

Press Releases

July 2008

RBI Constitutes Working Group on Umbrella Organisation and Constitution of Revival Fund for UCBs

July 23, 2008

The Reserve Bank has constituted a working group under the Chairmanship of its Executive Director, Shri V.S Das, to suggest measures, including the appropriate regulatory and supervisory framework, to facilitate emergence of umbrella organisation(s) for the urban cooperative banking sector in each state. Further, and as opined by the Standing Advisory Committee for UCBs, the working group may also look into the issues concerning creation of Revival Fund for the sector.

The working group comprises:

- a) Shri V.S Das, Chairman
Executive Director, RBI
- b) Dr.S.K Goyal, IAS, Member
Principal Secretary
(Co-operation and
Marketing),
Government of Maharashtra
- c) Shri J.P Gupta, Member
IAS, Commissioner for
Commercial Tax,
Government of Gujarat
- d) Shri S.D Indoria, Member
Chief Director,
Ministry of Agriculture
and Co-operation,
Government of India

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| e) Shri. Prashant Sharan, CGM-in-Charge, RBI, DBOD, CO | Member | scope for a federated structure/ umbrella organisation for UCBs at the state level. |
| f) Shri A.K Khound, CGM-in-Charge, RBI, UBD, CO | Member | (iii) To suggest appropriate supervisory and regulatory framework to facilitate emergence of such umbrella organisation(s) for UCBs, taking into consideration the international experiences and systems. |
| g) Shri K.D Zacharias, Legal Adviser-in-Charge, RBI, Legal Dept, CO | Member | |
| h) Shri Vijaykumar, President, National Federation of Urban Co-operative Banks and Credit Societies Ltd | Member | (iv) To study and suggest modalities for setting up an appropriate mutual assistance/revival fund for urban co-operative banks and the nature of support that could be provided by such fund. |
| i) Shri Anandrao Adsul, Chairman, Maharashtra Urban Co-operative Bank's Federation | Member | |
| j) Shri Jyotindra Mehta, Chairman, Gujarat Urban Co-operative Bank's Federation | Member | |
| k) Shri S.S Barik, General Manager, UBD, RBI, CO | Member Secretary | |

The terms of reference of the working group are :

- (i) To study the structure of umbrella organisations of financial co-operative institutions/banks, as prevalent in other parts of the world, especially in relation to raising of capital and intra co-operative group support system.
- (ii) To study the existing structure and legal framework for UCBs in India and to examine the need and

Urban Banks Department, Central Office of Reserve Bank of India will provide the necessary secretarial assistance to the Group.

The Group will submit its report within three months of the first meeting. The first meeting of the Group was held on July 8, 2008

There are a large number of Primary (Urban) Cooperative Banks (UCBs) in the country forming a heterogeneous group in terms of size and spread. Many of these banks are very small in size and reach. They compete with larger participants in the same banking space. Over the years, a number of UCBs have become weak and non-viable, thus posing systemic risk to the cooperative banking sector. They have limited avenues for raising capital funds as UCBs cannot go in for public issue of

shares. At the same time, there are a number of UCBs in the sector that are financially strong and viable. Some sort of cooperative bonding and mutual support system could make the sector strong and vibrant. Looking at various successful federal models internationally, especially in Europe and USA, a need was felt for an umbrella organisation for UCBs that will be in a position to channelise their resources, aggregate their needs

and also lend credibility through mutual support in the financial market. A working group constituted to examine issues relating to augmenting of capital of primary (urban) co-operative bank (UCBs) had also observed that it might be necessary to facilitate emergence of umbrella organisations for UCBs to enhance public confidence in the sector.