

Q.4 How are cooperative banks different from scheduled commercial banks? Examine the advantages, challenges of cooperatives banks, along with suggestions for their better performance. (250 words).

Ans.4 Cooperative Banks are the banks formed under the principle of cooperation, mutual trust & confidence. They work like a commercial bank but has certain differences like :-

| Scheduled Commercial Bank | Cooperative Bank. |
|---|--|
| ① Focus on many areas. | Focus primarily on agriculture. |
| ② Directly regulated by RBI. | Indirectly regulated by RBI. |
| ③ Aims for profit maximisation. | Aims on socio-economic welfare. |
| ④ Managed by Board of Directors who are expert in their fields. | Doesn't have such rigorous Board. Normal people are its members. |

Advantages :-

① Easy Availability of Credit -
If a person has to open a small

business in rural areas, then cooperative banks lend him loan easily.

② Farms implements can be brought by which agriculture can improve.

③ People have a say in the management of these banks which enhances democratic fabric of the structure.

Challenges :-

① Financially unsound -

Although it gives cheap credit to people, but internally it is starved from funds.

② No proper mechanism to give credit. It focus more on quantity rather than quality which leads to stressed assets.

③ Unaccountable to people who deposit money.

④ Regional disparity -

Cooperative Banks of Maharashtra & Gujarat are working well but that of Odisha, West Bengal etc are not.

⑤ Political influence -

There is a great influence of politicians in the management of these banks. As a result, banks are not able to work efficiently.

⑥ Lack of coordination among its levels which adds to the problem.

Suggestions :-

- A proper institution is required to raise money from stock market just like commercial banks does. This would help them in fund availability.
- Proper regulation of RBI is required.
- Staff in these banks should be well-trained so that they can manage ^{both} public relations & ~~with~~ bank management.
- Regular scientific audits are must for cooperative banks.

~~RBI has to play a major~~

The recent PMC fraud has shivered people across the country from its faulty practices. RBI should keep a close watch on these banks so that the whole banking industry doesn't lose confidence from their customers.

Ex. 111