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## **RESERVE BANK OF INDIA**

Rural Planning & Credit Department,  
CENTRAL OFFICE  
Central Office Building, 13th Floor  
Fort, Mumbai - 400 001

RPCD NB. No. BC. 68.03.03.34/99-2000

March 10, 2000

All Scheduled Commercial Banks  
(including Regional Rural Banks)

Dear Sir,  
Bank finance to Co-operative Societies

1. In his 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 Acts, 1996, J&K Self Reliant Co-operative Societies Act, 1997 and Karnataka Souharda Sahakari Act, 1997. The co-operative societies registered under these Acts are entirely controlled by user members and managed by them. They can seek and obtain funding from commercial banks in normal course based on the bankability 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 cooperatives 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 are entirely controlled by user-members and 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 bankability.
5. Please acknowledge receipt.

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