Syllabus subtopic: Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

News: The government will, in the upcoming Winter Session of Parliament, seek to make amendments in certain laws so as to bring the banking activities carried out by cooperative societies under the purview of the Banking Regulation Act.

Prelims focus: About Cooperative banks and regulations imposed.

Mains focus: The issue of dual regulation and its redressal

- The government is also planning to increase the amount of deposits in banks that are insured, from the current ₹1 lakh.

About co-operative banks?

Co-operative banks are financial entities established on a co-operative basis and belonging to their members. This means that the customers of a co-operative bank are also its owners.

These banks provide a wide range of regular banking and financial services. However, there are some points where they differ from other banks.

Structure:

1. Broadly, co-operative banks in India are divided into two categories – urban and rural.
2. Rural cooperative credit institutions could either be short-term or long-term in nature.
   - Short-term cooperative credit institutions are further sub-divided into State Cooperative Banks, District Central Co-operative Banks, Primary Agricultural Credit Societies.
   - Long-term institutions are either State Cooperative Agriculture and Rural Development Banks (SCARDBs) or Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).
3. Urban Co-operative Banks (UBBs) are either scheduled or non-scheduled. Scheduled and non-scheduled UCBs are again of two kinds- multi-state and those operating in single state.

Oversight

In India, co-operative banks are registered under the States Cooperative Societies Act. They
also come under the regulatory ambit of the Reserve Bank of India (RBI) under two laws, namely, the Banking Regulations Act, 1949, and the Banking Laws (Co-operative Societies) Act, 1955.

They were brought under the RBI’s watch in 1966, a move which brought the problem of dual regulation along with it.

Dual Regulation of Urban Cooperative Bank (UCB):

Urban Co-operative 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.

1. The RCS exercises powers under the respective Co-operative Societies Act of the States with regard to incorporation, registration, management, amalgamation, reconstruction or liquidation and in case of UCBs that have multi-State presence, are exercised by the CRCS.
2. 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.