2. Co-Op Kumbh 2025 – Economy

Recently, the Union Home and Cooperation Minister, at the 'Co-op Kumbh 2025', called on Urban Cooperative Banks (UCBs) to play a transformative role in empowering India's youth and underprivileged communities

Key Highlights of Co-op Kumbh 2025

Adoption of the 'Delhi Declaration 2025' - Represents a national roadmap to reform Urban Cooperative Banks (UCBs). Prioritises financial stability, stronger governance norms, and wider digitisation in the cooperative banking ecosystem. Aims to bridge the trust deficit around UCBs created due to irregularities in several large banks over the last decade. Seeks uniform regulatory practices aligned with **RBI's guidelines** while protecting the cooperative character.

Digital Push - Sahkar Digi-Pay & Sahkar Digi-Loan

Sahkar Digi-Pay - Offers interoperable digital payment solutions for even the smallest UCBs.
Sahkar Digi-Loan - Facilitates online loan applications, approvals, and disbursements.
Integrates UCBs into India's Digital Public Infrastructure (DPI), enabling them to compete with commercial banks. Ensures transparency, reduces human errors, and strengthens financial inclusion in urban and semi-urban areas.

Expanding Cooperative Credit Network - Government's plan - UCB in every city with a population over 200,000 within five years. Expands reach of cooperative credit to underserved urban clusters. Reduces dependency on private moneylenders in small towns. Supports micro-entrepreneurs and small traders who face challenges accessing commercial bank credit.

About Urban Cooperative Banks (UCBs)

Institutional Nature - Formed under Cooperative Societies Acts of states + regulated by RBI under the Banking Regulation Act. Follow cooperative values - mutual assistance, voluntary membership, democratic control, profit-sharing within members.

Target Groups - Serve salaried employees, artisans, small businesses, self-help groups, lower-income communities. Fill the gap between informal credit and commercial banks.

Key Role - Promote inclusive urban growth, enabling socio-economic mobility. Provide safe banking options for vulnerable sections often excluded by mainstream banks.

Current Numbers - 1,457 UCBs, 34 State Cooperative Banks, 351 DCCBs, 1 Industrial Cooperative Bank. Supervised by RBI + NABARD, reflecting dual control.

Historical Evolution of Cooperative Banking in India

Government of India Act, 1919 - Brought **Cooperation** under provincial list → decentralised legislative control.

Bombay Cooperative Societies Act, 1925 - Pioneering law shaping the cooperative movement. Encouraged thrift, mutual help. Became a model for other states → start of the second phase of cooperative development.

Indian Central Banking Enquiry Committee (1931) - Highlighted need for urban banks to support small businesses & middle class. Recognised cooperative banks as essential for urban financial stability.

Mehta–Bhansali Committee (1939) - Recommended permitting cooperative societies to work as banks if they met banking standards. Proposed an Association of UCBs, precursor to today's umbrella institutions.

Co-operative Planning Committee (1946) - Emphasised that UCBs serve "small people" ignored by joint-stock banks. Stressed UCBs' role in urban economic development.

Rural Banking Enquiry Committee (1950) - Suggested UCBs in smaller towns due to their low cost and community trust. Recognised their ability to support unorganized urban sectors.

RBI Study (1958–1961) - First scientific study on UCBs. Found that UCBs were financially sound. Recommended expansion into new urban centres. Asked for greater state government involvement.

Varde Committee (1963) - Recommended UCBs in cities with population > 1 lakh. Introduced minimum capital requirement, improving financial discipline. Warned against caste-based or community-

exclusive banks.
Madhavdas Committee (1979) - Supported expansion in backward regions to reduce regional financial disparity. Emphasised viability norms and standardized management practices.
Hate Working Group (1981) - Proposed gradual alignment of CRR & SLR of UCBs with commercial banks. Highlighted need for better surplus fund management.
Marathe Committee (1992) - Redefined viability norms during post-liberalization period. Encouraged diversification of financial operations. Marked the start of modernizing the UCB sector.
Madhava Rao Committee (1999) - Focused on rehabilitation, consolidation, and supervision of sick UCBs. Urged stronger professionalism and improved management. Suggested aligning UCBs with India's broader commercial banking structure.

Current Challenges Faced by UCBs

Declining Numbers - Reduced from 1,926 in 2004 to ~1,500 in 2024. Driven by mergers, closures, and regulatory action due to financial stress.
Regulatory Constraints - New UCB licenses halted since 2004. Branch expansion requires stringent RBI approval.
Governance Issues - Board capture by vested interests in some banks. Weak compliance with BR Act and limited audit capacity.
Financial Vulnerabilities - Small capital base limits loan expansion. Some banks engaged in risky lending or had high NPAs. Legacy IT systems affect efficiency and integration with DPIs.

Related Initiatives & Ongoing Reforms

NUCFDC (National Urban Cooperative Finance and Development Corporation) - Acts as an umbrella organization for UCBs. Provides liquidity support, capacity building, and regulatory guidance.
Empowerment Measures by RBI & Ministry of Cooperation - Allowed qualified UCBs to open branches. Empowered UCB boards to make OTS (One-Time Settlement) policies similar to commercial banks. Promotes autonomy and professionalism.
NS Vishwanathan Committee (2021) - Suggested -
1. Creation of an apex entity for UCBs.
2. Tiered regulatory structure.
3. Better risk management and governance standards.

Roadmap for reviving confidence in cooperative banking.

Modernization Under Ministry of Cooperation

1. Simplification of norms.
2. Digital transformation support.
3. Model bylaws adopted by states for PACS → uniform governance & transparency.

Financial Discipline & NPA Reduction - NPAs in cooperative sector reduced from 2.8% → 0.6% (in two years). Reflects improved monitoring and better recovery frameworks.
Strategic Objectives of Ministry of Cooperation - Engage youth via initiatives like Tribhuvan Sahkari University. Promote multi-sector collaboration (dairy, banking, agro-coops). Strengthen cooperatives across India → rural + urban synergy.

International Context - UN and International Year of Cooperatives (IYC 2025)

UN Designation of IYC 2025 - Theme - **"Cooperatives Build a Better World"**.
Provides global recognition for the sector's role in -
1. Economic democracy
2. Sustainable development
3. Financial inclusion

Relevance for India - India is home to some of the world's largest cooperative networks (AMUL, IFFCO, KRIBHCO, PACS). Co-op Kumbh 2025 aligns India with UN objectives and allows showcasing reforms at a global stage.

Way Forward

Strengthen Regulation and Governance - Accelerated digital monitoring. Fit & proper criteria for leadership positions. Professional CFO/CTO roles in larger UCBs.
Improve Financial Health - Encouraging mergers of weak banks. Deep capitalisation support. Strict adherence to Basel-like risk norms for top-tier UCBs.
Technology Integration - Core Banking Solutions (CBS) for all UCBs. Integration with UPI, Aadhaar, and other DPIs.
Enhance Public Trust - Transparent audits and early-warning systems. Customer grievance mechanisms similar to commercial banks.
Role in Financial Inclusion - UCBs can serve the missing middle -

1. Informal workers
2. Street vendors
3. Micro-entrepreneurs
4. Small traders

Conclusion

Co-op Kumbh 2025 marks a transformational moment for India's cooperative banking sector. With the Delhi Declaration 2025, digital initiatives, strong reforms, and alignment with International Year of Cooperatives 2025, India aims to build a modern, transparent, technology-driven cooperative credit ecosystem, strengthening inclusive urban growth and financial democracy.

Source - https - //ddnews.gov.in/en/govt-to-establish-urban-cooperative-bank-in-every-city-with-over-two-lakh-population-in-next-five-years-home-minister/