

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**  
**UNSTARRED QUESTION NO. 5003**

ANSWERED ON MONDAY, 23 MARCH, 2026/ 02 CHAITRA, 1947 (SAKA)

**Safeguards for Cooperative Banks**

5003. SMT. PRATIMA MONDAL:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has any mechanism in place to safeguard and ensure that cooperative banks are insulated from political interference and function with financial transparency; and

(b) if so, the details thereof?

**ANSWER**

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

(a) and (b): The regulatory and supervisory framework of Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) ensures that cooperative banks are insulated from political interference and function with financial transparency. Several measures have been taken in this regard, which inter-alia include:

- In order to ensure transparency and protect depositors' interests, the Banking Regulation Act has been amended by the Government to make the term of Board of Directors of Cooperative Banks (excluding Chairperson and Whole time directors) as maximum 10 consecutive years.
- The Multi-State Cooperative Societies (MSCS) Act, 2002, has been amended to include the provision of appointment of Cooperative Ombudsman which deals with complaints or appeals from members of the MSCS regarding their deposits, equitable benefits of the Multi-State Co-operative Society's functioning or any other issue affecting the individual rights of the concerned members.
- The Cooperative Election Authority has been set up to strengthen governance and accountability, with a mandate to conduct free and fair election in all Multi-State Cooperative Societies.
- Master Direction on Fraud Management for the Cooperative Banks have been issued in 2024 by RBI & contain comprehensive guidelines related to reporting of fraud, following of principles of natural justice, governance mechanism, implementation of early warning mechanism, staff accountability, fixation of responsibility of third parties and role of external and internal auditors, among others.
- RBI's Prompt Corrective Action (PCA) Framework requires the identified cooperative banks to initiate and implement remedial measures in a timely manner, to restore their financial health and protect the interests of the depositors.
- NABARD has implemented the Turn Around Plan (TAP) to improve the financial performance and prevent/reduce losses in State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs). TAP aims to reduce financial losses and improve the overall health of these cooperative banks by adopting a comprehensive approach

which *inter-alia* includes review and monitoring of financial parameters, business diversification, internal checks and controls, governance, cost rationalization, human resource development, technology adoption, financial inclusion, etc.

- RBI has implemented a financial safety net for the account holders of banks (including cooperative banks) in the form of Deposit Insurance through DICGC, wherein various types of deposits (inclusive of principal & interest) up to ₹5,00,000 per depositor are insured in cooperative banks.
- RBI has issued guidelines for Risk Based Internal Audit (RBIA) system in Urban Cooperative Banks.

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