

# Expert Committee on Urban Co-operative Banks

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## In news

Recently, the Reserve Bank of India constituted an Expert Committee on Urban Co-operative Banks

## About the Expert Committee on Urban Co-operative Banks

The Reserve Bank has announced setting up of an Expert Committee on UCBs to examine the issues and to provide a road map for strengthening the sector, leveraging on the recent amendments to Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).

**Chaired by:** NS Vishwanathan

**The Terms of Reference (ToR) of the committee will be as under:**

- Take stock of the regulatory measures taken by the Reserve Bank and other authorities in respect of UCBs and assess their impact over the last five years to identify key constraints and enablers, if any, in fulfilment of their socio-economic objective.
- Review the current Regulatory/Supervisory approach and recommend suitable measures/changes to strengthen the sector, taking into account recent amendments to the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).
- Suggest effective measures for faster rehabilitation / resolution of UCBs and assess potential for consolidation in the sector.
- Consider the need for differential regulations and examine prospects to allow more leeway in permissible

activities for UCBs with a view to enhance their resilience.

- Draw up a vision document for a vibrant and resilient urban co-operative banking sector having regards to the Principles of Cooperation as well as depositors' interest and systemic issues.

### **Submission of the report**

The Committee will submit its report within three months from the date of its first meeting. The Department of Regulation (DoR) will provide the necessary secretarial assistance to the Committee.

### **Urban Co-operative Banks (UCBs)**

- The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes.
- This distinction does not hold today. These banks were traditionally centred around communities, localities work place groups. They essentially lent to small borrowers and businesses.
- Today, their scope of operations has widened considerably.
- The origins of the urban cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany such societies were set up in India.
- Cooperative societies are based on the principles of cooperation, – mutual help, democratic decision making and open membership

**The first known mutual aid society in India was probably the**

**“Anyonya Sahakari Mandali” organised in the erstwhile princely State of Baroda in 1889** under the guidance of Vithal Laxman also known as Bhausahab Kavthekar.