operative banks are different from commercial banks.

After the Industrial Revolution during the 18th and 19th centuries, the genesis and the implementation of the cooperative movement in a modern technical sense can be traced. Hermann Schulze and Friedrich Wilhelm Raiffeisen during their economic downturns have taken shape, as cooperative banks worldwide, to provide small enterprises and poor parts of society with easy credit.

Cooperative banks, especially in rural areas, play a major role in the Indian economy. They serve mainly small-scale and self-employed people in urban areas.

## 1.2 Role of Cooperative Banks in Economic Development:

As a depositor of community savings and credit facilitator, banks play a vital role in the economic development of a country. The Indian banking system has effectively supported economic development. The banking sector has demonstrated an outstanding response to planned economic needs.

Cooperation for rural and semi-urban economies is the backbone. Only weak links in the system should not allow it to collapse. A system to ensure the success of a cooperative movement should be set up by RBI and state government.

The best alternative to the corporate sector is to cooperate with trust, honesty and trust; we think that it should not collapse. This sector should be nurtured by the government and the Reserve Bank.

1. The financial integration of unbanked rural masses was important to them. Masses in rural areas receive cheap credit.
2. Offering rural and microfinance financing.
3. The domination of money lenders and intermediaries is removed.
4. To provide credit services at comparatively lower rates for farmers and weaker sections of society.
5. Financial support and personalized financial services for small industries, financial support for housing, etc.
6. Providing its members with basic banking services.
7. Promoting overall rural development.
8. Rural credit is generally taken by Cooperative Banks and financial support for agricultural and rural activities is provided. The credit requirements of trade and industry are the main concern for joint stock companies.
9. The co-operative loan movement's main objective is to create an effective alternative to the village's traditional defective loan system. Cooperative banks tend to protect the rural population against money lenders' clutches.
10. By developing farmers' habits of thrift, cooperative credit movement has fostered savings and investment. Rural people tend to deposit their savings in cooperative institutions or other banking institutions instead of garrisoning their money.
11. Cooperative societies have also contributed significantly to better farming methods. Cooperative loans for buying better seeds, chemical fertilizers, modern equipment, etc. are available. Marketing and processing companies helped the members to buy their products at low prices and to sell their products.
12. Intimate knowledge of local conditions and rural problems has been developed by the cooperative institutions.
13. These banks provide easy and inexpensive credit to discourage traditional credit methods.
14. Since people have easy access to the loan and deposit system, it encourages them to save more and make more deposits in banks instead of hoarding money.

### 1.3 CONCLUSION:

In the implementation of development plans, the cooperative banks play an integral role and are important for the effective functioning of the banking system in India. India is called a banked country, and it takes an hour to take the steps necessary to remedy the lucano and increase public confidence in the banking system.

Cooperative banks have reached many points of reference since their creation and contributed to the empowerment and confidence of a normal rural Indian. Cooperative banks are important members of the Indian Financial System, therefore, despite several shortcomings. Their contributions cannot be ignored in the Indian economy, as they play an important role in rural financing.

#### References:

1. Bedi R.D. – Theory, Cooperation History and Practice - Loyal Depot, Meerut.
2. Role of Cooperation in the field of Economic and Social Development, Tokyo, Japan – International Co-operative Alliance, April 1964
3. 2009- 10 Reserve Bank of India Annual Report.
4. Banking Co-operative-Macmillan Indian Banking Institute & Finance.

