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Empowering Rural India: The role of cooperative banks in building a Viksit Bharat by 2047

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Abstract
Viksit Bharat is the Indian government's vision to transform India into a self-reliant, developed, and prosperous country. Creating a robust financial ecosystem that is inclusive of the country's rural population is, therefore, an integral step towards ensuring financial empowerment. The focus of the present article is therefore to explore the pivotal role that cooperative banks can play in empowering the rural masses of the country. One of the primary functions of cooperative banks is to help individuals mobilise their savings through various savings accounts and fixed deposits, and they also provide credit facilities. The credit which are provided through cooperative banks generally has low interest rates for consumers belonging to poor socio-economic backgrounds. The existence of this form of banks in rural India reduces the domination of private moneylenders. These banks were created to address the problems faced in rural India with money lending by providing agricultural and working capital loans to farmers and rural artisans. These banks are also much easier to approach than the commercial ones, and getting credit is also a much smoother process. Being regulated by the RBI, cooperative banks can be seen as the foundation of the Viksit Bharat initiative. Viksit Bharat is only possible when all sections of society benefit from the economic and financial growth of the nation; therefore, cooperative banks are the key to financial inclusion. Despite the positive aspects, these banks face challenges with regulatory constraints, limited digital penetration, and inefficiencies of the government. The article has examined these challenges and details the policy changes and digital transformation which is required in the cooperative banking sector to improve the performance of the banking sector and its credibility. This article shares insight into revitalising these institutions for not just financial inclusion but also a strategic necessity to achieve the Viksit Bharat goal.

Keyword: Viksit Bharat, UCB, RCB, RBI, PMJDY, cooperative banks

1. Introduction

The Viksit Bharat initiative is part of the Government of India's efforts to transform the country into a developed nation by the end of 2047. This is primarily done to coincide with the country's independence in 1947 (Viksit India, 2025) [34]. The initiative works in economic, social, environmental, and governance domains to bring sustainable development that can help carry the country forward. Central to the success of this initiative is the empowerment of the rural communities of the country, which comprises 65% of the country's population. 47% of this population is entirely dependent on agriculture for livelihood, and therefore, improving the quality of life in the rural areas is an utmost priority of the Indian government (PIB, 2023). The vision of Viksit Bharat is to emerge as a global superpower and offer its people high standards of living. The economic objective has been to reach USD 30 trillion to USD 40 trillion by the year 2047. The social initiatives are aimed towards eliminating poverty and providing support to the underprivileged sections of the country through education and healthcare.

Achieving holistic national development is not possible without uplifting rural communities and bridging the urban-rural divide, and therefore, rural financial empowerment is needed for achieving Viksit Bharat 2047. Financial inclusion leads to decreasing poverty and provides essential financial services through which people can accumulate funds for emergencies and long-term goals. Low-cost banking services available in the rural parts of the country can also help with supporting microfinance initiatives and improving the financial stability of the people. Financial inclusion also leads to the creation of new jobs, as it supports entrepreneurship and business expansion (Senthilkumar, 2025) [26].

The goal of Viksit Bharat is community development, and offering better banking services can strengthen the local economies by providing them with specific services tailored to their needs. Digital platforms and technologies can make financial services more accessible to people in rural areas. Mobile banking has already made banking easier in many places, whereas Aadhar-enabled payment systems lead to secure transactions (PWC, 2024) [24]. Cooperative banks have played a significant role in making credit available to the rural communities and are a fundamental institution in rural India's financial system. The access to financial services, which cooperative banks provide, leads to fostering self-esteem, social inclusion, and empowerment of the rural disadvantaged communities (Panakaje *et al*. 2024) [21]. The focus of this article is to explore the multifaceted role of cooperative banks in empowering rural India and examine how they can be revitalised and integrated more effectively into India's developmental vision.

1.1 Objectives of the paper

Based on these factors, the following objectives have been determined, which will be analysed within the research:

- To examine the historical role and current significance of cooperative banks in addressing the financial needs of the rural people of India.
- To analyse the impact of cooperative banks on rural empowerment.
- To identify the major challenges and structural limitations faced by cooperative banks.
- To propose policy recommendations and a future roadmap to better align the cooperative banks with the vision of the Viksit Bharat 2047.

2. Methodology

In the present article, a secondary qualitative approach has been used to explore the role of cooperative banks in empowering the rural communities within the framework of Viksit Bharat 2047. The data from the secondary sources were generally collected from official Indian government websites, newspapers, peer-reviewed articles and journals, as well as case studies on rural cooperative banking practices. The collected data have been presented within the research in the form of a thematic analysis, exploring the different strengths, challenges, and policy gaps that exist with the cooperative banking system in the country. An emphasis has been placed on understanding the historical context of cooperative banks in India and how these banks have adapted over time. Broader developmental goals such as financial inclusion and rural empowerment have also been presented within the research.

3. Findings and Discussion

3.1 Understanding Cooperative Banks in India

Cooperative banks in India were established during the colonial period and therefore predate the country's independence. These banks were created to compete and discourage people from taking money from moneylenders in the rural areas. In India, it was the private moneylenders who controlled the supply of credit, and the British government realised that the investment rates were significantly low while the price of credit was high, and as a result, the moneylenders continued getting rich while the poor people suffered (Nath, 2021) [18]. Cooperative banks were therefore introduced in the early 20th century to increase the supply of low-cost rural credit. The commercial banks struggled to penetrate the rural areas, as cultivation in the country is seasonal, while the rainfalls were unpredictable. The high chances of crop failure led to high rates, after which the introduction of cooperative banking was primarily inspired by the success of this type of banking in Europe. The success of this form of banking led policymakers in colonial and postcolonial India to invest in cooperative banking to solve the credit problem in rural regions.

The Cooperative Credit Societies Act, 1904, started the cooperative bank operations formally in the country, and the first urban cooperative credit society was created in Kabjivaram. This act was amended in 1912 to allow non-credit society organisations (RBI, 2025). The Maclagan Committee of 1915 was created to cater to the needs of the people belonging to the lower and middle income strata. Instead of making it agriculturally focused, the urban cooperative credit movement was started to be more viable. After the Government of India Act of 1919, the power of the cooperative banks was transformed from the central government to the provincial governments. Even after independence, the prevalent political objective of India was to prioritise equity in the country over efficiency, and this led to the cooperative structure thriving. However, weak regulations led to the exclusion of the poorer peasants from gaining access to credit from overleveraged cooperative banks. The Banking Regulation Act of 1949 was the first banking act in the country, but it did not include any provisions on cooperative banks, and as a result, rural banking in the country continued to suffer (Nath, 2021) [18]. The Indian government tried to invest public money into cooperative banks, thinking it would benefit the people; however, poor regulations led to embezzlement and an increase in false accounts.

The concerns over the lack of regularity in these banks led to increased efforts towards establishing better control of the banks. Corporate banks that were large and had a receipt of over Rs 1 lakh were directly brought under the Banking Regulation Act 1949 and the Reserve Bank of India in 1966 (RBI, 2025). All bank-related functions, such as licensing and interest rates, were set up by the RBI. Over the years, the cooperative banks have achieved significant growth and have also increased in size. Currently, the Indian cooperative system is one of the biggest in the world. The solid agricultural foundation and favourable rates for small rural businesses have led to the success of these banks. Research has shown that there are at present 0.85 million cooperative societies in India, with over 290 million members, covering 100% of the villages in the country (Nakayiso & Andrew, 2023) [17]. In India, cooperatives are the most efficient method through which democracy can be preserved, as they provide opportunities and incentives to the rural population. The expansion of cooperatives in the country has resulted in more social capital being generated, which in turn provides more developmental opportunities. Though these cooperative functions differ across the states and are often hampered due to regional politics, cooperatives continue to be the backbone of rural financial

institutions.
The co-operative banking system in India can primarily be divided into main sections, these are the urban (UCB) and rural cooperatives (RCB); both of these types of cooperatives have equal contributions in the development of the rural communities of the country. The cooperative system has a three-tier system; the State Cooperative Bank operates at the state level, while the District and Primary Agriculture Cooperative Society work at the lower levels. The ownership of cooperative banks falls on its members, who are also the customers of the bank. The bank's main priority is the financial well-being of its members and community development in both rural and urban areas. The consumers, therefore, have a dual role of both the lender and the borrower. The UCBs, which function in the urban areas, do not have any other subdivision; the rural ones, on the other hand, can be divided into long-term and short-term credit institutions. The rural cooperatives are distinguished based on their tier structure, which includes the State Cooperative Banks (SCBs), Central Co-operative Banks (CCBs), and the Primary Agricultural Credit Societies (PACSs). The objective of these banks continues to be providing the rural and micro finance opportunities, providing credit services to both farmers and people belonging to the weaker sections of society.
Both the legal and regulatory framework of the cooperative banks in India involves the dual oversight of the Registrar of Cooperative Societies (RCS) and the RBI. Under the Cooperative Societies Act, the RCS was the sole authority for all banking operations; however, after the BR Act, 1949, the RBI is responsible for the supervision of these banks. The National Cooperative Agricultural Development Bank (NABARD) also works with the state government to develop credit cooperatives (Sharma, 2024) [27]. These banks collectively streamline the banking procedure, and the credit institutions are all interconnected through a web of interbank network that balances the financial systems of the country. The identity and ability of the cooperative banks can only be improved through the joint incentive of the members and by adopting the best practices. The RBI intervention in this context is needed as it prevents systemic risks and also exposes the weaknesses of the cooperative banking systems. The regulatory measures and better financial governance help the cooperative banks become more resilient and sustainable (Shekhar, 2025) [28]. RBI mostly serves a supervisory role in which it sets proper guidelines, adequacy, liquidity requirements, and government standards to ensure financial stability for the organisations. These safeguards from the RBI are needed to protect the deposits made by the members of the cooperatives.

3.2 Cooperative banks as catalysts for rural empowerment

Cooperative banks act as a catalyst for the rural communities of India because these banks provide credit that is affordable to the marginalised communities, farmers and the self-help groups (SHGs). The success can be seen through the high number of cooperative banks existing in the country. March 2021 reports have shown that there are a total of 98,042 cooperatives, among which 1,534 are UCBs, while the other 96,508 are RCBs (Kumar & Bhatnagar, 2023) [14]. The digital penetration and entry into microfinance have been relatively slow for the cooperative banks; however, by 2022, these banks will possess high portions of the SHGs. The presence of cooperative banks provides the people with timely access to credit that can be further used for different activities. The credit cooperatives are of particular importance because much of the rural framework of India is dependent on agriculture. Timely access to funds and resources allows the farmers to get the latest technology and farming equipment that can lead to higher productivity. Inclusive cooperative banking has increased the loyalty of the members and fostered micro entrepreneurship efforts at the grassroots levels.
Research conducted on individuals who have taken loans from cooperative banks has reported that it has a favourable impact on property ownership, increasing savings, and causing overall business growth. The country's efforts for socio-economic development have been greatly facilitated by cooperative banks (Panakaje *et al*. 2024) [21]. By increasing banking penetration and fostering skills, cooperative banks create options for economic growth and employment for the people. Farmers benefit significantly, as it is the primary occupation of 40% of the rural households. Cooperative banks also help in liberating women in these rural settings. Women who are linked to PACs were successful in reducing their dependence on male family members. They were able to seek jobs and increase their monthly earnings and savings. Having financial access also raised their awareness towards budgeting and utilising loans more efficiently for economic stability (Vigneshwaran & Ravichandran, 2025) [33]. The financial inclusion that cooperative banks bring, therefore, helps empower the rural people, helps the communities to become more independent, and have more flexible financial programs. Gender roles in the rural parts of the country tend to be more rigid, and therefore, cooperative banks have helped these women have more agency and increase their involvement in the different activities.
The agricultural credit which these banks have generated over the years has helped in the development of agriculture in the country. The studies carried out on cooperative banking have shared that proper technical guidance needs to be provided to the rural population. Additionally, credit counselling and building the capabilities of the clients are equally important for helping them to be independent (Kumar & Bhatnagar, 2021) [13]. The financial empowerment of which cooperative helps in increasing the household income of the people, empowering women to start and promote local businesses. Gender equality can only be implemented when women achieve financial independence. These banks and financial incentives allow women to come out of the challenging patriarchal systems and explore their potential (Sivaram, 2024) [30]. 85% of the farmers in India are small and marginalised, and therefore face many different challenges in accessing resources. Individuals who are involved in farming can get specific agricultural credits, which protect these farmers against taking loans from landlords and moneylenders (Behera *et al*. 2024) [2]. Many small industries in the village, such as rice mills, dairy products, and sugar factories, are also supported by the different schemes provided by the cooperative banks.
The rural population has the least amount of wealth in the

country and, as a result, is not able to save adequately. The high volatility and vulnerability in the income of these people require better financial decision-making and awareness. Despite the widespread financial literacy initiatives, literacy among the rural people of the country continues to remain low (Panakaje *et al*. 2024) [21]. The education, cultural norms, and access to different financial services in the rural parts of the country determine the saving ability of an individual. Cooperatives allow these disadvantaged groups to undergo social inclusion, provide better opportunities, and decrease poverty. Both Savings and Credit Cooperatives are aimed towards helping rural people manage their wealth; they contribute by laying the groundwork for a sustainable economy. Through proper guidance and training, regular saving habits can be enforced on the people to teach them about the importance of investments. Digitalisation is a key feature of the financial movement, and helps make the rural population more literate (Kyeyune & Ntayi, 2025) [15]. Digital spaces can eliminate the problems that are faced with physical spaces, which would, in turn, lead to the development of reliable financial institutions.

Many parts of the country have had successful cooperative banks that have helped in transforming society and bringing systemic changes. The Mulkanoor Cooperative Rural Bank is one such example, established in 1956 with 375 members and a shared capital of Rs. 2300. The society was created to improve the miserable condition of the villages. The cooperative started providing loans to the people for raising crops, poultry, improving wells, sprinklers, and the irrigation system of the fields. The society had also provided employment opportunities to many people from these 14 villages and outside (Dubey *et al*., 2009). Other than financial benefits, the efforts of the group helped in growing the reserve of the cooperative and helped the farmers during periods of famine. The cooperative runs the consumer stores to benefit the members of the society as well as outsiders. From clothing to edible items, the cooperative has been successful in building a community. At present, the Mulknoor cooperative society has over 6251 members, 106 employees, and a reserve of Rs. 6,968.23 lakhs.

Punjab State Cooperative Bank is another example of a cooperative building a strong network of branches that help in providing banking facilities to both farmers and small businesses. The success that the cooperative has achieved has only been possible through its innovation and financial inclusion of the people. The bank was established in the year 1949 and has since then continued to expand. At present, there are 20 District Central Cooperative Banks part of this banking system with their own 802 branches spread all across Punjab (Kaur & Bhambu, 2016) [11]. The cooperative's main function has been to generate interest among the people and to facilitate development. The growth of Amul as a dairy company has also been possible with the help of cooperatives. It is the cooperatives which has led to the worldwide popularity of Amul products (Pallathadka *et al*. 2022) [20]. The Gujarat Cooperative Milk Marketing Federation (GCMMF) also manages the cooperative society of the state through a moral and ethical system ingrained in the ideas and values of the state. Amul has helped in creating a value system that leads to the financial development of not just the company but society as a whole.

3.3 Aligning Cooperative Banks with the Viksit Bharat Vision

The goal of financial inclusion is to bring economic development to the region through reasonable credit. These initiatives stimulate economic development. As agriculture is an important aspect of the rural backbone, the farmers need proper support from the government to receive the benefits for Viksit Bharat (Hamid, 2024). The initiatives require public-private partnerships and targeted investments for increasing innovation and cooperative societies that are able to access modern technologies. Viksit Bharat 20247 also wants to create a resilient agricultural system, having proper financial institutions in the rural parts of the country. It is therefore important to make proper resources available to the people. The study findings also reveal that both microfinance and SHG groups are empowering the small farmers to transform the agricultural landscape of the city (Shyam, 2024) [29]. One of the main goals of the initiative has been to address the rural and urban divide that exists in the country. Through proper investments in digital infrastructure the rural areas can be improved. Community-based learning initiatives, on the other hand, provide people with new knowledge and values that can be used positively for society.

The rural parts of the country are plagued by limited entry for women, as they are expected to follow traditional gender roles. These traditional roles, however, limit the mobility and decision-making of women. Cooperatives provide these women with the opportunity to gain financial independence and improve their efficiency and income (Jindal, 2025) [10]. The wide range of opportunities that cooperative banks provide leads to financial inclusion and meets the needs of the population in the process. The stable CD ratio of 60-65% available at these banks makes lending practices more consistent and increases deposits (Vaghela, 2024) [32]. Viksit Bharat 2027 is an ambitious project that promises financial inclusion at every level, even though a large proportion of society lacks proper banking services. Cooperative banks create the opportunity to reach out to these people and provide them with proper financial incentives to make the switch and use their money more efficiently. This form of service creates fresh avenues that the consumers use to increase their ability (Kedla & Asha, 2025) [12]. The study discusses the potential of digital and neo-banking and how they can help accelerate the financial transformation in the banking sector of the country.

Under the supervision of PM Modi, a Ministry of Cooperation was created in 2021, which administers the changes that are being implemented by the RBI and the state governments. The observations have helped in understanding the important role that cooperative banks play in the country. One of the key features has been the introduction of the PACs, which provide financial aid to the farmers. Cooperative societies can be found in every panchayat they provide cooperative services to the local government and help with participation. The vision of Viksit Bharat 2047 to bring financial inclusion and include the people in the larger plan further helps in solidifying the position of cooperatives as a central pillar for the rural economy of the country. PACS and the other cooperative initiatives that are available help in meeting the goals of Viksit Bharat. The initiative is not just to become a macro economy but to uplift the rural parts of the country that have been neglected for the longest time. The popularity of cooperatives in the rural parts of India positions them uniquely to achieve equitable growth. The ministry has been working on building strong legal and financial ecosystems that can sustain these changes and move forward with the goals of Viksit Bharat 2047 (Bhutani, 2025) [3]. The sustainability aspect of the Viksit Bharat initiative is fulfilled through cooperative banks, as these help in making the people more resilient towards the changes.

Over the years, the PM has introduced several financial inclusion measures, including Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT). Implementation of these measures has a transformative effect on the rural population, as it provides them with essential tools that can help with financial inclusion. While mobile banking and increased financial literacy have helped the people, the government policies have supported these efforts and ensured a smooth integration process. Although cultural obstacles and barriers to penetration in the rural market have halted its impact, it has made a considerable amount of progress in the accessibility of credit and savings. PMJDY, in particular, has expanded banking services and led to more people opening banking accounts. The Yojana also provides all people with equal access to the banking systems of the country. Women are allowed to seek education and gain loans. Despite there being challenges with gender disparity, these positive changes in the banking sector have led to improved financial inclusion metrics (Shyam, 2024) [29]. The Pradhan Mantri Kisan Samman Nidhi (PMKISAN) Yojana is also known for providing 11.8 crore families every year. Comparing these initiatives with cooperative banking can lead to better promotion of agriculture and help farmers achieve financial independence.

Viksit Bharat has suggested many different strategies that can be utilised for achieving financial inclusion. Fintech is considered a major asset that can drive innovation and maintain transparency. The success of these initiatives also depends on public partnerships; the increased knowledge about the surroundings also contributes to understanding consumer preferences. Cooperative efforts boost the financial capabilities and encourage organisations to promote green infrastructure (Maclean & Agarwal, 2025). Viksit Bharat can be seen as a holistic approach, with three main goals: sustainable development, inclusivity and global leadership. The country has been trying to balance its economic growth with efforts towards environmental preservation. Inclusivity reduces inequality and promotes justice (The Economic Times, 2025). Collaboration with startups and medium-sized organisations can lead to updating the skills of the rural population and making proper use of technology to bridge the digital gap. The objectives of the Viksit Bharat initiative closely align with those of the SDGs; therefore, through the shared goals, the government can address ongoing issues with poverty, gender inequality and economic growth. Aligning cooperative banks with the vision of Viksit Bharat requires strategic investments and modernisation.

3.4 Challenges Facing Cooperative Banks

Despite cooperative banks being the key to the successful implementation of Viksit Bharat 2047 in the country, there are certain key challenges which limit the implementation process. The regulatory policies introduced by the government can only be effective when the banks articulate and implement effective investment decisions (Sharma, 2024) [27]. Studies show that the lack of stringent supervision is the main reason behind the failure of compliance. Lack of regulatory practices can be attributed to an ongoing process, as the financial irregularities with the services were the main reason for the RBI takeover of the cooperative banks in India. The poor regulatory practices across the nation are a major challenge which the banks have been facing. Inconsistencies in the policy implementations lead to poor efforts of inclusion and the absence of monitoring mechanisms for better changes (Chatterjee & Kundu, 2025) [4]. Even though the RBI has certain provisions overseeing the activity of cooperative banks, the suggestions are not always implemented by the banking system. The incompetence and deliberate mismanagement are the reasons for the cooperative banks' lack of equal facilities (Indian Cooperative, 2025). The banks lack transparency and accountability, which creates distrust among consumers; robust safeguards are therefore necessary to improve these conditions.

The lack of access to technology is another limitation of the cooperative banks; the people using these services in the rural areas generally belong to weak and marginalised communities. Not having access to technology prevents the cooperative services from expanding to the remote regions. Digital banking is considered important as it not only provides the consumer with convenience but expands the outreach of the service, and the efficiency of the bank is improved while the operational cost remains low (Chatterjee & Kundu, 2025) [4]. The use of big data, fintech and online banking options helps in enhancing the consumer experience. Banks need to be efficient to make sure they are stable and sustainable. Efficiency is the key aspect that reduces the cost of the services while maximising the profit. Not having proper infrastructure to support digitalisation, therefore, limits these banking services (Ayadi, Challita & Cucinelli, 2023) [1]. The integration of cooperative banking is a crucial step that can improve the resilience of the banking system. Strategic investments from the government are needed to support these initiatives. Digital literacy campaigns also need to be held to make the common people more aware of the functionality of the bank. The dual mission of economic empowerment and community development of the cooperative banks faces serious struggles.

The third problem faced by these banks is operational inefficiency and corruption. As these types of banks are controlled and monitored by the state governments, there are risks of political interference. Unlike other banks, cooperatives do not have transparent and accountable governance, limiting their performance (Chatterjee & Kundu, 2025) [4]. Consumers are attracted to these types of banks due to their high interest rates, but a lack of regulatory oversight leads to problems. The role of the RBI on these banks is questionable, despite having dual rights on the cooperative banks of the country. It seems uninterested in developing strategies that can help these rural banks prosper. Without any initiative for reform and accountability, the burden of the banking system has been taken up by the bigger commercial banks (Dalal, 2016) [5]. Studies show that cooperative banks in rural areas are mere political tools that are used by the state government to maintain its position. A lack of effort from the government to make the bank more accountable has resulted in a loss of autonomy.

When compared to commercial banks, cooperatives are much smaller financial entities, and the services and funds stored in the bank, the dual control of the banking system creates more problems than providing autonomy. Lack of communication between the RBI and the different state governments leads to coordination problems and mismanagement. The people of the rural communities are also not well-informed about the benefits of these types of banks. Cooperative banks are seen by the general population as a concession from the government and obtaining discounted services. They only work with the bank as long as they feel they are getting something in return. While there are some large cooperatives that have gained success, the majority of these types of banks have limited coverage and operate within a few villages. Therefore, the resources of the organisation continue to be limited. The ability to reach the grassroots level makes cooperative banking unique and an integral part of the banking system. Necessary measures are needed, as a result, to boost the trust of the general population and encourage them to visit the banks.

4. Conclusion

4.1 Summary of the paper

The vision of Viksit Bharat by 2047 is not just about attaining economic growth but also about achieving environmental and social progress. However, the findings from the present research have shown that the goals of Viksit Bharat cannot be achieved without creating a robust financial ecosystem that can empower the rural population of the country. Cooperative banks are one of the oldest modern-day banking systems in the country, established during the colonial period, but they continue to have a significant impact on the rural masses. These banks are community-driven and play an important role in regional development. There are both rural and urban cooperative banks, with the rural banks having many different schemes and offerings for agricultural loans and livelihood support. Unlike commercial banks, which are controlled by a single entity, cooperative banks function at the grassroots level and are a part of the social fabric. The article has shown both the contribution and the challenges of these banks and the urgent need to introduce new reforms to reduce the politicisation of the banking system and the rampant corruption. RBI supervision is found to be necessary to improve infrastructure and provide incentives to the villagers to trust and invest their money in these banks. Through proper government support, cooperative banks can empower the rural folks and help make the objectives of Viksit Bharat a reality.

4.2 Policy Recommendations and Future Roadmap

The major obstacle which is faced by cooperative banks is the complexity of the dual regulatory bodies, the RBI and the respective state government. Implementing mandatory regulations to oversee financial resilience can prevent early signs of distress, whereas the supervision of the RBI needs to be increased to ensure that the banks are complying with the risk management frameworks that have been proposed. The banks also need to develop a risk management model to protect the vulnerable institutions. The regulatory mechanism needs to be clear and uniform, with RBI being the sole authority over these banks, and greater transparency and professionalism can be achieved. Accountability is another significant issue which hampers consumer trust and deters them from investing and saving in these banks. The government structure needs to be strengthened to operate the functions in a more accountable manner. Audits need to be carried out occasionally to prevent fraudulent activities from taking place. Cooperative banks perform mostly in villages and suffer from undercapitalisation; their limited ability makes them vulnerable. Introducing a credit guarantee scheme for farmers and microbusiness owners can help them access resources without burdening them with the risk. The credits sanctioned by the bank also need to be done on risk-based pricing to improve the recovery rate for the loans and avoid challenges.

The rural banks have limited digital technologies available to support a thriving financial ecosystem. Government support and collaboration with fintech and other start-ups can help in introducing mobile banking and other features to the organisation. The staff and consumers both require digital training programs to reduce the skill gap; the bureaucratic hurdles that the banks encounter can also be addressed through the adoption of technology. The banks also need to keep separate contingency funds to prevent financial distress. Integrating the cooperative banks with the different rural welfare and developmental schemes can also serve as an incentive for people to use these services. Finally, financial literacy is another critical element that is needed for increasing technological integration in the cooperative banking sector. Carrying out literacy campaigns to educate consumers on the different banking options and ways to save their money can be beneficial for reducing the risks. Prospects need to align the objectives of Viksit Bharat with these rural financial institutions for better digital integration. Through RBI intervention, the banks can improve their efforts towards loan recovery and capital infusion, which will help bring stability. Merging the cooperative banks with less successful ones in the market is another method through which operations can be carried out smoothly. Implementation of these recommendations can help the cooperative banks become more resilient and stable for the Indian ecosystem.

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