

## **Need for Issuing of Banking Licence to the National Co-operative Bank of India**

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The existing cooperative credit structure has Primary Agricultural Cooperative Credit Societies and the non-agricultural Cooperative Credit Societies at the primary/base level the District Central Cooperative Banks at district level and the State/Apex Cooperative Banks at the state level. These Cooperative banks have been functioning as the balancing centres of the cooperative credit structure at the district and state levels.

Such a need was felt at the national level as well. Efforts were made by cooperators to register a Cooperative bank at the National level. Central Registrar of Cooperative Societies, New Delhi was kind enough to register the National Cooperative Bank of India. However, for starting the banking operations, it was necessary to have a banking licence. The National Cooperative Bank of India applied for the banking licence. The Reserve Bank of India informed that the Banking Regulation Act needs amendments for issuing such a licence. The said amendments had been submitted to the Government of India for enactment as the area of operation of the bank extended beyond the boundaries of the state.

Another Apex Cooperative Bank of Urban Banks for Maharashtra and Goa was registered by Registrar Cooperative Societies, Maharashtra and it applied for a licence and got the said banking licence from the Reserve Bank of India, though its area of operation extended beyond the boundaries of one State. However, this was challenged by the Maharashtra State Cooperative Bank and after the litigation for eight years or so the Supreme Court gave a final verdict in the common judgement dated 29<sup>th</sup> Oct. 2003 in civil appeal No. 439 of 1997 and civil appeal No.8478 of 2003.

The Supreme Court struck down the action of the Reserve Bank of India to issue the banking licence to the Apex Cooperative Bank of urban banks for the Maharashtra and Goa on the same grounds on which Reserve Bank of India had pleaded its inability to issue a banking licence to the National Cooperative Bank of India viz. on the grounds that the Banking Regulation Act needs suitable amendment prior to issuing such licence.

The proposed amendments had not yet been cleared even though a period of more than a decade had lapsed since its submission.

In the mean time Reserve Bank of India had brought out a wide range of amendments to the Banking Regulation Act (Bill No. 59 of 2003) with a view to have stricter controls on the Cooperative Banks. The Cooperators from Maharashtra and other parts of India raised serious objects about these amendments which were cutting at the very roots of the principles and values of cooperation. The amendments were stalled for the time being.

Government is stressing the need for decentralization and free competition. But National Cooperative Bank of India is denied a banking licence by not amending B.R. Act 1950, which is exactly opposite of the decentralization and free competition especially when even foreign banks are allowed banking operations in India by giving them banking licence.

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