



Cooperative Societies

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Why is in news? To realise Prime Minister Shri Narendra Modi's vision of 'Sahakar se Samridhi, four important initiatives have been taken to strengthen 1,514 Urban Co-operative Banks (UCBs) in the country

- To realise Prime Minister's vision of 'Sahakar se Samridhi, four important initiatives have been taken to strengthen 1,514 Urban Co-operative Banks (UCBs) in the country.
- Pursuant to detailed discussions held by Union Home Minister and Minister of Cooperation, with Finance Minister and Governor, Reserve Bank of India, the RBI has notified these vital measures to strengthen Urban Co-operative Banks.

4 initiatives:

- In order to expand their business, Urban Cooperative Banks (UCBs) can now open new branches
- UCBs can also do One Time Settlement at par with Commercial Banks
- Revised timelines for Priority Sector Lending targets given to UCBs
- Designating a Nodal Officer in RBI

Cooperative Societies:

- According to the **International Labour Organisation (ILO)**, a cooperative is an **autonomous association of persons united voluntarily** to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
- The **United Nations General Assembly had declared the year 2012** as the **International Year of Cooperatives**.
- India is an agricultural country and laid the foundation of World's biggest cooperative movement in the world.

Constitutional Provisions Related to Cooperatives:

- The **Constitution (97th Amendment) Act, 2011** added a **new Part IXB** right after Part IXA (Municipals) regarding the cooperatives working in India.
- The word "cooperatives" was added after "unions and associations" in Article 19(1)(c) under Part III of the Constitution. This enables all the citizens to form cooperatives by giving it the status of fundamental right of citizens.
- A new **Article 43B** was added in the Directive Principles of State Policy (Part IV) regarding the "promotion of cooperative societies".
- **Cooperatives are a State subject.**
- Co-operative Banks, which are **distinct from commercial banks**, were born out of the **concept of co-operative credit societies** where members from a community group together to extend loans to each other, at favourable terms.
- Co-operative Banks are broadly classified into **Urban and Rural co-operative banks** based on their region of operation.
- Like other banks, the cooperative banks are founded by collecting funds through shares, accept deposits and grant loans.

- The history of Indian cooperative banking started with the passing of **Cooperative Societies Act in 1904**.
- A Co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank.

Co-operative banks in India are registered under the States Cooperative Societies Act.

- The Co-operative banks are also **regulated by the Reserve Bank of India (RBI)** and governed by the **Banking Regulations Act 1949, Banking Laws (Co-operative Societies) Act, 1955**.
- Democratic Member Control – democratically elect a board of directors. Members usually have equal voting rights, according to the cooperative principle of “one person, one vote”.

Urban Cooperative Banks:

- Urban Co-operative Banks (Primary Cooperative Banks) are **regulated and supervised by State Registrars of Co-operative Societies (RCS)** in case of **single-State co-operative banks** and **Central Registrar of Co-operative Societies (CRCS)** in case of **multi-State co-operative banks** and by the RBI.
- The banking related functions such as issue of license to start new banks/branches, matters relating to interest rates, loan policies, investments and prudential exposure norms are regulated and supervised by the Reserve Bank under the provisions of the Banking Regulation Act, 1949.
- Reserve Bank of India is both the controlling and inspecting authority for the Primary Cooperative Banks.
- **NABARD provides refinance support** and takes care of inspection of State Cooperative Banks and District Central Cooperative Banks.

Difference between UCBs and Commercial Banks:

- **Regulation:** Unlike commercial banks, **UCBs are only partly regulated by the RBI**. Their banking operations are regulated by the RBI, which lays down their capital adequacy, risk control and lending norms. However, their management and resolution in the case of distress is regulated by the Registrar of Co-operative Societies either under the State or Central government.
- **Borrower can be a Shareholder:** In general for a commercial bank, there is a clear distinction between its shareholders and its borrowers whereas in a UCB, **borrowers can even double up as shareholders**.