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Privatisation is no solution to constraints facing cooperative banks: Sahakar Bharati

Our Bureau

NGO urges RBI to lay out a roadmap for growth of the sector

Mumbai, May 25:

The Reserve Bank of India should review the working of cooperative banks and put in place a Vision Document along with a roadmap for their growth and development, according to Sahakar Bharati.

The NGO, which works in the cooperative sector, has made this representation in the backdrop of the RBI issuing licences/giving 'in principle' approval to 23 banks, including small finance and payment banks

Referring to an RBI proposal to allow conversion of large urban cooperative banks (UCBs), with business size (deposits plus advances) of Rs. 20,000 crore, into private banks, the NGO said that privatisation of the cooperative banking sector is no solution to the constraints and challenges being faced by these banks.

"The need of the hour is legal and financial empowerment of this sector for all-round growth," said Satish Marathe, National President, Sahakar Bharati.

In this regard, Sahakar Bharati has proposed amendments to the Banking Regulation Act to empower the RBI to be able to effectively regulate the cooperative banking sector as the present provisions as applicable to Cooperative Societies were made applicable in 1966.

"We feel that the cooperative banking sector should equally benefit from the changes that are being ushered into the financial and banking sector so that it can play a major role in financial inclusion to achieve rapid, equitable and sustainable growth," said Marathe.

Discussion paper

A few years back, an RBI discussion paper concluded that setting up stronger UCBs, with good net worth and strong corporate governance, would facilitate extension of banking services in the regions characterised by poor banking outreach.

It further suggested that some UCBs could convert into local area banks/small finance banks if they meet the required prudential requirements.

Such banks, freed from dual control and with better ability to raise capital, may be able to further extend the reach of banking services

The need of the hour is legal and financial empowerment of the cooperative banking sector for all-round growth, says Satish Marathe

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