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‘Bank in a Box’

Prelims: *Current events of national and international importance | Economy*

Why in News?

The Union Home Minister launched ‘Bank in a Box’.

- Bank in a Box’, an integrated service bundle offering core banking, digital payments, cloud services and regulatory compliance facilities.
- 'Bank in a Box’ would allow even a small, single-branch urban cooperative bank to provide world-class banking services without having to make heavy investments in technology.
- The integrated platform will include core banking services, digital payments, cloud infrastructure and regulatory compliance solutions.
- UCBs are allowed to open up to 15 per cent additional branches without separate permission, extending doorstep banking services, simplifying the process for eligible Tier-3 cooperative banks to obtain scheduled-bank status and appointing an RBI nodal officer for regular interaction with the sector.
- The Priority Sector Lending target for UCBs has been reduced from 75 per cent to 60 per cent, while housing-loan limits have been enhanced.
- UCBs, State Cooperative Banks and District Cooperative Banks had also been accorded the status of ‘Member Lending Institutions’, enabling risk coverage of up to 85 per cent and access to collateral-free lending.
- The priority sector lending limit for cooperative societies has been increased from Rs 5 lakh to Rs 10 crore.

Urban Cooperative Banks

- Its origins trace to the 1904 Cooperative Credit Societies Act.
- The constitutional reforms which led to the passing of the Government of India Act in 1919 transferred the subject of "cooperation" from the Government of India to the provincial governments.
- The Government of Bombay passed the first State Cooperative Societies Act in 1925.
- In 1963, the Varde Committee recommended that such banks should be organised at all urban centres with a population of 1 lakh or more and not by any single community or caste.
- The committee introduced the concept of minimum capital requirement and the criteria of population for defining the urban centre where UCBs were incorporated.
- The Madhavdas Committee (1979) evaluated the role played by urban co-operative banks in greater detail.
- The term 'Urban Co-operative Banks' (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas.
- These banks, till 1996, were allowed to lend money only for non-agricultural purposes, but this distinction does not hold today.
- These banks were traditionally centred around communities; localities work in place groups.
- They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably.
- Maharashtra has 449 urban cooperative banks, the highest number in the country.
- About 79% of these are located in 5 states: Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu.

Reference

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