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GOVERNMENT OF KARNATAKA

Reserve Bank of India
Rural Planning Credit Department:
CENTRAL OFFICE
Central Office Building, 13th Floor,
Fort, Mumbai – 400 001

Please quote in reply

March, 10, 2000

RPCD NB No.BC 68.03.03.34/99-2000

All scheduled Commercial Banks
(Including Regional Rural Banks)

Dear Sir,

Bank Finance to Co-operative Societies

1. In this budget speech on February 29, 2000, the Hon. Union Finance Minister, Inter alia, had announced that RBI will advise banks to accord priority to the credit needs of the cooperatives, which are entirely controlled by user members and managed by them prudently.
2. As you are aware, certain states viz., Andhra Pradesh, Bihar, Jammu Kashmir and Karnataka have enacted new state co operative societies Act 1996, J & K Self Reliant Co –operative Societies Act, 1997. and Karnataka Souharda Sahakari Act, 1997. The co operative societies managed by them. They can seek and obtain funding from commercial banks in normal course based on the bank ability of their enterprise. It is, however, reported that these co-operative societies are not getting finance either from co-operative banks or commercial banks. The co-operative banks are not financing such co-operative societies as these are not made members of District Central Co-operative Banks in view of their not conforming

to the existing Co-operative societies Acts. The commercial banks are also not financing these societies at present as they are under the impression that they have to deal with the co-operatives only which are ceded to them.

3. It has, therefore, been decided that commercial banks/ RRBs should accord priority to the credit needs of the above co-operative societies which are registered under the new Acts and entirely controlled by user members managed by them prudently.
4. You may please issue suitable guidelines to your Controlling Offices / Branches to extend finance to the types of co – operative societies depending on bank ability.
5. Please acknowledge receipt.

Yours faithfully

Sd/-
(R.M. Joshi)
Chief General Manager