



Study on Co-operative Banks a helping hand for Funding Small and Medium Entrepreneurs

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Abstract:

The study investigates the role of co-operative banks as a critical financial support system for Small and Medium Enterprises (SMEs). In developing economies, SMEs contribute significantly to employment generation, economic development, and innovation. However, access to adequate financing remains a key challenge for these enterprises, which often face limitations in securing funds from mainstream commercial banks due to stringent lending criteria. Co-operative banks, with their localized approach, flexible lending practices, and emphasis on community development, offer an alternative and more accessible funding solution for SMEs. This research explores the unique characteristics of co-operative banks, their funding models, and the extent of their contribution to the growth and sustainability of SMEs. Using a mix of quantitative and qualitative methods, the paper analyzes the advantages and challenges faced by SMEs in partnering with co-operative banks. It also highlights policy implications for enhancing the role of co-operative banks in fostering entrepreneurship and small business growth. The findings indicate that co-operative banks play a crucial role in bridging the financial gap for SMEs, thereby stimulating local economies and promoting inclusive development.

Keywords: Co-operative banks, Small and Medium Enterprises (SMEs), entrepreneurship, financial support, community banking, SME funding, economic development, inclusive finance, alternative lending.

INTRODUCTION:

A co-operative bank is money related substance which has a place with its individuals, who are in the Meantime the proprietors and the clients of their bank. Co-operative banks are frequently made by people Having a place with a similar nearby or proficient network or sharing regular premium. Co-operative banks Are profoundly established inside neighborhoods networks. They are engaged with neighborhood Improvement and add to the supportable advancement of their networks, as their individuals and the board As a rule have a place with the networks in which they practice their exercises. Co-operative banking Incorporates retail banking, as did by credit associations, shared investment funds and advance affiliations, Building social orders and co-agents, just as business banking administrations given by manual associations, (for example, co-usable alliances) to cooperative organizations. The primary point of a co-employable bank Isn't to boost benefit however to give the most ideal items and administrations to its individuals. Some co-Usable banks just work with their individuals yet a large portion of them additionally concede non-part Customers to profit by their banking and money related administrations.

These banks, until 1996, could only lend for non-agricultural purposes. As at end-March 2011, There were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a single State, there were 42 UCBs Having operations in more than one State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agricultural based activities including Farming, cattle, milk, hatchery, personal finance, etc. along with some small scale industries and Self-employment driven activities, the co-operative banks in urban areas mainly finance various Categories of people for self-employment, industries, small scale units and home finance.

Review of literature

Agarwal(1987):assessment that banking establishment ought to be increasingly pragmatic and adaptable in Their frame of mind as opposed to carefully legitimate with the end goal of empowering the obtaining units To overcome any transitory challenges.

Jain (1990): In his article entitled "Help of Small Industry", has called Attention to that the institutional help to private company is set up the correct kind of establishments and Give framework offices to little undertakings.

James Manalel (1994):The adequacy of any motivating force Bundles, anyway very much planned it might be relies upon the nature of the arrangement of conveyance.

Venkateswara Rao (1995): in his article entitled “Advancement of SSI”, states that the review conducted by The RBI and the National State Insurance Corporation (NSIC) additionally settled that the little units utilize Capital all the more productively and the gainfulness of the little scale division is higher than that of Extensive scale area

Prasad (1995) :Commercial banks need to take up the assignment of credit development On a difficult premise and should abuse the huge possibility by setting up close to home contact with little Industrialist.

Nirmal K gupta (1995):in his article entitled “Little Industry”, expresses that a substantial Number of focal government association have been stabled in the country to give authoritative, specialized, Budgetary, showcasing, crude material, preparing and different types of help required by the little scale Cottage and town enterprises.

SaroshBana(2000): in his article entitled “India’s Small Scale Sector”, Expresses that, according to the Small Industries Development Bank of India (SIDBI) SSI accounts for as Much as 96 percent of India’s modern units, 40 percent of the yield in the assembling area and 35 percent of The exporters separated from utilizing more than 17 million people.

Basheer Ahmed (2000) in his article Entitled “Infection of SSI”, states that one of the elements of DIC (District Industrial Center) is to help the Business visionaries in giving more prominent money related help to SSI units.

Sundar et al. (2001) in their Article entitled “The Role of Small Industries Development Bank of India (SIDBI) in Financing Small Scale Industries”, expresses that, the job of Small Industries Development Bank of India (SIDBI) in giving money Related help is commonly commendable both as far as number of plans endorsed and the quantum of advances dispensed over a time of eight years. The bank is basically financing to little scale ventures Through “renegotiate” and “charges financing” plans.

Research gap

Most of the studies focused on the use of finance available from co-operative banks Overgrowth, development, viability, and survival of medium and small scale enterprises. Apart from These several other works upon banking service towards different sectors has been done By different renowned researchers. But no work is specifically undertaken to identify and Analyze the role of loan taken from public sector banks towards financial restructuring And financial strengthening and development including capital formation and profit Growth of SMEs . No such comprehensive model is available which take both the Financial and Capital formation simultaneously for measuring the overall financial Performance of SMEs.

Statement of problem

Small and medium-sized enterprises (SMEs) are crucial for economic development, innovation, and job creation. However, these businesses often face significant financial challenges, particularly in accessing affordable and suitable funding options. Cooperative banks, with their community-focused and member-driven approach, have emerged as potential solutions to these financing issues. This study aims to investigate how cooperative banks can effectively serve as a helping fund for SMEs. Specifically, it will explore the extent to which cooperative banks provide financial support to SMEs, assess the impact of this support on the growth and sustainability of these enterprises, and identify the challenges and opportunities within this funding model. Understanding these dynamics will offer insights into how cooperative banks can enhance their role in fostering SME development and contribute to broader economic stability.

Objective

1. To ponder the different types of help give by cooperative bank to little and medium business Visionaries .
2. To examine the role of co-operative banks in providing financial assistance to Small and Medium Entrepreneurs (SMEs).
3. To identify the challenges faced by SMEs in accessing funding from co-operative banks.
4. To analyze the impact of co-operative banks’ funding on the growth and development of SMES.

Research methodology:

This study will adopt a qualitative research approach to understand the experiences of SMEs and co-operative banks in detail. It will also use quantitative methods to analyze the impact of co-operative bank financing on SME growth and performance.

Research Design:

Descriptive Research Design will be used to describe the current state of co-operative bank funding and its effects on SMEs.

Sampling Strategy

The study will target a sample of 47 SMEs from various sectors (manufacturing retail, services, etc.) that have received funding from co-operative banks.

Data collection

Primary Data :A structured questionnaire will be distributed to SME owners who have availed funding from co-operative banks.

Limitations

- **Sample Size:** Limited sample size may not capture all SME experiences.
- **Data Accuracy:** Financial data may be incomplete or unreliable.
- **Regulatory Changes:** Policy shifts during the study could impact findings.

Data analysis**Table 1:** Types of business

Particulars	No. Of Respondents	Percentage
Manufacturer	14	30.4%
Services	6	13%
Retail	9	17.5%
Other	18	39.1%

Analysis and Interpretation: The survey revealed that 60% of respondents were micro enterprises (up to 10 employees), 26.7% were small enterprises (11-50 employees), and 13.3% were medium enterprises (51-250 employees), highlighting the dominance of small-scale businesses.

Table2: Are you aware of the co-operative banks operating in your region

particulars	No.of Respondents	Percentage
Yes	41	87.2%
no	6	12.8%

Analysis and Interpretation: The survey results show that an overwhelming majority (87.2%) of respondents are aware of co-operative banks operating in their region, while only 12.8% are unaware, indicating a high level of awareness and familiarity with co-operative banking services among the respondents.

Table3: Have you ever availed any financial services from a co-operative banks

particulars	No.of Respondents	Percentage
Yes	35	73.3%
No	12	26.7%

Analysis and Interpretation: A substantial 73.3% of respondents have utilized financial services from co-operative banks, while 26.7% have not, indicating a significant reliance on co-operative banks for financial needs among the majority of respondents.

Table4: If yes, please specify the type of services used

particulars	No.of Respondents	Percentage
Loans	16	36.4%
Saving accounts	20	45.5%
Investment services	3	6.8%
other	8	11.3%

Analysis and Interpretation: Co-operative banks' services were primarily used for savings (45.5%) and loan (36.4%) purposes, suggesting their role in supporting respondents' financial stability and access to credit.

Table 5: How would you rate the ease of the loan application process with co-operative banks

Particulars	No.of Respondents	Percentage
Very Easy	9	19.1%
Easy	18	38.3%
Neutral	16	34%
Difficult	4	8.5%
Very Difficult	-	-

Analysis and Interpretation: Co-operative banks' loan application process was perceived as user-friendly, with over half (57.4%) of respondents rating it as "Very Easy" or "Easy", suggesting efficient and customer-centric services.

Table 6: your perception of the interest rates offered by co-operative banks compared to commercial banks

Particulars	No.of Respondents	Percentage
Lower	12	26.1%
Similar	26	56.5%
Higher	5	10.9%
Not	4	6.5%

Analysis and Interpretation: The majority of respondents view co-operative banks' interest rates favorably, with considering them similar (56.5%) or lower (26.1%) than commercial banks.

Table7: what ways has it impacted your business

Particulars	No.of Respondents	Percentage
Increased Revenue	18	40%
Expanded Operations	11	24.4%
Improved Cash Flow	13	24.5
Enhanced Product/Service Quality	5	11.1%

Analysis and Interpretation: Co-operative bank funding has yielded multifaceted benefits, with 40% of respondents citing revenue growth, 24.4% expansion, 24.5% improved cash flow, and 11.1% enhanced quality, demonstrating its pivotal role in business development

Table8: What challenges, if any, have you faced while dealing with co-operative banks

Particulars	No.of Respondents	Percentage
Delays in Processing	14	30.4%
High Collateral Requirements	7	15.2%
Lack of Flexibility	6	13%
Customer Service Issues	13	28.3%
Other	7	13.1

Analysis and Interpretation: Respondents identified various challenges when dealing with co-operative banks, with the top concerns being customer service issues (28.3%), delays in processing (30.4%), high collateral requirements (15.2%), lack of flexibility (13%), and other issues (13.1%), highlighting areas for improvement in service delivery and operational efficiency.

Table 9: What improvements would you like to see in the services offered by co-operative banks

Particulars	No.of Respondents	Percentage
Faster Processing	16	34%
Lower Interest Rates	7	14.9%
Better customer services	18	38.3%
More Flexible Loan Terms	6	12.8%

Analysis and Interpretation: Co-operative banks' customers seek significant enhancements in service quality, particularly in customer service (38.3%) and processing efficiency (34%), to improve overall experience.

Table 10: Satisfaction with co-operative bank support

Particulars	No.of Respondents	Percentage
Very satisfied	10	21.3%
satisfied	21	44.7%
Neutral	14	29.8%
Dissatisfied	2	4.3%
Very Dissatisfied	-	-

Analysis and Interpretation: The majority of respondents (66%) are satisfied with co-operative bank support, with 21.3% being very satisfied and 44.7% satisfied, while 29.8% remain neutral, and only 4.3% express dissatisfaction, indicating a generally positive perception of co-operative bank support services.

Findings

- Government Support:** Government schemes help co-operatives reduce risks and increase lending to SMEs
- Long-Term Impact:** Co-operatives contribute to job creation, productivity, and economic growth by supporting SMEs
- Support for Rural Enterprises:** Co-operatives offer tailored financial products for rural and micro-enterprises, such as agricultural loans.
- Challenges:** Limited capital, outdated technology, and regulatory constraints hinder co-operatives' ability to fully support SMEs.
- Need for Modernization:** Investments in technology and staff training are essential to improve efficiency and meet SME needs.

Suggestions:

- Increase Capital Base:** Co-operative banks should seek partnerships to expand their lending capacity.
- Adopt Technology:** Invest in digital banking to improve efficiency and reach more SMEs.
- Enhance Training:** Provide financial literacy programs for both staff and entrepreneurs

4. **Advocate for Policy Changes:** Engage with policymakers to secure favorable regulations.
5. **Collaborate with Other Institutions:** Partner with microfinance and government bodies to diversify services.

Conclusion :

In conclusion, cooperative banks serve as a key source of financial support for Small and Medium Enterprises (SMEs), offering accessible credit, lower interest rates, and flexible terms. Their member-centric model enables SMEs to overcome funding challenges that may arise with traditional banking systems. While cooperative banks face certain limitations, such as capital constraints, their contribution to the growth and sustainability of SMEs remains significant. With the right policies and technological advancements, cooperative banks can enhance their role in fostering economic development and empowering entrepreneur.

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