

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 1176

ANSWERED ON TUESDAY, 10 FEBRUARY, 2026/ 21 MAGHA, 1947 (SAKA)

LICENSING OF URBAN COOPERATIVE BANKS

1176. SHRI S.R. SIVALINGAM:

Will the Minister of FINANCE be pleased to state:

(a) whether Government supports the Reserve Bank of India's proposal to resume licensing of Urban Co-operative Banks after more than two decades and the criteria and timelines under consideration;

(b) whether the implications of licensing only large co-operative credit societies, as suggested by RBI to minimise risks, have been assessed;

(c) the measures proposed to strengthen governance, capital mobilisation and regulatory compliance in the sector prior to issuing fresh licences; and

(d) how issues of capital adequacy, risk management and financial inclusion will be addressed and whether stakeholder feedback will inform final policy decisions?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) and (b): Reserve Bank of India (RBI) has published a discussion paper on licensing of new Urban Cooperative Banks on January 13, 2026, for comments/feedback from concerned stakeholders. The discussion paper, *inter-alia*, has listed out various arguments for/against licensing of new UCBs and tentatively proposed that UCBs having good financial track record with a minimum capital of ₹ 300 crore along with other conditions may be considered for licensing. From the perspective of financial viability and risk diversification, it may be desirable that the co-operative credit society seeking a banking license has a wider geographical footprint, ensuring access to a diversified customer base, thereby enhancing the bank's long-term viability and resilience apart from being able to contribute to financial inclusion.

(c) and (d): RBI has already taken several measures to strengthen governance, capital mobilisation and regulatory compliance in UCBs, which *inter-alia* include:

- Standardization of the minimum maturity period (10 years) of regulatory capital instruments (Preference Shares and Debt Capital instruments) to ensure permanency of capital
- To preserve co-operative character, RBI has mandated that all regulatory capital instruments may be issued to any member of such co-operative bank or any other person residing within its area of operation
- The minimum Capital to Risk-weighted Assets Ratio (CRAR) requirement for Tier 2, Tier 3 and Tier 4 UCBs, has been increased from 9 per cent to 12 per cent

- UCBs have been allowed to include revaluation reserves (at a discount of 55 per cent) in Tier 1 capital. This measure enables an increase in Tier 1 capital of banks which is the core capital of banks, and also aids in expansion of business
