IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 4, January 2026
Impact Factor: 7.67

An Analysis of Indian Cooperative Banks

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Abstract: *Banks influenced the global economy. Banks collect deposits and lend them to borrowers. This activity funds productive use and investments. This helps the economy. Without a banking industry, money would languish in our houses, businesses would struggle to access funds, and average people couldn't purchase a vehicle or house. Indian authorities initiated the cooperative movement in 1904. The government created cooperatives to counter rural indebtedness and usury, which afflicted the populace. Such cooperative banks balance. Many cooperative banks improve the cooperative credit system and perform financial, administrative, supervisory, and development functions. Finally, cooperative banks must guide and assist the cooperative structure. Many successful cooperative banks in Delhi, India, are studied. This study examines bank lending and performance. Consumers have borrowed from several companies. To compete with commercial banks, they encouraged the bank to implement ATMs, internet/online banking, and credit cards.*

Keywords: Co-operative Banking, Urban Co-operative Banks, Banking Technology.

I. INTRODUCTION

Small-scale institutions organized within the cooperative sector, cooperative banks operate in both urban and non-urban areas. Historically, these banks have been focused on communities, localities, and workplace organizations, and they primarily provide loans to small businesses and borrowers. Urban Cooperative Banks (UCBs) are primary cooperative banks situated in urban and semi-urban regions, despite the fact that the term is not formally defined.

Until 1996, these institutions were restricted to lending for non-agricultural purposes. The preponderance of the 1,645 UCBs in the country were non-scheduled as of the end of March 2011. Additionally, 42 UCBs were operating in multiple states, despite the fact that the plurality of UCBs were operating within a single state. Nevertheless, this restriction is no longer in effect. In rural areas, co-operative banks primarily finance agricultural-based activities, such as farming, cattle, milk, hatcheries, personal finance, and some small-scale industries and self-employment-driven activities. Conversely, in urban areas, co-operative banks primarily finance various categories of individuals for self-employment, industries, small-scale units, and home finance.

The majority of services, including savings and current accounts, safe deposit containers, loans, and mortgages, are offered to both private and business consumers by these banks. Facilities such as Internet banking or phone banking are not particularly significant to middle-class consumers, who rely on banks to store their money. While their facilities are not superior to those of private institutions, their interest rates are unquestionably competitive. Nevertheless, the documentation procedure is protracted, if not stringent, and it is rather challenging to obtain a loan swiftly, in contrast to private institutions. The requirements for obtaining a loan from a UCB are less stringent than those of a commercial bank.

OBJECTIVES OF THE STUDY

To know the lending practices of cooperative banks in India.
To measure and compare the efficiency of Cooperative Banks of India.
To study the impact of „size" on the efficiency of the Cooperative Banks.
To suggest the appropriate measures to improve the efficiency of the Cooperative banks.

To know different type of loans preferred by different sets of customers.
To know the satisfaction level of the customers from Bank's lending policies.

REVIEW OF THE LITERATURE

Bhaskaran and Josh (2000)

It was determined that the recovery performance of cooperative credit institutions remains unsatisfactory, which contributes to the increase in nonperforming assets (NPAs) despite the implementation of prudential regulations. They proposed legislative and policy reforms to enhance the efficiency, productivity, and profitability of cooperative credit institutions in accordance with the demands of competitive commercial banking.

Dutta and Basak (2008)

It was recommended that cooperative banks enhance their recovery performance, implement appropriate prudential norms, organize regular seminars, and employ a new computerized loan monitoring system in order to remain competitive in the banking industry.

Chander and Chandel (2010)

The financial efficiency and viability of HARCO Bank were analyzed, and the bank was found to be underperforming in the areas of capital adequacy, liquidity, earning quality, and management efficiency.

RESEARCH METHODOLOGY

Type of Research

In order to ascertain the lending practices of the bank and the satisfaction level of its customers, descriptive research is implemented in this investigation. The experienced loan officers were interviewed and a questionnaire was employed as the method.

Collection of data

Primary Data

Observation Method
Interview Method
Structured Questionnaire

Secondary Data

Annual reports of the bank
Manual of instructions on loans and advances
Books
Articles and Research Papers
Internet

D. Sampling Unit

The study population consists of bank customers, and the sampling unit was individual customers.

E. Sampling Size

200 Respondents

FINDINGS OF THE STUDY

Majority (32% as per the study) of the respondent were having housing loan from this bank.
Most (64% as per the study) of the people prefer to take long term loan which is more than 3 years.
There is a very simple procedure followed by bank for loan.
Easy repayment and fewer formalities are the main factors determining customer's selection of loans.
Quality of services provided by the staff is satisfactory because bank is catering to a small segment only and the customers are properly dealt with.
Customers are satisfied with the mode of repayment of installments.

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Average time for the processing of loan is less i.e. approx 7 days.

In 2010-11, the financial performance of Urban Cooperative Banks (UCBs) improved; however, there are some apprehensions regarding the fact that some of the UCBs reported negative CRAR. State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) in the rural cooperative sector reported profits; however, Primary Agricultural Credit Societies (PACS) at the grassroots level continued to suffer substantial losses. Long-term cooperatives demonstrated an even more lackluster financial performance than their short-term counterparts. Additionally, it was noted that the cooperative branch network, despite its extensive presence throughout the nation, remained concentrated in specific regions.

Additionally, the cooperative network in the northeastern region of the country was not extensive. This implies that it is imperative to enhance the financial health of the ground-level cooperative institutions and increase banking penetration in the north-eastern region of the country.

INCREASED INTER-LINKAGES BETWEEN UCBS AND COMMERCIAL BANKS

The integration of cooperative banks with the financial sector has seen a significant increase in recent years as a result of the incorporation of UCBs in the Indian Financial Network (INFINET) and Real Time Gross Settlement System (RTGS) in November 2010. Additionally, the Reserve Bank's 2010-11 annual policy statement anticipates the incorporation of financially stable UCBs in the Negotiated Dealing System (NDS) and the establishment of an internet banking conduit for UCBs that meet specific criteria.

The banking activity was predominantly concentrated in favor of larger UCBs, as evidenced by an analysis of the deposits and advances base wise distribution of UCBs. Although only 4% of the total number of UCBs had a deposit base of `500 crore or more, they accounted for nearly 53% of the total deposits. At the conclusion of March 2011, the balance sheets of UCBs experienced a 15% increase from the previous year. Borrowings on the liabilities side and loans and advances on the assets side were the primary factors contributing to this balance sheet expansion.

PROBLEMS FACED BY COOPERATIVE BANKS

The cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit

Limited ability to mobilize resources.

Low Level of recovery.

High transaction of cost.

Administered rate of interest structure for a long time.

Government interference has become a common occurrence in the daily operations of the cooperative institution as a result of cooperative legislation and administration. Some of the issues that arise from the applicability of the cooperatives legislative framework include:

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.

The state cooperative banks are not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions.

Prior approval of RBI is mandatory for opening of new branches of SCBs. The SCBs are required to submit the proposal for opening of new branches to RBI through NABARD, whose recommendation is primarily taken into consideration while according permission.

SUGGESTIONS

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

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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.

LIMITATIONS

The study is based on the data of past three or four years only.

The data for study mainly based on a single bank.

As majority of the customers are employees of the bank, they might be biased in giving the information

The time period of the research was limited.

II. CONCLUSION

The study on co-operative banks in India underscores their vital role in fostering financial inclusion, particularly among marginalized and underserved communities. These banks have historically served as crucial instruments for economic empowerment by providing accessible credit and banking services tailored to the needs of small businesses, farmers, and urban households. Despite their contributions, the sector faces significant challenges, including limited technological adoption, operational inefficiencies, and increasing competition from commercial banks and fintech companies. The findings highlight the need for co-operative banks to modernize their infrastructure, embrace digital banking solutions, and enhance customer-centric services to remain competitive in a rapidly evolving financial landscape. Additionally, strengthening governance and regulatory frameworks is essential to ensure operational stability and customer trust. By leveraging their deep community connections and adopting innovative practices, co-operative banks in India can continue to play a pivotal role in bridging the financial gap and promoting equitable economic growth in the country.

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