



- ▶ A Cooperative is defined as an autonomous association of persons united voluntarily to meet their common Economic, Social and Cultural needs and aspirations through a jointly owned and democratically controlled Enterprise.
- ▶ A Cooperative is based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. So, it is a member-driven and democratically self-managed association of persons united voluntarily for the achievement of common goal that stands for service, joint-action, self-reliance and economic-freedom with accountability and transparency. Cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.
- ▶ The system was formally institutionalized with the establishment of the International Cooperative Alliance (ICA) during 1895. The fathers of the Cooperative as a System gave birth to noble Values and Principles of Cooperatives and applied them for the better understanding and propagation of this noble movement across the globe.

HISTORY OF COOPERATIVE MOVEMENT

- ▶ Each Cooperative is expected to adhere to these Guidelines or Principles of cooperatives in strict sense viz; Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training and Information, Cooperation among Cooperatives, and Concern for Community.
- ▶ During the agrarian movement in the Deccan, the peasants revolted against the money-lenders who were charging excessive rates of Interest on the loans so taken at the time of their dire needs. The peasants confiscated the promissory notes and mortgage-deeds from those money-lenders.
- ▶ These chaotic situations gave birth to Taccavi Legislation by the government leading to the formation of the Cooperative Societies.
- ▶ Then a series of famines broke out in our country from 1875 onwards that compelled the government to form a Famine Commission for finding ways and means in view of mitigating the fury of famine over the country, and improving the economic status of the peasants.
- ▶ The early forms of Cooperatives were the organization of Nidhis and Chit Funds in Southern India.
- ▶ In 1892 one Civil Servant of the Madras Presidency named Sir Frederick Nicholson was sent to Europe to study the structures of Cooperatives. He recommended the formation of the Rural Cooperative Credit Societies adopting the German pattern called Raiffeisen.
- ▶ Government formed a Law Committee in 1901 formulated a blue-print of the Cooperative Laws. Then the Primary Credit Societies were also formed by the Government of India with the enactment of the Cooperative Credit Societies Act 1904.
- ▶ With the Cooperative Societies Act 1912 the Government formed the non-credit Societies and also Federal Cooperative Organizations in the Country.
- ▶ The Maclagan Committee in 1915 declared that the area of operation of such a Society should be limited and small so that mutual knowledge, social cohesion and closer connection amongst its members be maintained and these were taken into consideration to be the guiding Principles.

- ▶ The Committee also recommended that the Membership of a Cooperative Society should be open to all people belonging to different ethnic communities irrespective of their caste and creed.
- ▶ According to the Government of India Act 1919, the Cooperative Societies turned into a transferred subject and many provinces began to enact their own Cooperative Societies Act.
- ▶ With the Government of India Act 1935, these Cooperative Societies turned to be a State subject matter.
- ▶ In 1945 the Cooperative Planning Committee declared that the Village Primary Credit Societies should have the coverage of those activities effecting the daily life and business of the agriculturists, artisans and functioning as the Multi-purpose Societies (MPCSs).
- ▶ The Committee recommended the organization of Societies for fruits and vegetable growers, land reclamation, animal husbandry, fisheries, agricultural marketing and processing, small and subsidiary industry, labour, consumers, housing and urban credit
- ▶ The Reserve Bank of India in 1951, appointed the All India Rural Credit Committee (AIRCC) which submitted its Report in 1954, recommended wide areas of operation for Village Societies with a view to uplift their economic viability and felt the necessity of reorganizing small Societies by the process of merger.
- ▶ The Committee recommended government participation in the equity of such Cooperative Societies. Several Committees had a view to make them powerful instruments in the socio-economic development.
- ▶ Committee recommended that, the Cooperative Societies could be made viable and vibrant by:
 - ▶ Providing financial and managerial assistance by the government;
 - ▶ Strengthening infrastructure and development of professional skills;
 - ▶ Ensuring democratic management of professional skills;
 - ▶ Ensuring open membership.
- ▶ Against the quantitative positive growth, the cooperative sector is endangered with various types of constraints in areas of legislative and policy support, resource availability, infrastructure-development, institutional inadequacies, lack of awareness among members, erosion of the democratic content in management, excessive bureaucratic and governmental controls and unnecessary political interference in the operations of the Societies in our Country.

FUNCTIONAL DIVERSITY

- ▶ By definition, cooperatives are organisations formed at the grassroots level by people to harness the power of collective bargaining towards a common goal.
- ▶ The country has 1,94,195 cooperative dairy societies and 330 cooperative sugar mill operations.
- ▶ In 2019-20, dairy cooperatives had procured 4.80 crore litres of milk from 1.7 crore members and had sold 3.7 crore litres of liquid milk per day. (Annual Report, National Dairy Development Board, 2019-20)
- ▶ Cooperative sugar mills account for 35% of the sugar produced in the country.

COOPERATIVE BANKS

- ▶ In banking and finance, cooperative institutions are spread across rural and urban areas. Village-level primary agricultural credit societies (PACs) formed by farmer associations are the best example of grassroots-level credit flow.
- ▶ These societies anticipate the credit demand of a village and make the demand to the district central cooperative banks (DCCBs).
- ▶ State cooperative banks sit at the apex of the rural cooperative lending structure.
- ▶ Given that PACs are a collective of farmers, they have much more bargaining powers than an individual farmer pleading his case at a commercial bank.
- ▶ There are also cooperative marketing societies in rural areas and cooperative housing societies in urban areas.
- ▶ NABARD's annual report of 2019-20 counts 95,238 PACs, 363 DCCBs and 33 state cooperative banks in the country.
- ▶ The state cooperative banks reported a total paid-up capital of Rs 6,104 crore and deposits of Rs 1,35,393 crore, while the DCCBs' paid-up capital stood at Rs 21,447 crore and deposits at Rs 3,78,248 crore.
- ▶ The DCCBs, whose main role is disbursement of short-term loans to the farming sector (crop loan), distributed Rs 3,00,034 crore in loans.
- ▶ The state cooperative banks, which mainly finance agri-processing industries such as sugar mills or spinning mills, disbursed Rs 1,48,625 crore in loans. (Annual Report, NABARD, 2019-20)
- ▶ In urban areas, urban cooperative banks (UCBs) and cooperative credit societies extend banking services to many sectors that would otherwise have found it difficult to get into the institutional credit structure.
- ▶ According to Reserve Bank of India data, the country has 1,539 UCBs whose total capital in 2019-20 stood at Rs 14,933.54 crore with a total loan portfolio of Rs 3,05,368.27 crore.

LAWS GOVERNING COOPERATIVE SOCIETIES

- ▶ Agriculture and cooperation are in the state list, which means state governments can govern them. A majority of the cooperative societies are governed by laws in their respective states, with a Cooperation Commissioner and the Registrar of Societies as their governing office.
- ▶ In 2002, the Centre passed a Multi-State Cooperative Societies Act that allowed for registration of societies with operations in more than one state. These are mostly banks, dairies and sugar mills whose area of operation spreads across states.

LAWS

- ▶ The Central Registrar of Societies is their controlling authority, but on the ground the State Registrar takes actions on his behalf.
- ▶ Cooperative institutions get capital from the Centre, either as equity or as working capital, for which the state governments stand guarantee. This formula had seen most of the funds coming to a few states such as Maharashtra, Gujarat and Karnataka while other states failed to keep up.
- ▶ Cooperative institutions, be it the village-level PACs or the urban cooperative housing societies, elect their leaders democratically, with members voting for a board of directors. Thus, in states such as Maharashtra, cooperative institutions have served as schools for development of leadership.

- ▶ In the present Maharashtra legislature, there are at least 150 legislators who have had some connection with the movement

JURISDICTION

- ▶ The voter base of the cooperative institutions generally remains stable.
- ▶ According to the Co-operative Societies Act of each state a co-operative society registered within any State is not allowed to operate in other States without the permission the Govt or Registrar of Cooperative Societies.
- ▶ In case of multi-State co-operative society, it can operate in more than one State as a matter of right

CHARACTERISTICS OF COOPERATIVE SOCIETIES

- ▶ It is an association of persons and not of capital. It is an enterprise and not a charitable association.
- ▶ It's a voluntary organization, having democratic management which shares both profit and losses.
- ▶ It serves to relatively weaker section of the community.
- ▶ It encourages members to participate in joint economic action.

INTERNATIONAL COOPERATIVE MOVEMENT

- ▶ The earliest co-operatives were set-up among the weavers, who were the first and the hardest hit by the development of the mercantile economy and the industrial revolution
- ▶ They set up the first co-operative in Scotland (Fenwick, 1761; Govan, 1777; Darvel. 1840), in France (Lyons. 1835). in England (Rochdale. 1844) and in Germany (Chemnitz, 1845).
- ▶ The real co-operative movement can be credited to the Rochdale Pioneers who established a co-operative consumer store in North England. This store can be called as first in the co-operative consumer movement.
- ▶ In Great Britain Robert Owen (1771-1858) conceived and set up self-contained semi-agricultural, semi-industrial communities.
- ▶ In France Charles Fourier (1722-1837) a commercial clerk published in 1822 his main work, a Treatise on Domestic Agricultural Association. This could be one of the first works on co-operation.
- ▶ In France Saint-Simon (1760 -1865) worked on various theories of "associations". But it was Proudhon (1796-1865) who advocated mutual aid and "free credit" for free access to the money market and Buchez (1796-1865) who championed the idea of inalienable collective capital and workers' production co-operative societies.
- ▶ Schulze-Delitzsch (1808-1883) was the apostle of urban credit co-operatives and cooperatives in handicrafts, while F.W .Raiffeisen (1818-1888) did the same for rural credit co-operatives.

MOVEMENT IN INDIA

- ▶ In India the idea of using co-operation for fighting rural indebtedness came from the suggestion of Mr. Fredric Nicholson, a Madras civil service officer, who after the studies of co-operative societies of Europe-especially of Germany- strongly recommended the establishment of co-operative credit societies in India
- ▶ On the basis of his recommendations, the co-operative credit societies Act of 1904 was passed. A distinction was made between rural and urban societies.

- ▶ The Co-operatives movement believes that in a Co-operatives system human character will change from conflict and cacophony to co-operation and camaraderie, equality will not be slogan but a reality, equity and not profit maximization will be the guiding force for conducting enterprise and men and women will be endowed with virtues that behave a 'good persons'.
- ▶ The 'mutuality' is essence of Co-operation.
- ▶ In reality Co-operatives, has become a form of economic enterprise, and is one method for conducting economic activity.
- ▶ Co-operation is an attitude of mind and its essence is one's inclination to co-operate.
- ▶ With phenomenal expansion of cooperatives in almost all the sectors, signs of structural weaknesses and regional imbalances have also become apparent.
- ▶ The weaknesses are due to the large percentage of dormant membership, heavy dependence on Government assistance, poor deposit mobilization of members, lack of professional management, mounting overdue, etc.
- ▶ In order to provide greater functional autonomy & to reduce bureaucratic interference & to bring professionalism to the management , based on the recommendations of Brahm Prakash Committee and Mirdha Committee ,the Multi-State Cooperative Societies Act, 2002 was enacted and came into force with effect from August 2002 repealing the Multi-State Cooperative Societies Act, 1984.
- ▶ Co-operation occupies an important place in the Indian economy. Perhaps no other country in the world has the co-operative movement as large and as diverse as it is India.
- ▶ 1)Agricultural Credit, Agricultural supplies , Agricultural Marketing, Agricultural Processing 2) Functional co-operatives like dairy, poultry, fisheries, fruits, vegetables etc. 3) Industrial co-operatives 4) Public Distribution of essential commodities through consumer cooperatives 5) Urban credit Co-operatives 6) Housing co-operatives
- ▶ Co-operative movement in India is the result of a deliberate policy of the state and is vigorously pursued through formation of an elaborate governing infrastructure.
- ▶ Almost 50 percent of the total sugar production in India is contributed by sugar co-operatives and over 60 percent of the total fertilizer distribution in the country is handled by the co-operatives.
- ▶ The consumer co-operatives are slowly becoming the backbone of the public distribution system and the marketing co-operatives are handling agricultural produce with an astounding growth rate.
- ▶ The National Co-operative Development Corporation (NCDC). a statutory body was set up in 1963 by the Union ministry of Civil Supplies and Co-operation, to promote the cooperative movement in India.
- ▶ The National Agricultural Co-operative Marketing Federation (NAFED) has over 5000 marketing societies. These societies operate at the local wholesale market level and handle agricultural produce.
- ▶ In India we find that the states of Maharashtra and Gujarat are well developed. Whereas the states of Andhra Pradesh, Rajasthan and Karnataka have shown remarkable progress in the co-operative movement
- ▶ The history of co-operative societies in India can be divided in two parts 1) Co-operative societies before independence (1947) 2)Co-operative societies after independence
- ▶ The 1904 act provided for the formation of small co-operative societies for making small short term loans on easy terms for productive purposes, the intention was to bring the small farmers and the rural entrepreneurs outside the hold of the moneylenders.

- ▶ An important feature of the pre-independent India was its feudal character with rigid caste system. Co-operative societies were meant for those who were poor and invariably either from the lower castes.
- ▶ Rigid caste system had such an effect on them that they had little faith and confidence in themselves. Self-reliance and self government were alien concepts to them.
- ▶ Under such a social set up it was essential that someone takes up the guardian's role and this accounts for the protective and paternalistic control exercised by the officials.
- ▶ At the time of independence, movement had lack of co-operative spirit. People who were extremely poor and had almost no education and little faith and understanding of the true nature of co-operative principles.
- ▶ In the post- independence period the co-operative societies enjoyed preferential treatment in terms of getting license for manufacturing, distribution of products, marketing of essential consumer articles. The office of the Registrar of Co-operative Societies became an all-powerful and all preambled phenomenon.
- ▶ With co-operation becoming an instrument of state planning process, it became prerogative of the government to decide the area of operation for the co-operative societies. Their number, process of business and the extent of government aid became a part of the state plan and targets were fixed, which were for the government officials to achieve.
- ▶ New rules and regulations were framed to which co-operative societies were subjected to. This snuffed away the independent and voluntary character of the co-operative societies and the co-operative movement was transformed into a programme of the government.
- ▶ In 1959, Indian Co-operative Union had conducted a seminar in New Delhi , made some observations
 1. Psychologically co-operation was identified more with the govt grants and loans rather than with self-help and mutual aid.
 2. State was the main sponsor of the co-operative societies with political and partisan objectives.
 3. Organization of societies were more dependent upon the initiatives of those who are socially and economically more organized, as a result the objectives of forming them were mainly non-co-operative in nature leading to formation of large scale spurious societies.
 4. Management and supervision of societies were overwhelmingly in the hands of government machinery.
 5. The role of Registrar of Co-operative Societies was supreme. He exercised the power to suspend, remove or change the management of co-operative societies arbitrarily.
 6. Politicization of cooperative societies and cooperation movement.
- ▶ Minimized govt intervention affected the cooperative societies as till 1991 they were dependent on govt aid
- ▶ The government control and restrictions have been withdrawn to a great extent and flow of government funds in terms of aid and subsidy is being progressively reduced.
- ▶ In post-independence era working capital per society and working capital per member increased continuously

- ▶ The pre-independence cooperative movement was more or less developed in four stages- initiation , modification, and expansion and restructuring.
- ▶ The peasants of Poona and Ahmadnagar organized a revolt against the moneylenders who were charging the interest that increased or accumulated the burden of repayment.
- ▶ Deccan riots attracted the attention of the government and as a consequent Deccan Agriculture Relief Act (1879). Land Improvement Loan Act (1883). And Agriculturist's Loan Act (1884) were framed.
- ▶ The movement developed greatly during the period of Second World War when agricultural produces prices shot up.
- ▶ The Agriculture Finance Committee (1944) under the chairmanship of Professor D R Gadgil and the co-operative planning committee (1945) under the chairmanship of R G Saraiya gave their recommendations relating to agricultural finance.
- ▶ National Development Council adopted a policy resolution on the co-operative legislation framework. It had observed, "Many of the existing procedures impede the development of co-operation as a popular movement
- ▶ The RBI under the Chairmanship of B Venkatappaiah constituted All India Credit Review Committee 1966-69
 - Adoption of the multiagency approach in the field of agricultural credit, creation of Rural Electrification Corporation, setting up of small farmers development agency, streamlining the credit policies and procedures, emphasizing the need for establishing viable co-operative societies and formation of Agriculture Refinance Corporation were the highlights of the recommendations.
- ▶ Committee on Integration of Co-operative Credit Institutions 1975-76 under the chairmanship of Dr. R K Hazari, for studying the possibilities of integrating the two wings of the co-operative societies. It recommended single window approach
- ▶ The RBI appointed a committee on March 1979 headed by B Sivaraman, to review' the arrangements of institutional credit for agriculture and rural development (CRAFICARD). Its main recommendations were setting up of the National Bank for Agriculture and Rural Development (NABARD), professionalization of co-operative management, setting up of "Evaluation and Monitoring Cell" and "Recovery Cell" in each state land development bank.
- ▶ The Multi-State co-operative societies Act 1984 was enabling legislation facilitating the incorporation, regulation and winding up of Multi-State co-operative societies under the provisions of the co-operative societies act of the state concerned.
- ▶ Agricultural Credit Review Committee 1986-89 under the chairmanship of Prof. A M Khusro, to make a comprehensive review of the credit system in India – recommended setting up of a National Co-operative Bank of India; stressing on development area approach; strengthening the short term and long term credit structure .
- ▶ Model co-operative societies Act 1991 - building of an integrated co-operative structure – to minimize the government control and interference
- ▶ Private sector started developing in urban areas and the co-operative societies in the rural areas.
- ▶ Govt has to supports in the share capital of the co-operative societies by way of margin money loans and guarantees.
- ▶ There is no co-operative movement in India, there is only the cooperative policy of government" said Sir Horace Plunkett, the great pioneer of co-operative movement in Ireland.
- ▶ The 4th Indian Cooperative Congress was convened in 2001 at New Delhi , recommends that Cooperative Law should provide for reservation of at least 10% for women in the Management Committees of the Cooperatives at all levels .
- ▶ Equitable Pioneers of Rochdale had actually set aside 2.5% of their trading surplus towards education.

- ▶ The Government of India has been implementing a Central Sector Scheme for Cooperative Education and Training through the National Cooperative Union of India (NCUI) and the National Council for Cooperative Training (NCCT)
- ▶ The Government of India through the Department of Agriculture & Cooperation is providing 100 percent financial assistance in the form of grant-in-aid to NCUI for implementing the Special Scheme of Intensification of Cooperative Education
- ▶ NCCT is getting 100% grants-in-aid from the Department of Agriculture & Cooperation, for conducting Cooperative Training Programme.
- ▶ The programme relating to cooperative education are being implemented by NCUI through the State Cooperative Unions
- ▶ The International Co-operative Alliance has training facilities at the international level. In India the National Co-operative Union undertakes this function.
- ▶ Maharashtra State Co-operative Union takes care of the cooperative education and training.

97TH AMENDMENT

- ▶ Beset by political interference, many cooperative societies do not hold elections regularly
- ▶ The 97th Constitution Amendment, which came into effect in 2012, was a major step towards infusing autonomy, democratic functioning and professional management.
- ▶ The recent Supreme Court verdict holding the amendment unconstitutional to the extent it applied to cooperative societies under the control of the States is a reminder that even well-intentioned efforts towards reforms cannot be at the cost of the quasi-federal principles underlying the Constitution
- ▶ The amendment added Part IXB to the Constitution, concerning cooperative societies. Part IXB delineated, what State legislation on cooperative societies ought to contain, including provisions on the maximum number of directors in each society, reservation for seats for SCs, or STs, and women, besides the duration of the terms of elected members, among others.
- ▶ The question before the Court was whether the 97th Amendment impacted the legislative domain of the State Legislatures &, therefore, required ratification by half the legislatures, in addition to the required two-thirds majority in Parliament.
- ▶ Supreme Court, by a 2:1 majority, upheld the judgment holding the amendment invalid, but only in relation to cooperatives under the States. The elaborate amendment would hold good for multi-State cooperative societies, on which Parliament was competent to enact laws.
- ▶ A key principle from the judgment is that the ratification requirement will apply if there is any attempt to fetter the State legislatures in any way while enacting a law in their own domain, even if there is no attempt to alter the distribution of legislative powers between the Union and States.
- ▶ The judgment may mean that the concern expressed by some about the adverse implications of the formation of a new Ministry of Cooperation on federal principles could be true.
- ▶ A Bench of Justices R.F. Nariman, K.M. Joseph and B.R. Gavai which pronounced the verdict said, “We have struck down part IX B of the Constitution related to cooperative societies but we have saved the amendment.”
- ▶ The change in the Constitution has amended Article 19(1)(c) to give protection to the cooperatives and inserted Article 43 B and Part IX B, relating to them.
- ▶ Court pointed out how Article 243ZI makes it clear that a State may only make law on the incorporation, regulation and winding up of a society subject to the provisions of Part IXB of the 97th Constitutional Amendment.

- ▶ The court also took exception to the fact that the Amendment was passed without ratification from the States.
- ▶ Court did not strike down the portions of Part IXB of the Amendment concerning 'Multi State Cooperative Societies' due to the lack of ratification.
- ▶ As market conditions are evolving, cooperatives in States such as Kerala have got into complex operations: running IT parks and medical colleges. More avenues for expansion, such as insurance, remain untapped and the regulatory regime must evolve in step.
- ▶ The sector has become an instrument of patronage and pilferage. The potency of cooperatives as an apparatus of political control is very high.
- ▶ Cooperatives are also effective in mediating politics at the local level, outside of the parliamentary system
- ▶ The verdict, exempting credit societies and other primary societies from paying income tax, was delivered by a three-judge bench comprising justices R.F. Nariman, Naveen Sinha and K.M. Joseph.

MULTI-STATE CO-OPERATIVE SOCIETIES

- ▶ The new Ministry of Cooperation is supposed to oversee the Central Registrar of Cooperative Societies to regulate and control Multi-State Cooperative Societies (MSCSs).
- ▶ Nobel Laureate Elinor Ostrom names the principle as 'Minimal Recognition of Rights to Organize', meaning the rights of users to devise their own institutions are not challenged by external governmental authorities.
- ▶ MSCS are registered under Multi-State Cooperative Societies Act, 2002. But to operate throughout the country it is not necessary to become MSCS. The best example is Gujarat Milk Marketing Federation Ltd (GCMMF). It markets milk products throughout the country under the popular brand Amul.
- ▶ The three-tier structure, also known as Amul model of cooperatives, connects the buyer and producer. It achieves efficiency through economies of scale.
- ▶ Every farmer owns the organization and has voting rights, which ensures fairness and equity. This structure ensures stable price and share of profit as bonus to farmers.
- ▶ The federations compete in the market with private players, ranging from local milkmen to large corporates like Nestle. It is competitive within the realm of Gujarat Cooperative Societies Act only.
- ▶ The MSCSs, brought under the Prevention of Money Laundering Act, 2002 in 2018. All urban and MSCS banks were brought under the radar of Reserve Bank of India in 2020.
- ▶ Monitoring is one of the important institutional function in a collective organization. But if monitored from much above, then the transaction cost (managerial cost) of monitoring becomes high.

RURAL ECONOMY IN MAHARASHTRA

- ▶ With ₹87,998 crore of deposits and working capital of ₹1, 10, 501 crore, the District Central Co-operative Banks (DCC) in Maharashtra are the pivot of the rural economy.
- ▶ At the helm of the three-tier co-operative credit structure in the State is Maharashtra State Co-operative Bank (MSCB). It has deposits of ₹20,849 crore and working capital of ₹33,454 and controls 31 DCCs which, in turn, provide finance to 20,744 Primary Agricultural Credit Societies (PACS).
- ▶ The PACS have a working capital of ₹20,000 crore and provide agricultural credit mainly for seasonal farm operations.

RURAL ECONOMY

- ▶ Maharashtra has a huge network of 2.13 lakh co-operative societies, of which about 52 per cent are co-operative housing societies with working capital of ₹3,97,466 crore and deposits of ₹2,10,404 crore.
- ▶ Of the total sugar factories in India, a maximum 33 per cent are located in the State and 21 per cent in Uttar Pradesh.
- ▶ The co-operative marketing societies in the State have a share capital of ₹93,000 crore.
- ▶ During 2020-21, the annual target for agriculture and allied activities sector in annual credit plan was ₹93,626 crore and up to December, crop loans worth ₹40,515 crore were disbursed through financial institutions.
- ▶ More than 50 per cent of the State population depends on agriculture and allied sector for livelihood. Control over co-operative institutions essentially means control over the rural economy of the State.
- ▶ All the cooperative societies in the state are governed by Maharashtra Cooperative Societies Act of 1960 and NABARD guidelines.
- ▶ The changes to The Banking Regulation Act approved by Parliament in September 2020, brought cooperative banks under the direct supervision of the RBI.
- ▶ A cooperative bank can, with prior approval of the RBI, issue equity shares, preference shares, or special shares to its members or to any other person residing within its area of operation, by way of public issue or private placements.
- ▶ It can also issue unsecured debentures or bonds with maturity of not less than 10 years. This essentially means non-members can become shareholders of the bank, and this will allow the RBI to merge failing banks quickly.
- ▶ According to RBI's latest financial stability report, the gross non-performing asset ratio of urban cooperative banks deteriorated from 9.89 per cent in March 2020 to 10.36 per cent in September 2020.
- ▶ Political interference in staff appointments is also a problem with these banks, which has added to inefficiencies.
- ▶ When the Reserve Bank of India (RBI) frowns on private virtual currencies, the proposal of crypto currency bank Cashaa to launch banking operations in India for customers of virtual currencies like Bitcoin , through the credit co-operative society route .
- ▶ Cashaa says it has launched Unicas, the world's first crypto-friendly financial institution with physical branches in India in association with the United Multistate Credit Co-operative Society.
- ▶ A credit co-operative society doesn't deal in banking business, instead it lends money only to its members. "This society doesn't come under the RBI.
- ▶ Share in agricultural credit has been on the wane and now is around 12-13 per cent only - In countries like France, Germany cooperative institutions serve all the needs of the agricultural sector- from credit to marketing.

RTI AMBIT

- ▶ Cooperative institutions get capital from the Centre, either as equity or as working capital, for which the state governments stand guarantee.

- ▶ Co-operative societies do not fall within the ambit of Right to Information Act, the Supreme Court has said while quashing a Kerala government circular to bring all such societies within the scope of the transparency law.
- ▶ A bench of justices K S Radhakrishnan and A K Sikri said mere supervision or regulation of a body by government would not make that body a public authority and quashed the Kerala High Court's order holding the circular valid.
- ▶ Supervisory or general regulation under the statute over the co-operative societies, which are body corporate, does not render activities of the body so regulated as subject to such control of the State so as to bring it within the meaning of the State or instrumentality of the State.
- ▶ The State Government had informed the Registrar of Co-operative Societies in May 2006 that all institutions formed by laws made by State Legislature is a public authority and ,therefore , all co-operative institutions coming under the administrative control of the Registrar of Co-operative Societies are also public authorities.
- ▶ Quashing the state government's decision, the bench said that power exercised by the Registrar over the societies is merely supervisory and regulatory.
- ▶ In order to protect depositors' interests, the government approved plans to bring all urban and multi-state cooperative banks under the direct supervision of the Reserve Bank of India, empowering the central bank to regulate these on the lines of commercial banks.
- ▶ In our country there are 1482 urban cooperatives banks and 58 multi-State cooperative banks, they have been brought under RBI supervision process, which is applicable to scheduled banks.
- ▶ Cooperative banks came under dual regulation of the RBI and the Registrar of Co-operative Societies.
- ▶ Cooperative banks only have about 4% of the assets of India's banking system, based on 2019 data.

