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RBI's no exchange rule for cooperative banks hits farmers

By [Sanjay Singh](#) & [Viney Sharma](#)[Meera Mohanty](#)[Krishna Thevar](#)[DP Bhattacharya](#), ET Bureau | Updated: Nov 18, 2016, 08.39 AM IST

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NEW DELHI: While some states such as Kerala, where cooperative banks have total [business](#) of more than Rs 1 lakh crore, are clearly impacted, in other states such as Maharashtra such banks are seen as controlled by corrupt politicians and not following RBI's KYC & other norms. ET brings you ground reports from six states...

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UTTAR PRADESH

By [Sanjay Singh](#)

Uttar Pradesh has about 1,700 branches of cooperative banks, including 1,400 district cooperative bank (DCB) branches, in 50 districts, offering facilities, including recurring deposits (RD), savings accounts, [fixed deposits](#) and current accounts.

These banks enjoy good customer base in various areas, particularly in the 'sugarcane belt' of Meerut, Saharanpur and Muzaffarpur.

"In these areas...sometimes even nationalised banks approach cooperative banks for business relations," a retired employee of a DCB told ET on phone. Aditya Yadav, chair man of UP's Provincial Cooperative Federation (PCF) that provides seeds, fertilisers and other agricultural inputs to farmers, said the withdrawal of `500 and `1,000 denomination notes has created a lot of problems for farmers as it's the "buwai" (sowing) season.

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And the decision to stop cooperative banks from exchanging or accepting old notes has worsened the situation. "Cooperative banks are facing problems to play its role in the interest of farmers. Most of DCBs' branches are located in rural areas and its customers are facing problems," Yadav told ET on phone <http://economictimes.indiatimes.com/news/economy/policy/if-demonitisation-is-surgical-strike-the-real-martyrs-are-the-aam-aadmi-read-why/articleshow/55485318.cms> e.

A Iso Read: If demonitisation is 'surgical strike', the real 'martyrs' are the aam aadmi . Read why

PUNJAB

By [Viney Sharma](#)

Farmers are up in arms against the restriction on DCBs. Members of Bharat Kisan Union and All [India](#) Kisan Coordination Committee are expected to meet the prime minister on the issue and have warned if the decision is not rolled back they may protest nationwide.

Punjab has 12,673 villages and farmers largely deposit their [earnings](#) from produce in cooperative banks. "This is a major setback to the farming community.

The development has actually scuttled the entire purpose of cooperative movement and these banks were set up to help farmers," said [Bhupinder Singh Maan](#), president of BKU.

Also Read: Farmers fear lost crops and income after "black money" move

Supporting farmers' cause former chief minister Capt Amarinder Singh said the central government's restriction on cooperative banks "is yet another assault on India's poor and farmers who are finding it difficult to survive in the face of Prime Minister Narendra Modi's irrational and unplanned demonetisation move".

He said that the ban "will completely break the back of the rural community, already reeling under a massive cash crunch, particularly at a time when the sowing season is on".



By law these banks are supposed to deposit their excess cash with the district cooperative banks. But the RBI has now fixed their withdrawal limit at Rs 24,000 per week (Rs 50,000 per week for current accounts), said A K Purushothaman, GM, Kannur district cooperative bank. Now these banks are facing customer ire.

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ODISHA

Meera Mohanty

While nationally one-third of short term loan and crops loans to farmers are given out by cooperative banks, in Odisha DCBs account for two-thirds of such loans.

Hence, the RBI restriction on DCBs will hit farmers here hard, experts said. "The state is in the middle of kharif harvest season, it is going to be hard to make labour payments in Rs 100, and I don't see farmers moving to Paytm in three months," said a senior official with obvious sarcasm.

Agriculture economists and officials said mandis and traders are exploiting farmers by forcing them to either accept demonetised notes or charge less for their produce, leading to significant increase in distress sale.

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"If they accept cash, whether new or old, they are doomed to wait for a week to get `100 denominations they can actually use. They will instead opt for lesser pay in practical denomination,"

an expert said. On Thursday chief minister Naveen Patnaik spoke to Prime Minister [Narendra Modi](#) for a rethink on the decision to exclude district central cooperative banks from the currency transition.

"If a farmer cannot get cash he cannot begin land preparation for the coming rabi season," he said.

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MAHARASHTRA

Krishna Thevar

In Maharashtra, BJP's ally Shiv Sena and opposition Nationalist [Congress Party](#) (NCP) are protesting the ban on exchange of old `1000 and `500 notes at cooperative banks, but several experts have lauded the move saying most of these banks have been flouting RBI [regulations](#) as politicians had an iron grip on them.

"Unlike private banks where those appointed at the helm are professionals, those running district cooperative banks are mostly politicians... There is practically no control of RBI on these banks and many of them don't even follow the KYC process of identifying their customers," said advocate [Ajay David](#), who practices cooperative law in the [Bombay](#) High Court.

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"In the last 60 years in spite of crores of rupees being sanctioned to dubious entities, not a single case has been initiated by the district deputy registrar (who is an ex-officio member on the board of DCB) to fix the liability of the losses on the directors," David said.

Citing an example, experts said Maharashtra State Cooperative Bank, which was controlled by NCP leaders like [Ajit Pawar](#), was suffering losses due to mismanagement and huge financial irregularities.

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GUJARAT

By Dhurjoti Bhattacharya

With the demonetisation of Rs 1,000 and Rs 500 currency notes hitting the rural [economy](#) the hardest, cooperative banks in Gujarat are on the warpath over the decision to restrain them from accepting old notes. And here the movement is led by BJP leaders.

"More than 50% of the farmers are linked with the DCBs across the country," said Dilip [Sanghani](#), a BJP heavyweight from Saurashtra.

"It is strange that while other banks are carrying out the exchange and accepting deposits, DCBs have been barred from doing so. Imagine the plight of a farmer who has just sold his crop.

He can't deposit his money in the bank he holds account in, can't exchange notes which are no more valid, and is stranded in the middle of the season in want of money to sow the crop, buy fertiliser or employ labour despite having money in his hand," said Sanghani who is chairman of National Federation of State Cooperative Banks.

The [market](#) yards of Saurashtra region have been shut for unspecified period. A committee of 11 members from the various market yards will soon approach the chief minister and the Union government to resolve the cash crisis.

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KERALA

By Sanandakumar S

Business has come to a grinding halt in hundreds of cooperative banks that play an important role in Kerala, having total business of more than `1 lakh crore. CM [Pinarayi Vijayan](#) and other ministers will go on a satyagraha in front of the RBI office in [Thiruvananthapuram](#) in protest as his meeting with finance minister Arun Jaitley did not lead to a positive decision of such banks.

Opposition UDF has also extended its support to the government.

For primary cooperative banks at grass-root level, the demonetisation drive has cut the deposit and credit facility with the district cooperative banks.

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“They are demanding their money for various needs and we cannot give,” said Radhamani, secretary of the Puthenchra cooperative bank in Thrissur. Officials said DCBs in the state are licenced by RBI, supervised by Nabard, and adhere to KYC and all other statutory norms.

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