

Dt:-21 August 2015

Business Line Page No 6

# Large urban co-op banks will do well to convert into commercial banks: RBI

Says non-conversion will restrict growth

OUR BUREAU

Mumbai, August 20

Urban co-operative banks (UCBs) registered under the Multi-state Co-operative Societies Act, 2002, with business size of ₹20,000 or more, may have to convert themselves into commercial banks, otherwise their pace of growth could slow. Also, the majority of seats on the boards of all UCBs should be reserved for depositors, say the recommendations of a high-powered Reserve Bank of India committee.

The committee on UCBs, under the Chairmanship of R Gandhi, RBI Deputy Governor, said the conversion of large multi-state UCBs need not be

*de jure* (according to law) compulsory and they can continue the way they are operating currently in terms of balance sheet/asset size.

As of March 31, there were 1,579 UCBs in the country.

## Impact on growth

If they do not convert, large UCBs will be subject to regulatory guidelines which stipulate that the types of businesses they undertake remain within the limits of plain vanilla products and services, limiting growth prospects.

Further, their expansion in terms of branches, area of operations and business lines may thus be calibrated to restrict unrestrained growth.

As at March-end 2015, only Saraswat Co-operative Bank had total business (deposits plus advances) of more than



R Gandhi, RBI Deputy Governor

₹20,000 crore. Cosmos Co-operative Bank, the second-largest UCB in the country, had a total business of ₹19,089 crore.

Smaller UCBs voluntarily willing to convert to small finance banks (SFBs) can do so irrespective of the business size threshold limit, provided they fulfil all the eligibility criteria and selection processes prescribed by the RBI and fur-

ther provided that the licensing window for SFBs is open.

The committee observed that though UCBs were set up as small banks offering banking services to people of small means, a well-laid-out transition path is required for at least the larger UCBs to convert into universal/ niche commercial banks.

The Committee unanimously recommended that licences may be issued to financially sound and well-managed co-operative credit societies having a minimum track record of five years, satisfying RBI rules.

The panel recommended that the concept of Board of Management put forward by the Malegam Committee has to be one of the licensing conditions for new UCBs and expansion of existing ones.

I  
le  
T  
M  
Fr  
D  
bi  
d  
ti  
st  
X  
H  
W  
S  
b  
n  
B  
ti  
i  
b  
i  
F  
v  
i  
a  
t  
c  
n