



## Viewpoint: The future of Cooperative Banks in a Changing Financial Sector

30 SEP,2019 | MEDC



A leading cooperative bank has been placed under 'directions' this week. Cash withdrawals are capped at Rs. 1,000 per account for six months and the bank will not be able to extend credit, take fresh deposits or make any payment. In this context, the very concept of cooperative banks needs to be revisited. At the end of

the last financial year, India had over 1,500 urban cooperative banks impacting the daily livelihoods of millions. Some of these banks delayed in adopting core banking solutions primarily due to a lack of capital and expertise. With the prevalence of vested political interests, governance is also a real issue in many of these banks. Such institutions need to change with the times otherwise market forces will ensure that they remain permanently out of business. Dr. Dhananjayrao Gadgil was a staunch believer in the innate potential of cooperatives, and it will be a pity if these banks are unable to raise capital and attract the right talent to maximize their performance. More power needs to be given to the RBI in terms of being able to undertake proactive structural changes in such financial institutions in order to ensure that they not only survive, but thrive.

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