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“SOCIAL IMPACTS OF CO-OPERATIVE BANKING” A STUDY WITH SPECIAL REFERENCE TO KANGRA DISTT. OF H.P.

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Abstract:-

Banking is a simple, transparent and effective medium of circulation of money. People deposit their savings and then, banks lend the same money to borrowers. Banking is a system to insure the flow of money for investments and productive use. Banking is a basic structure for the growth of economy. The rural India is equally responsible to strengthen the economy as urban India. There are several nationalized banks in India but people, in rural parts, did not have easy access to these banks. There felt a need to connect those people with economy of the country. For this purpose, rural and cooperative banks came into existence. With the establishment of rural and cooperative banks, life of people, in villages and far flung areas, has changed dramatically. They have now several options for money saving and small investments. People have now a great ease to take their own decisions in terms of agriculture, business and other money earning activities. These banks are now considered a quite reliable and efficient medium for social upliftment in rural parts of India. In existing time, there are several rural and cooperative banks which are playing an integral role in the development of rural population. They are now responsible for performing multipurpose functions in terms of finance, administration and various other money related matters.

The study is about the role of rural and cooperative banks in nation building along with the impact of these banks on rural population, development measures, and social upliftment, and also, how these banks are responsible for the betterment of those people who are still struggling to earn even their livelihood. Moreover, how these banks are tackling with rural afflictions even though, many people are still uneducated and not comfortable with new technology. How these banks deal with rural indebtedness, social cooperation and poor structure of financial investments in rural areas where people are not very familiar with technology and don't have enough knowledge to invest their money.

Keywords: *Nationalised Banks, Cooperative banks, Social Upliftment, Banking Technology, Rural Indebtedness.*

INTRODUCTION

Rural and cooperative banks are small sized units organized in the cooperative sectors which operate mainly in rural and semi-rural areas. These banks are mainly responsible for middle and lower class of the society in rural and semi-urban parts. These banks play a vital role in agriculture, self

employment, farming, domestic animals and sometimes, small investment in small scale industries.

These banks provide services such as savings and current accounts, safe deposit lockers, loan to private and business customers. Rural Banks were established under RRB Act 1976 for the purpose to impart banking and credit facility to agriculture and other rural sectors. They were set up during Indira Gandhi Government with a view to insert rural areas into mainstream economy. These banks are owned by Central Government and the state government. Whereas, The Co-operative banks are based on the recommendations of Sir Frederick Nicholson in 1899 and Sir Edward Law in 1903. The Co-operative Credit Societies Act was passed in 1904 to establish co-operative credit societies in rural and urban areas. The first urban co-operative credit society was registered in October 1904 at Kanjeeपुरam now in Tamil Nadu State.

REVIEW OF THE LITERATURE

Various studies have been conducted to observe the functioning, performance and efficiency of Regional Rural banks and co-operative banks in India. The availability of literature about the working, performance and efficiency of these banks is quite limited. The literature is mostly available in the form of articles, reports of different committees, commissions set up by the Union Government, NABARD and Reserve Bank of India. The research articles, bank officials, research studies and news is reviewed for this. Some of the related literatures of reviews for this research are as follows:

In 1986, NABARD published "A study on RRBs viability", which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The Committee on Financial Systems, 1991 (Narasimham Committee) stressed the poor financial health of the RRBs to the exclusion of every other performance indicator. 172 of the 196 RRBs were recorded unprofitable with an aggregate loan recovery performance of 40.8 percent. Rural Banks was challenged by the Agricultural Credit Review Committee (Khusro Committee), which argued that these banks have no justifiable cause for continuance and recommended their mergers with sponsor banks. The Committee was of the view that "the weaknesses of RRBs are endemic to the system and non-viability is built into it, and the only option was to merge the RRBs with the sponsor banks. Singh and Singh (2006) studied the funds management in the District Central Co-operative Banks (DCCBs) of Punjab with specific reference to the analysis of financial margin. It studied that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets.

NEED FOR THE STUDY

So far, various studies have been conducted on Regional Rural Banks and Co-operative Banks based on profitability financial performance, customer interaction and efficiency, district wise and state wise. It is felt to have a study as a whole by considering the banking facilities for people in rural areas.

OBJECTIVES OF THE STUDY

- To know the status of Rural and Co-operatives banks in India.
- To know the efficiency of Rural and co-operative banks in India.
- The role of Rural and Co-operatives banks in the over-all upliftment of rural population
- To measure the facilities provided by Rural and Co-operative banks to poor people.
- To know the satisfaction level of the customers of rural and co-operative banks.
- To study the different types of services provided by Rural and Co-operative Banks.

RESEARCH METHODOLOGY AND COLLECTION OF DATA

The present research study is depending upon primary and secondary data. The primary data has been collected through personal discussion with official staff of the regional rural banks in Kangra district

of Himachal Pradesh. The secondary data is gathered through different types of books and records of the regional rural banks. The previous research articles, reference books have also been used for collection of secondary data.

SCOPE AND LIMITATIONS OF THE STUDY

This research study is taken on the role of the regional rural banks and Co-operative Banks in the development of India. The majority part of the research work is depends upon secondary data. Financial data is not applied in this research work.

ROLE OF THE CENTRAL GOVERNMENT

The main role of the Government of India as per the provisions of the RRBs Act can be summarized as follows.

- 1) The Government of India subscribed 50 percent to the paid up share capital of the RRBs.
- 2) The establishment of RRB, location of its head office etc. is decided by the Government of India in consultation with the sponsor bank. In practice, the state government is also consulted in this regard.
- 3) The Government of India can nominate three directors of the board of the RRBs. In practice, it appoints an officer each from NABARD and RBI as its nominee directors. The third director is a non-official person.
- 4) Chairman of the RRB is appointed by the Central Government (Section 11). Presently, the chairman is appointed from the panel of officers recommended by the sponsor bank for the purpose.
- 5) The remuneration of the officers and other employees appointed by RRBs is determined by the Central Government with due regard to the salary structure of the employees of the state government and local authorities of comparable level and status in the notified areas of the RRB.
- 6) The Central Government has to give the approval for the appointment of auditors for the statutory audit of the RRBs annual accounts. Prior approval of the Central Government is also required for remuneration to be given to the statutory auditors of RRBs.
- 7) The Central Government, after consultation with RBI and sponsor bank, and by notification in the official gazette, is empowered to make rules for carrying out the provisions of the RRBs Act, 1976.
- 8) The Central Government is empowered to give directions, after consultation with the Reserve Bank, to an RRB in regard to matters of policy involving public interest.

ROLE OF NABARD

The RRBs Act was enacted in 1976 when NABARD was not in existence. As a result, in the RRBs Act, there is no mention of NABARD. Since RRBs deal with rural credit and since institutions dealing in rural credit are the concern of NABARD, the responsibility of overseeing the overall functioning of RRBs devolves on NABARD. The Government of India has recently issued instructions to RRBs that all matters pertaining to their functioning interpretations relating the circulars earlier issued by Government of India etc. may be referred to NABARD and not to the Government of India. The newly constituted state level coordination committee (SLCC), has been constituted and NABARD has been made the convener instead of the oldest RRB in the state, which was the practice earlier. The committee would be reviewing the progress made by RRBs in the state so as to suggest remedial measures. NABARD has also been made the convener of the newly formed forum at the state level in each state to discuss and thrash out problems relating to RRB staff matters. With the convenorship of these two committees and the proposed legislation arming NABARD with statutory powers over RRBs, NABARD would be better equipped to play its role

ROLE OF RBI

The RRBs Act, 1976, as it exists today, has also empowered the RBI in the following matters.

- 1) The head office of an RRB is notified by the central government after consultation with the RBI and the sponsor bank.
- 2) The authorized and paid-up capital of an RRB can be increased or reduced by the central government in

consultation with the reserve bank, the concerned state government and the sponsor bank.

3) The Central Government is empowered to give directions to the RRB is regard to matters of policy involving public interest in consultation with the RBI.

4) The Central Government may, after consultation with RBI and sponsor bank, by notification in the official gazette, make rules for carrying out the provisions of the RRBs Act.

CONCLUSION

It has been the practice of the Government of India to consult the respective state government in the matter of establishment of the new RRBs, their location and their names. State governments are entitled to nominate two of its officials on the Board of Directors of the RRBs. It is through such nomination that the local aspirations of the people are made known to the RRBs. As the shareholder, the state government is also entitled to receive, within the stipulated period, the annual report and balance sheet of the RRB. Performance of the Regional Rural Banks in the Post-reforms period: As on March 31, 2012, all the 196 RRBs sponsored by 21 banks, had 14475 branches in 451 districts of 23 states.

The RRBs were setup in 1975 as the 'poor man's bank' or 'low cost banks' to supplement the efforts of cooperative and commercial banks. The RRBs since then have passed through various phases and now have been recognized as integral part of rural credit delivery system in the country.

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