Q5

With reference to 'Urban Cooperative banks' in India consider the following statements: 1. They are supervised and regulated by local boards set up by the State Governments. 2. They can issue equity shares and preference shares. 3. They were brought under the purview of the Banking Regulation Act, 1949 through an Amendment in 1966. Which of the statements given above is/are correct? (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 Official key: B.

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Explanation

(a)

1 only. UCBs are under RBI (and RCS), not 'local boards of State Governments' as the sole supervisor.

(b) Official key

2 and 3 only. They can issue equity/preference as allowed; BR Act cover came in 1966. Statement 1 overstates State boards.

(c)

1 and 3 only. Statement 1 fails.

(d)

All three. Dual regulation is RBI + registrar, not local State boards as framed.

Summary

Official key is (b) 2 and 3 only. Urban cooperative banks were brought under the Banking Regulation Act in 1966 and can issue shares as the law now allows. Day-to-day banking supervision is RBI's, not a State local-board monopoly.

Related possible facts

These can be asked in a future Prelims paper.

BR Act, 1966 amendment
Cooperatives doing banking came under RBI.

2020 BR amendment
Greater RBI control over UCBs after Punjab/PMC stress.