



RBI Resumes Licensing for Urban Cooperative Banks (UCBs)

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News Context: In a landmark decision in January 2026, the RBI proposed ending a 22-year pause (since 2004) on issuing new licenses for Urban Cooperative Banks.

- **Why the Pause?** Following the Madhavpura Mercantile Cooperative Bank crisis in 2001, licensing was halted to clean up the sector, which saw the number of UCBs drop from over 2,100 to 1,457 by 2025.
- **New Proposed Criteria:**
- **Minimum Net Worth:** ₹300 crore (as of March 31 of the previous year).
- **Track Record:** Only existing credit societies with at least **10 years** of active operation and a sound financial record for the last 5 years can apply.
- **Capital Adequacy:** New UCBs must maintain a **CRAR (Capital to Risk-weighted Assets Ratio)** of at least 15%.
- **Strategic Goal:** To leverage UCBs for deeper **Financial Inclusion** in Tier-2 and Tier-3 cities while ensuring they are governed with the same rigor as Commercial Banks under the **Banking Regulation (Amendment) Act, 2020**.