

Cooperative banks will not be treated as 'second-grade citizen': Amit Shah

Says model still relevant but adoption of modern banking methods necessary

KR SRIVATS

New Delhi, June 23

Asserting that cooperative model holds relevance for India even today, the Home and Cooperation Minister Amit Shah on Thursday assured the cooperative banks and credit societies that government would not allow any 'second grade citizen' treatment to them when it comes to RBI norms or other government policies under the recently amended Banking Regulation Act.

"I can assure that no second-grade citizen treatment would be meted out to you. At the same time, special favours are also not going to be given," Shah said at a National Conclave of Scheduled & Multi State Urban Cooperative Banks and Credit Societies on 'Future Role of Urban Co-operative Credit Sector' in the capital. The conclave was organised by National Federation of Urban Cooperative

Banks and Credit Societies Ltd (NAFCUB).

This assurance from Shah came as music to the ears of urban cooperative banks (UCBs) and credit societies which have been crying foul over the absence of level playing field with commercial banks, post the breakout of the Madhavpura Mercantile scam in 2001.

"The Minister's remarks today gives lot of comfort to us. Because of the Minister's intervention, some liberty has been given by the RBI recently in terms of 100 per cent housing finance loan. Earlier, housing finance limit was about ₹35 lakh, but recently, it has been doubled for certain cooperative banks," Jyotindra Mehta, President, NAFCUB, told *BusinessLine*.

The UCBs had brought to the attention of the government that the RBI had stopped extending branch licences cooperative banks for



Union Minister for Home Affairs and Cooperation Amit Shah at the National Conclave of Scheduled & Multi-States Urban Cooperative Banks and Credit Societies, in New Delhi, on Thursday PM

over a decade since 2001. The decision was hampering the growth of the cooperative sector, they contended.

"There was a big obstacle from the regulator that they were not giving branch licences to us. But they were giving licences to other players. Commercial banks have automatic route which we don't have. Our demand is there must be level playing field. RBI was giving on tap licences for others like small finance banks but not for co-operative banks," Mehta said.

The Centre had recently amended the Banking Regula-

tion Act to bring the cooperative banking sector into the mainstream. With the amendment, UCBs are expected to get more freedom in their operations and will be brought under stricter regulatory regime.

'Hire new age bankers'

Shah urged the cooperative banks and credit societies to be in tune with the times and open up to hiring new age young professional bankers. "You need experts to manage the surplus that you generate from your operations. You must bring new age bank-

ing experts and professionals within your fold and improve your corporate governance. That will also enhance the trust of the regulator and the society on you," Shah added.

The Minister suggested 4Ts – Trained banking experts, Technology, Transparency and Trust – as the mantra for cooperative banks success in the future.

Shah also wanted UCBs to enhance their market share and pointed out that their share in deposits and advances of the financial system was still minuscule at 3.25 per cent and 2.69 per cent, respectively.

Umbrella organisation

Mehta said a new umbrella organisation for UCBs, the National Cooperative Finance Development Corporation (NCFDC) has been set up and will function as a self-regulatory organisation.

As a sector under NCFDC, the UCBs, with their 11,500 branches, would be among the top five banking entities in the country, Mehta added.

NEWS PAPER NAME:- BUSINESS LINE

NWES PUBLISHED DATE:- 24-06-2022

PAGE NO:- 03