Co-operative Banks under RBI

Recently, the Central government approved an ordinance to bring all urban and multi-state co-operative banks under the direct supervision of the RBI (PT). The decision comes after several instances of fraud and serious financial irregularities, including the major scam at the Punjab and Maharashtra Co-operative (PMC) Bank in 2019.

Till now, all the co-operative banks came under dual regulation of the RBI and the Registrar of Co-operative Societies.

Previously, the RBI had no powers to draw up an enforceable scheme of reconstruction of a co-operative bank. However, from now onwards the urban and multi-state co-operative will come under the direct supervision of RBI. The move will empower the RBI to regulate all urban and multi-state co-operative banks on the lines of commercial banks.

Co-operative Banks

- It is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank.
- It is distinct from commercial banks.
- They are broadly classified into Urban and Rural co-operative banks based on their region of operation.
- They are registered under the Co-operative Societies Act of the State concerned or under the Multi-State Co-operative Societies Act, 2002.
- The Co-operative banks are also governed by the