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Mumbai: In a move to strengthen the Maharashtra State Cooperative Bank (MSCB), the apex cooperative bank in the state, the government on Thursday permitted all its offices and organizations to carry out transactions with it.

While the issue was on the agenda for the weekly cabinet meeting, deputy chief minister Devendra Fadnavis raised it by asking why permission had not yet been granted for government departments and charitable trusts registered in the state to carry out transactions with the Bank.

The MSCB, which refinances district-level cooperative banks that extend credit to farmers, has been enmeshed in controversies over questionable loan disbursements. It is also facing a probe for carrying out auctions of sugar mills owned by loan defaulters at rates below fair value.

According to an official, Fadnavis said since neither the Reserve Bank of India, which is the regulator, nor the National Bank for Agriculture and Rural Development (NABARD) has raised any objections, it was wrong to impose curbs on the bank. Following his intervention, the cabinet approved a proposal to grant permission to state entities including public sector undertakings to

engage with MSCB for transactions. Sources said the same proposal had been brought before the cabinet during Maha Vikas Aghadi's tenure, but the decision was kept in abeyance.

A senior cabinet member said, "In the state's economy, MSCB plays a crucial role. It is the backbone for strengthening the economic situation of farmers." MSCB showed net profit of Rs 603 crore in the financial year 2022-23. It also showed a decline in non-performing assets or bad loans.