

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA

Starred Question No. *209

Answered on Monday, December 13, 2021/Agrahayana 22, 1943 (Saka)

RBI ORDERS ON CO-OPERATIVE INSTITUTES

*209. PROF. SOUGATA RAY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) had ordered to ban co-operative institutes from imparting banking activities like deposits and also refrained them from using the name as banks;
- (b) if so, the details thereof and the objective of such orders;
- (c) whether RBI considered the impact of such orders on lakhs of co-operative institutes across the country;
- (d) if so, the details thereof and the steps taken to safeguard the interests of depositors in nationwide cooperative institutes;
- (e) whether any State Government raised objections against this order; and
- (f) if so, the details thereof and the action taken by the Union Government to redress their grievances?

Answer

THE FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

- (a) to (f): A statement is laid on the Table of the House.

Statement referred in reply to parts (a) to (f) of Lok Sabha Starred Question No. *209 to be answered on 13.09.2021 regarding RBI orders on Co-operative Institutes by Porf. Sougata Ray:

(a) & (b): Reserve Bank of India (RBI) has apprised that they have issued a Press Release dated 22.11.2021, cautioning members of public against some co-operative societies using the word "Bank" as part of their names and accepting deposits from non-members/ nominal members/ associate members, which is tantamount to conducting banking business without obtaining a banking licence from RBI, in violation of the provisions of the Banking Regulation (BR) Act, 1949. In this regard, RBI had requested Chief Secretaries of all the States and Union Territories and Central Registrar of Cooperative Societies, to take necessary action against such unlicensed entities operating in their respective jurisdictions.

(c) to (f): RBI has informed that through the aforementioned press release, RBI is trying to safeguard and protect the interest of the public arising out of the wrong use of the word 'bank' by some co-operative societies which are not entitled to use that term. Use of the term 'bank' as part of the societies' name, results into a false impression among public that such co-operative societies are banks which are under the regulation and supervision of RBI and depositors are covered by Deposit Insurance and Credit Guarantee Corporation (DICGC) protection. Therefore, with a view to protect the members of public, RBI has cautioned that such societies have neither been issued any licence under BR Act, 1949 nor are they authorised by RBI for doing banking business and the insurance cover from DICGC is also not available for deposits placed with these societies.

RBI has informed that they have received letter dated 01.12.2021 from the Registrar of Co-operative Societies, Kerala and a letter dated 02.12.2021 from the Minister of Co-operation and Registration, Government of Kerala requesting for withdrawal of the caution notice issued by RBI. In this regard, RBI has apprised that it is the duty and function of RBI, being a statutory authority, to protect the interest of the members of public and depositors. Hence, the Press Release issued by RBI cautioning general public regarding the unlicensed and unauthorized activities of certain co-operative societies in exercise of its duties and powers provided under the BR Act. RBI has apprised that they have only tried to stop the violation of the statute and their actions are, in no way, against the Co-operative societies functioning as per their permitted mandate.
