

Strengthening of the Cooperative Banks

- 1. Urban Cooperative Banks (UCBs) have been allowed to open new branches to expand their business:** UCBs can now open new branches up to 15% (maximum 10 branches) of the existing number of branches in the previous financial year without prior approval of the RBI.

- 2. UCBs have been allowed by the RBI to offer doorstep services to their customers:**
Doorstep banking facility can now be provided by UCBs. Account holders of these banks can now avail various banking facilities at home, such as cash withdrawal, cash deposit, KYC, demand draft, and life certificate for pensioners, etc.

- 3. Notification of Scheduling norms for including Urban Cooperative Banks:**
UCBs which are in compliance with Eligibility Criteria for Business Authorisation and have maintained the minimum deposits required for classification as Tier 3 for the last two years are now eligible to be included in Schedule II of the Reserve Bank of India Act, 1934 and get 'Scheduled' status.

- 4. A Nodal Officer designated in RBI for regular interaction with UCBs:**
To meet the long-pending demand of the cooperative sector for closer coordination and focused interaction, RBI has notified a nodal officer.

- 5. Relief for Urban Cooperative Societies (UCBs) by reducing PSL target from 75% to 60%:** The Reserve Bank of India has provided relief to Urban Co-operative Banks (UCBs) by reducing the Priority Sector Lending (PSL) target from the earlier level of 75 per cent to 60 per cent. This relaxation has eased compliance pressures on UCBs and provided them with greater operational flexibility in managing their lending portfolios.

- 6. Housing loan limit for Urban Cooperative Banks increased from 10% to 25%:** Housing loan limit for members of Urban Cooperative Banks has been increased from 10% of assets to 25% (up to Rs 3 crore) of their total loans & advances.

- 7. Relief in sub-limit of 12% sub-limit (weaker sections) by withdrawing of target of ₹ 2 lakh for women loan repayment:** Removal of the target of ₹2 lakh for women borrowers under the 12% sub-limit for weaker sections simplifies PSL compliance and provides UCBs greater operational freedom in meeting PSL obligations.
- 8. Relief to Urban Cooperative Institutions by increasing 50% loan limit from ₹ 1 crore to ₹ 3 crore:** The loan and advances exposure limit for Urban Cooperative Banks (UCBs) at 50% of loans and advances has been increased from ₹1 crore to ₹3 crore, which helps them meet the higher credit demands of individual borrowers, supports business growth and improves their competitiveness in the retail and SME lending segments.
- 9. Monetary ceiling for Gold Loan has been removed by RBI:** RBI has removed the monetary ceiling from Rs. 2 lakhs for cooperative Banks at par with Commercial Banks.
- 10. Umbrella Organization for Urban Cooperative Banks:** National Federation of Urban Co-operative Banks and Credit Societies Ltd. (NAFCUB) has been established on approval of RBI as an Umbrella Organization (UO) for the UCB sector, which is providing necessary IT infrastructure and operational support to around 1,500 UCBs. It has launched various services like Digi Loan and Digi Pay.
- 11. RBI extended the glide path for Security Receipts from FY 2025-26 to FY 2027-28:** RBI, vide circular dated 24.02.2025, has provided an additional two years for provisioning of non-performing assets through Asset Reconstruction Company for better management of capital and liquidity in urban co-operative banks so that these banks can minimize the losses on stressed assets.
- 12. Cooperative banks have been allowed to make one-time settlement of outstanding loans, like Commercial Banks:** Co-operative banks, through board-approved policies, can now provide the process for settlement with borrowers, along with technical write-off.
- 13. Higher Housing Loan Limits:** Reserve Bank of India has increased the individual housing loan limit for rural co-operative banks by two and a half times to Rs. 75 lakh and enabled them to lend to real estate up to 5% of total exposure.

- 14. License fee reduced for Cooperative Banks for AePS:** License fee for onboarding Cooperative Banks to 'Aadhaar Enabled Payment System' (AePS) has been reduced by linking it to the number of transactions. Cooperative financial institutions are now to get the facility free of cost for the first three months of the pre-production phase. With this, members of onboarded Banks are now able to get the facility of banking at their home through biometrics.
- 15. UIDAI on 01.08.2025 has introduced a new framework for onboarding of Cooperative Banks on the Aadhaar Enabled Payment System (AePS).** Now, only StCBs are required to onboard as Authentication User Agencies (AUA)/eKYC User Agencies (KUA); DCCBs will be allowed to use it through State Cooperative Bank as sub AUA/KUA.
- 16. Non-scheduled UCBs, StCBs, and DCCBs notified as Member Lending Institutions (MLIs) in the CGTMSE Scheme** to increase the share of cooperatives in lending: Cooperative banks are now able to take advantage of risk coverage up to 85 percent on the loans given. Also, cooperative sector enterprises are able to get collateral-free loans from cooperative banks now. CGTMSE rationalized the eligibility criteria from 5% Gross NPA or less to 7% Gross NPA or less for registration of Cooperative Banks as Member Lending Institutions (MLIs) under the Scheme.
- 17. Banking Regulation Act is amended by the Government to make the term of the Board of Directors of Cooperative Banks as per the constitution** (maximum 10 consecutive years).
- 18. Limit for Agricultural Cooperative Societies (Dairy) under Priority Sector Guidelines increased from ₹5 crore to ₹10 crore:** RBI has increased the priority sector lending limit for Agricultural Cooperative Societies (Dairy) from ₹5 crore to ₹10 crore vide Master Direction dated 24.03.2025. This move enables banks to provide more credit support to Agricultural Cooperative Societies (Dairy), thereby strengthening agricultural infrastructure and boosting rural credit flow.
- 19. Sahakar Sarathi (Shared Service Entity):** Sahakar Sarathi (Shared Service Entity) Private Limited has been established after approval of RBI to provide technological services to Rural Cooperative Banks (RCBs) and their

strengthening. This has launched 13 services for the Rural Cooperative Banking Sector.

20. RBI vide its Notification dated 07.10.2025, has included rural cooperative banks in its **Integrated Ombudsman Scheme**. This will bring more transparency and accountability to the functions of rural cooperative banks.
21. RBI vide Master Direction dated 04.12 2025, has allowed **State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) to open new branches (maximum 10) through automatic route**. StCBs & DCCBs, subject to eligibility, will now be able to open new branches without delay and can expand their business.
22. RBI vide Master Direction dated 28.11.2025, has granted relaxation to the **Rural and Urban cooperative banks in financial norms for providing modern banking services**. The previous requirements of Gross NPA being less than 7% and Net NPA not exceeding 3%, and the net profit criterion have been removed. Now the cooperative banks can easily provide modern banking services to their customers.
23. RBI vide Master Direction dated 04.12. 2025, has issued **Eligibility Criteria norms for Business Authorisation (ECBA), which will supersede the previous FSWM provisions**. The clause regarding no penalties in the last two years has been removed from these norms. Now the Cooperative Banks will be able to easily open new branches and expand their business.
24. RBI vide letter dated 07.01.2026 has issued clarification in reference to **Section 20 of BR Act** due to which the **Directors of Rural Cooperative Banks and their related Cooperative Societies are now eligible to avail loans** from their concerned State Cooperative Banks & District Central Cooperative Banks subject to stipulated conditions.
25. RBI vide Notification dated 19.01.2026 has included **National Cooperative Development Corporation (NCDC) as an eligible entity under the on-lending provisions of the PSL framework**. Now the loan extended by the Banks to NCDC for on-lending to cooperatives societies for purpose like Agriculture, Housing, Social Infrastructure etc., will fall under PSL category.

26. RBI has granted **relaxation to specified borrowers like IFFCO** to borrow more than 50% of their working capital requirements (incremental funds) from the banks.
27. The Committee of Secretaries chaired by Cabinet Secretary has recommended for **inclusion of Cooperative Banks as participants institutions under various schemes** of the Government of India. Various Ministries/Departments like Department of Animal Husbandry and Dairying has also revised its scheme guidelines to include cooperative banks.
28. With a view to onboarding co-operative banks **as Corporate Agents for undertaking insurance business**, the Ministry of Cooperation has requested all States/Union Territories and co-operative banks to associate as Corporate Agents of the IFFCO joint venture company.
29. With a view to mitigate cyber fraud and ensuring prompt reporting and response, the Ministry of Cooperation has requested all States/Union Territories and co-operative banks to **onboard the I4C and NCRP portals**. More than 600 cooperative banks have onboarded on I4C.
