

GOVERNMENT OF INDIA
MINISTRY OF COOPERATION

RAJYA SABHA
UNSTARRED QUESTION NO.1761
ANSWERED ON 07/08/2024

NUCFDC

1761 DR. ASHOK KUMAR MITTAL:

Will the Minister of COOPERATION be pleased to state:

- (a) whether NUCFDC established after 20 years will effectively address long-standing challenges in the Co-operative banking sector;
- (b) how does the launch of NUCFDC signify a new era of self-regulation for urban cooperative banks, as stated;
- (c) whether Government's broader initiative to transform the cooperative movement into a people's movement include comprehensive support specifically tailored for urban cooperative banks; and
- (d) the specific measures planned to enhance the compliance of urban Co-operative banks with the Banking Regulation Act?

ANSWER

THE MINISTER OF COOPERATION
(SHRI AMIT SHAH)

(a): The Urban Cooperative Banks (UCBs) in India face a range of difficulties like regulatory and compliance issues, financial challenges, operational issues, governance problems, infrastructure problems, technological problems etc. that affect their stability and performance. Due to these issues the number of UCBs declined about 400 in the last two decades, with a total of 1926 UCBs in the year 2004 to about 1500 in 2024. New licenses have not been issued since 2004 for the UCBs.

To examine the issues an expert committee on Urban Cooperative Banks Chaired by Shri N S Vishwanathan was formed. The committee presented its report on July, 2021 and recommended for formation of strong apex entity for UCBs. After examining the various options, the RBI gave an in-principle approval to NAFCUB to set up an Umbrella Organization as a NBFC.

The Umbrella Organization named National Urban Co-operative Finance and Development Corporation (NUCFDC) for urban co-operative banks has been established with the objective to accelerate the digitization of cooperative banks by leveraging collective strengths, fostering collaboration, promoting innovation, and ensuring that member banks are well-prepared to navigate the complexities of the digital era effectively. NUCFDC has the potential to significantly improve the urban cooperative banking sector; its effectiveness will depend on how well it addresses these challenges and implements its strategies. The success of NUCFDC will be closely watched by stakeholders in the cooperative banking sector and could serve as a model for similar initiatives in other areas.

(b): NUCFDC will play the role of National level Umbrella organization (UO) for the UCB sector in India and undertake fund based and non-fund-based activities. The objective of setting up of UO is to enhance the operational efficiency of UCBs, particularly the smaller UCBs, through capacity building, providing state of the art IT support and a slew of fund based and non- fund based services. This is expected to help in the sector's growth and also enhance public confidence. NUCFDC has already obtained registration from RBI on 8th February, 2024 after mobilizing paid up capital of Rs 117.95 crore.

As per RBI approval, the UO shall act as Self-Regulatory Organization whose functions /activities shall be as prescribed by RBI. The UO may approach RBI for obtaining approval to undertake activities of Self-Regulatory Organization (SRO) only after achieving paid up capital of Rs. 300 crore and complying with the regulatory guidelines applicable to SRO at that point of time. The NUCFDC has been prescribed to attain the paid-up capital within one year from the date of registration by RBI, i.e by February 7, 2025. The scope of the SRO role to be played by NUCFDC will be set out by RBI

(c) & (d): The Ministry of Cooperation has been actively involved in various initiatives aimed at strengthening Cooperative movement in the country. These initiatives are designed to address the challenges faced by Cooperative Sector, enhance their operational efficiency, and improve their role in financial inclusion and rural development. Here are some key initiatives and actions taken by the Ministry of Cooperation to strengthen Urban Cooperative Banks including compliance of Banking Regulation Act:-

- i. UCBs can open their new branches.
- ii. Board of UCBs have been empowered now like Commercial Banks for formulation of Settlement policy / OTS
- iii. A Nodal Officer for Urban Cooperative Banks has been nominated by RBI as a single point of contact.
- iv. Additional timeframe of two years has been given to Urban Cooperative Banks to achieve Priority Sector Lending (PSL) targets.
- v. RBI has prescribed time line of 90 days for granting approval regarding Appointment/ reappointment/ dismissal of Chairman, Managing Director, CEO, etc. and a time line of 30 days has been fixed for the appointment/re-appointment/dismissal of the Auditors.
- vi. Urban cooperative banks have been permitted to provide door-step banking services to their customers.
- vii. Individual housing loan limits for Urban Cooperative Banks have also been more than doubled
- viii. Notification of Scheduling norms for Urban Cooperative Banks
