

## **Review of performance of Cooperative Banks**

### **1. Release of Recapitalization assistance to 3 DCCBs in J & K under Scheme for Revival of 23 unlicensed DCCBs.**

GoI announced a 'Scheme for Revival of Twenty-Three DCCBs' with financial assistance of Rs 2,375.42 crore in November 2014. Financial assistance under the scheme was envisaged to be extended to 23 DCCBs to enable them to comply with 7% CRAR from 31 March 2015 onwards and to attain 9%.

Of the total financial assistance of Rs 2375.42 crore sanctioned, Rs 278.04 crore pertained to three DCCBs (Baramulla, Anantnag & Jammu DCCBs) in Jammu & Kashmir, of which, Rs 111.22 crore was GoI share.

Subsequent to execution of MOUs between GoI, NABARD and the concerned State Governments, GoI released its entire share of Rs 673.29 crore to NABARD. NABARD had since released Rs 562.07 crore to State Governments of Uttar Pradesh, Maharashtra and West Bengal in respect of 20 DCCBs, after release of the State Governments' share to the DCCBs.

However, Rs 111.22 crore- GoI share in respect of 3 DCCBs in J & K had been parked with NABARD as the State Government did not release their share to DCCBs till FY 2020-21.

The State Government of J & K reassessed the total recapitalization required at about Rs 367 crore, based on the financial position of the DCCBs as on 31 March 2017, of which State Government share was assessed to be Rs 255.71 crore.

Consequent upon the release of entire share of recapitalization assistance by the UT administration to the 3 DCCBs in J&K in FY 2021-22 (by 29 March 2022), the entire amount Rs. 111.22 crore of GoI's share of recapitalization assistance to 3 DCCBs in J & K was released by NABARD on 30 March 2022.

### **2. Comprehensive data base of PACS**

NABARD has initiated a project of capturing the Comprehensive Geographic, infrastructure and financial data of PACS throughout the country, by mapping the data up to village level.

As on date, the basic data comprising of parameters viz. location, name, year of incorporation, contact details etc. have been captured in respect of 85,000 PACS and the data on staffing, basic financial data, non-credit activities carried out by PACS are available in respect of 73,000 PACS.

This comprehensive data base of PACS will serve as reference in future for all assistance under PACS as MSC, PACS Computerization, future developmental initiatives of GOI/ NABARD etc.

### **3. Renewal of CBS in Rural Cooperative Banks**

The Steering Committee of RCBs and NABARD are in the process of deliberations and finalization of the list of CBS services to be provided by the vendor/ service provider along with suitable options for CBS architecture in Rural Cooperative Banks (RCBs) with surround applications for renewal of CBS in RCBs. The services will be in two buckets namely "must have" and "Good to have" categories. NABARD is also supporting RCBs for onboarding

into Account Aggregator framework.

4. NABARD designed and maintains a web-based portal viz., “ENSURE” through which all data from RCBs is obtained and analysed. ENSURE is a platform which helps to review not only financial progress but also development related performance parameters. ENSURE also generates a “Performance Appraisal Report (PAR) on a quarterly basis that is reviewed at NABARD and also Boards of Management of respective Boards of the Banks.
5. NABARD conducts half-yearly review meets of the Banks wherein financial progress, technology adoption, policy issues, etc. are deliberated.

## **Important Policy Developments**

### **1. Ministry of Co-operation**

A separate Ministry of Co-operation has been formed by Government of India for realizing the vision of ‘Sahkar se Samriddhi’. The ministry aims to provide a separate administrative, legal and policy framework for strengthening the cooperative movement in the country and will help deepen Co-operatives as a true people based movement reaching up to the grassroots.

The Union Budget for FY 2022-23 has allocated Rs 900 crore to the Ministry of Cooperation compared to the revised estimate of Rs 403.30 crore in FY 2021-22. The Ministry aims to implement a host of schemes viz. Digitalization of Primary Agriculture Cooperative Societies (PACS), Umbrella Scheme "Prosperity through Cooperatives" for all round development of cooperatives in the country.

### **2. Reduction of Alternate minimum tax and Surcharge**

To provide a level playing field between co-operative societies and companies, Hon’ble Union Finance Minister, vide her Budget Speech on 1 February 2022, has proposed to reduce the Alternate Minimum Tax for the cooperative societies from 18.5% to 15%. Surcharge on co-operative societies having income between Rs. 1 crore and Rs. 10 crore has also been proposed to be reduced from 12 % to 7%.

### **3. Inclusion in the Second Schedule to the RBI Act, 1934**

Sikkim State Co-operative Bank Ltd. has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide RBI notification dated 12 October 2021 published in the Extraordinary Gazette of India dated 18 January 2022. With this there are now 24 Scheduled StCBs in India (out of 34 StCBs).

### **4. Inclusion of StCBs and DCCBs as Member Lending Institutions (MLIs) with CGTMSE**

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), vide their circular dated 3 February 2022, has notified the inclusion of StCBs and DCCBs as eligible banks to be included as Member Lending Institutions (MLIs) of CGTMSE. This is expected to improve the low-cost credit availability for MSMEs through the vast branch network of StCBs and DCCBs across India.

## **5. Amalgamation of District Central Co-operative Banks**

RBI vide their notification dated 24 May 2021 has issued the guidelines for consideration of proposals from State Governments to amalgamate one or more DCCB/s in the State with the StCB.

## **6. Protection of Depositor Interest**

The deposit insurance coverage available to depositors of banks, including StCBs and DCCBs, has been increased from Rs. 1 Lakh to 5 Lakh. Pursuant to the announcement made in the Union Budget 2021-22, the amended provisions of the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act came into force on September 1, 2021. The amendment empowers the DICGC to make interim deposit insurance pay-outs to depositors of troubled banks, even if the banks are under the Reserve Bank's All Inclusive Directions (AID), within 90 days of imposition of such Directions.

## **7. Individual Housing Loans by Cooperative Banks – Enhancement in Limits**

Prudential limits on the amount of individual housing loans that can be extended by StCBs and DCCBs, which were last revised in 2009, have been revised by RBI vide notification dated 8 June 2022 as under

<b>Category of the bank</b>	<b>Earlier Limit (per individual borrower)</b>	<b>Revised Limit (per individual borrower)</b>
StCBs/DCCBs having assessed net worth less than ₹100 crore	₹20 lakh	₹50 lakh
StCBs/DCCBs having assessed net worth equal to or more than ₹100 crore	₹30 lakh	₹75 lakh

## **8. Permitting Rural Co-operative Banks (RCBs) to Lend to Commercial Real Estate - Residential Housing (CRE-RH) Sector**

RBI vide their notification dated 8 June 2022, has permitted StCBs and DCCBs to extend finance to Commercial Real Estate-Residential Housing (CRE-RH) within the existing aggregate housing finance limit of 5% of their total assets. Earlier, StCBs and DCCBs were prohibited from extending loans to the commercial real estate sector.

## **9. Issue and regulation of share capital and securities - State Co-operative Banks and District Central Co-operative Banks**

The Banking Regulation (Amendment) Act, 2020 was made applicable to StCBs and DCCBs with effect from 1 April 2021. In light of the amendments, the earlier guidelines for RCBs on issue and regulation of capital funds were reviewed by RBI and revised guidelines were issued vide notification dated 19 April 2022.

Vide these revised guidelines, RCBs have been permitted to issue the

following instruments to augment their capital:

***I. Preference Shares***

- a) Perpetual Non-Cumulative Preference Shares (PNCPS) eligible for inclusion in Tier I capital
- b) Perpetual Cumulative Preference Shares (PCPS) eligible for inclusion in Tier II capital
- c) Redeemable Non-Cumulative Preference Shares (RNCPS) eligible for inclusion in Tier II capital
- d) Redeemable Cumulative Preference Shares (RCPS) eligible for inclusion in Tier II capital

***II. Debt instruments***

- a) Perpetual Debt Instruments (PDI) eligible for inclusion in Tier I capital
- b) Long Term Subordinated Bonds (LTSB) eligible for inclusion in Tier II capital

Further, RBI has specified the conditions which must be met for RCBs to refund the share capital to eligible persons.

**10. Opening of new place of business by District Central Co-operative Banks (DCCBs)**

Pursuant to the amendment to the Banking Regulation Act, 2020 DCCBs are permitted to open new place of business/install ATMs or shift the location of such offices only after obtaining prior approval of the Reserve Bank of India (RBI). RBI vide notification dated 11 August 2022 has issued guidelines specifying the criteria for opening of branches/extension counters/specialized branches/regional offices/zonal offices/administrative offices/shifting of branches/upgradation of extension counters into full-fledged branches by a DCCB.