

## Article - Co-Operative Banks to Come Under RBI

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### Co-Operative Banks to Come Under RBI

Now a day, scams are very common and there is one sector which is very much prone to scams and that sector is Banking and Finance and just to avoid such scams in future, Government of India has come up with one blistering idea.

The Union Cabinet on 24 June, 2020 chose to bring all co-operative banks under the Reserve Bank of India through a law. This was reported by Union data and broadcasting priest Prakash Javadekar during a virtual public interview.

#### What are Co-Operative Banks?

A Co-Operative bank is a money related element which has a place with its individuals, who are simultaneously the proprietors and the clients of their bank.

Co-Operative banks in India are enlisted under the States Cooperative Societies Act. The Co-employable banks are likewise managed by the Reserve Bank of India (RBI) and administered by the

- Banking Regulations Act 1949
- Banking Laws (Co-operative Societies) Act, 1955.

#### Details of This Decision:

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"Government banks, including 1,482 urban helpful banks and 58 multi-state agreeable banks, are currently being brought under administrative forces of Reserve Bank of India (RBI)," Javadekar said today. These banks will go under the management of RBI with quick impact from date of President's endorsement on the mandate.

There are more than 8.6 crore investors in more than 1,500 urban and multi-state helpful banks the nation over. "Investors' cash adding up to ₹4.84 lakh crore in the cooperatives banks will remain safe," Javadekar said while reporting the choice.

"A reserve worth ₹15,000 crore has been affirmed by the Cabinet that will be available to all and will help in expanding milk creation, support trades and make 35 lakh employments in the nation," Javadekar told.

### Need of This Decision:

After the Punjab and Maharashtra Cooperative (PMC) Banks disaster a year ago, the Union Cabinet in February altered Banking Regulation Act to reinforce the agreeable banks in the nation. During Budget 2020, Finance Minister Nirmala Sitharaman additionally declared that helpful banks will be brought under the ambit of RBI.

### Punjab and Maharashtra Cooperative Bank Fraud Case:

The essence of this bank misrepresentation is that the higher administration of the PMC bank has given enormous credit to the Housing Development and Infrastructure Ltd (HDIL) and its gathering substances. This misrepresentation case is identified with move of 70% of the complete credit offices of the PMC bank to HDIL and its related organizations. In the event that we talk about the aggregate sum of the bank extortion, at that point it was Rs 4,355 cr. Presently the absolute NPA of the bank has developed to 73%.

The PMC bank supposedly preferred to the advertisers of Housing Development and Infrastructure Ltd (HDIL) and permitted them to work secret word ensured 'conceal accounts'.

It is discovered that around 21,049 ledgers were opened by sham names to hide 44 credit accounts. The bank's product was additionally altered to disguise these advance records.

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