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SAHAKARA DHARMA PEETAM

H.No.8-6-363/87/14P, "Sahakara Nilayamu", Manikanta Colony, Old Bowenpally, Secunderabad-500011

Web; cosopwelfare.com mail; coop.welfarecouncil@gmail.com Cell : **8247816648**

Lr. No. 52/SDP/2021

Date: 26-02-2021

To,

Place: Mumbai

The Governor
Reserve Bank of India, RBI.
MUMBAI

Respected Sir,

Sub.: Indian Economic Policy - Cooperative System – Let it allow to play its role in the Market Economy – Impress the Govts. – Sahakara Dharma Peetam – Req. –Reg.

Ref.: Section 12(1) of the Banking Regulation(Amendment) Act-2020.

The Sahakara Dharma Peetam is a dharmik samstha, engaged in propagating the Cooperative principles and its values. Dharma is not established, unless the Sahakar dharma is practiced. To motivate the people, the Sahakara Dharma Peetam started a "Sahakar Dharm Bharath Yathra" on 23-12-2020 from Hyderabad.

Sahakara Dharma is the goal of the Human being. Sahakara Dharma makes the man a human being. Sahakara Dharma is the culmination of the economic and the ethics. It is the Dharma, which associates itself with "Economic Theory" along with "Karma Theory".

A Cooperative system itself is an embodiment of Dharma. It will not allow itself to be exploited nor, it will exploit others. It protects the User Members from the exploitation of private sector. It makes, all the User Members self-reliant.

We would like to bring to your kind notice that the Section 12(1) of the Banking Regulation (amendment) Act-2020 is violating the Constitutional provisions. And depriving the farmers, the rural artisans for jointly doing the Cooperative Banking business for their common necessity.

Cooperative Banking Sector;

The development of the economy depends on the qualitative and flexibility of the Banking Sector in the present market economy. The Cooperative Banking Sector is the system of Cooperative economic system. To develop the Cooperative Sector in production and services sectors, its Banking sector i., e., the Cooperative Banking Sector must be strengthened. It is unavoidable for development of the Indian rural economy.

But the Section 12(1) of the Banking Regulation (amendment) Act-2020, is aimed to handover the Cooperative Banking Sector to the Private Sector. How?, Kindly observe and do justice to the rural economy.

Nature of Indian Economy;

India is predominately a rural Country with 2/3 population and 70% of work force residing in rural areas. Rural economy constitute 46% of National income, near about 20% of the population getting only a share of 2 to 3% of the National income. 21.9% of the population lives Below the National Poverty Line(BPL).

India is a developing Country. We could identify the Indian economy in two faces; 1. Industry & Trade and Commerce, 2. Rural economy (Agriculture, agriculture oriented industry and rural Artisans industry).

1. Industry & Trade and Commerce; The Producer and User are different. The “Exclusive Growth Strategy” is suitable for this nature of business. The “Exclusive Growth Strategy” stands for Private Sector.
2. Rural economy (Agriculture, agriculture oriented industry and rural Artisans industry); The Producer and the User are same. The “Inclusive Growth Strategy” is suitable for this nature of the business. The “Inclusive Growth Strategy” stands for the Cooperative Sector.

The growth of the economy depends, how best the Subjects are made to be involved in the economic activities of the Country. The 2/3 population and 70% of work force are residing in our rural India. Hence the “Inclusive Growth Strategy”, which stands for the Cooperative Sector is the only suitable to make all the people to involve in the economic activity. So that the most of them are get self- employed.

Economic Theories;

In the Modern age, the Industrial Revolution gave birth for the Three Kids of economic systems, i.e., The Capitalism, The Marxism and The Cooperative system. These three economic theories are contemporary. Interpretation of the “Surplus Value” is the main content for identifying the Economic theory.

The Capitalism, did not want to recognize the existence of the “Surplus Value”. It says Surplus value is the result product of the Demand & Supply and the invisible hand, but not of the Work Force. Hence the Surplus Value should belong to the Investor, who invested the Capital. Pooling of incomes becomes the Capital.

Marxism theory says that the “Surplus Value” is the product of the exploitation. Hence through the proletariat dictatorship, the Surplus Value could be nationalized. And the Government would take care of all the necessities of the People.

The Rochdale Pioneers representing the Cooperative system recognized the “Surplus Value” and also the need of the Capital. The pooling of, a portion from the User’s necessities becomes the Share Capital. The Cooperative system pronounces that the Capital should get a minimum rate of interest, but not a share in the Surplus Value of the business. A portion of Surplus is distributed in proportionate to the User member participation in the business activity of that Cooperative Society. The remaining is belonging to the Society or the Community of the User member. The Cooperative Society is democratically managed.

In nut shell, these are the three economic theories. Considering the ground reality prevailed in Indian Communities and Indian demography, we adopted the mixed economic system to be followed, but not any single system. The Indian Constitution is presented to us, by ourselves, headed by Dr. B.R.Ambedkar.

Constitution of India in relation to Cooperative Subject;

1. The Constitution of India; Preamble; WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a Sovereign Socialist Secular Democratic Republic and to secure to all its Citizens: JUSTICE, social, economic...
- 3 Fundamental Right to practice profession.
- 4 The Legal Right to Property.
- 5 Article 39(c): The state shall, in particular, direct its policy towards securing that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.
- 6 Article 43: Directs the Governments to follow the Cooperative policy in the Indian rural economy.
- 7 Cooperation is a State Subject; Article 246(3), Schedule VII, List-2, Sl. No.32
- 8 Private Sector is regulated by the Companies Act of 1956 and the Partner Ship Act. Mode of raising the Share Capital is dealt in these Acts.
- 9 Cooperative Sector is regulated by the Multi State Cooperatives Act-2002 and the State Cooperative Act. Mode of raising the Share Capital is dealt in these Acts.
- 10 Banking Regulation Act-1949 deals with the Reserve Bank of India's regulating the Banks in India.

Cooperative System;

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Differences between the Cooperative Sector and the Private Sector

Private Sector	Cooperative Sector
1. Association of Capital.	1. Association of Users.
2. Share Capital is an investment from the income of an individual (Investor).	2. Share Capital is the portion set aside from the User (member) necessities, not an investment from the income of the member.
3. Investor's economy.	3. User's economy.

4. Joint Stock Company form of business is its main tool.	4 Federation of Primary Cooperatives is the main tool and it is a backbone.
5. Regulated by the Company Act and Partnership Act.	5. Regulated by the Cooperatives Acts.
6. Profit distribution is in the ratio of their share capital.	6. Surplus distribution; it is patronage dividend.
7. Control vests in accordance with the size of the Share holding.	7. Control vests in the members equally and democratically controlled.
8. Centralizes the 'Production', 'Marketing' and the 'Wealth'	8. Decentralizes the 'Production', 'Marketing' and the 'Wealth'.
9. Exploitation is in its nature.	9. Principle action is to eliminate the exploitation.
10. Economic rights of the people are suppressed.	10. Promotes the economic rights of the people.
11. Curtails the people's economic democracy.	11. Seeks to establish the economic democracy.
11. The fittest only survives	12. Makes all user members economically self-reliant

Recent Amendment of the Banking Regulation (Amendments) Act-2020;

The Banking Regulation (Amendment) Ordinance, 2020

Issue and regulation of Paid-up Share Capital and Securities by Cooperative Banks.

For Section 12, the following Section shall be substituted namely;-

“12. (1) A co-operative bank may, with the prior approval of the Reserve Bank, issue, by way of public issue or private placement,---

- (i) Equity shares or preference shares or special shares, on face value or at premium; and
- (ii) Unsecured debentures or bonds or other like securities with initial or original maturity of not less than ten years,

To any member of such co-operative bank or any other person residing within its area of operation, subject to such conditions and ceiling, limit or restriction on its issue or subscription or transfer, as may be specified by the Reserve Bank in this behalf.

Who's Cooperative Banks are?

The Primary Agriculture Cooperative Society (PACS) is established with the Membership of farmers and rural artisans. 10% of member's loan amount is kept in the PACS as his Share Capital, but he paid the interest for his full (100%) loan amount. The Share Capital of all members is become the Share Capital of the PACS. All the PACS in the district, federated as District Cooperative Central Bank Ltd (DCCB/CCB). The Share Capital of the PACS is deposited in the DCCB/CCB as a Share Capital

for it. All the DCCB/CCBs in the State federated as the State Cooperative Bank Ltd (SCB). The Share Capital of the DCCB/CCBs is deposited in the SCB as Share Capital for it. The Share Capital in PACS, DCCB/CCBs and SCB is not investors Capital but it is User members set aside amount from his necessities/Loan amount (rather it is the pooling of piece meal of the hungry farmer/rural artisan) to establish this Cooperative Credit Structure(CCS) in the State. On the basis of the strength of the Share Capital, the NABARD will refinance the SCB, DCCB/CCBs, in turn PACS member will get the required loan. So, it is clear that User member is the Owner of the PACS. PACSs are the Owner of the DCCB/CCB. And DCCB/CCBs are the Owner of the SCB. These Cooperatives are managed with the democratically elected Committees. Member is the Owner, User, Benefiter and Managed by him. This is the Cooperative system.

Governments Obligations;

Our Constitution provided the Welfare State concept for the Governments. As an obligation the Governments promoted and nurtured the PACS, DCCB/CCBs and SCB by assisting through the Share Capital assistance.

Cooperatives Shares can't be sold/transferred; Cooperative Principle

As per the Cooperative Principles and its Philosophy, the Shares in the Cooperatives can't be sold or transferred. It is the basic and core principle of the Cooperative System, universally accepted and as enunciated by the International Cooperative Alliance (ICA). And accordingly our State Cooperative Acts and Multi State Cooperative Act are incorporated the same principle and all the Cooperatives are following.

Cooperative Movement is welcoming the RBI Regulations except the misguided Section; 12(1) of the Banking Regulation Amendment Bill-2020

Cooperative movement is welcoming the recent amended amendments to the Banking Regulation Act to protect the confidence of the Depositors in the Cooperative Banks. But only, the Section 12(1) which kills the identity of the Cooperative Characteristic is being opposing. Further it is an un constitutional.

Is it a Policy shift? Constitutional sanctity??

Is it a Policy shift of the Government of India in its economic policy to replace the Cooperative system with the Private system??

We all know that, we are following the mixed economic policy since independence of India, i.e., the Private Sector, the Public sector and the Cooperative Sector, which was approved by the National Development Council (NDC). This system is being implemented through Five Year Plan program. The signing of GATT agreement, India enter the World economic arena and we liberalized our policies towards the market economy.

The National Institute for Transforming India, called NITI Aayog is constituted by the resolution of the Union Cabinet on 1st January, 2015, in place of the Planning Commission which was constituted in 1950. The NITI Ayog is the premier policy 'Think Tank' of Government of India, providing both directional and policy inputs.

In the present market economy, India is giving priority for the Private sector and reducing the Public sector share in Indian economy. Private sector is owned by the Private Investors, the Public sector is owned by the Governments and the Cooperative sector is owned by its User Members, such as Farmers, rural Artisans, Agriculture labourers and the urban middle class people.

The Governments are functioning in the frame work of our Constitution. The basic ideals of the Preamble of the Constitution, the Directive Principles; 39(c) and 43 provides the economic policies to be followed for the socio-economic development of the People of India.

It is not noticed by the People that NDC or the NITI Aayog ever resolved to dismantle the Cooperative sector and hand over its economic field to the Private sector. And the basic ideals of our Constitution did not changed.

Then, how did come Section 12(1) in the Banking Regulation Amendment Act-2020, how could the Government force the Cooperative sector to convert itself in to Private sector. Are these actions have the sanctity of the Constitution.

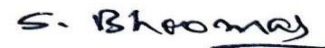
Effects of, if Section 12(1) is implemented;

1. Under this civilized Society, Govt. snatched away the Owner ship right of the PACS over their Cooperative Banks. What is the more harm than this?
2. Violation of the Constitutional provisions, such as the Fundamental Rights of the Citizen and against the ideals of the Preamble of the Constitution.
3. Identity of Cooperative and the Characteristic is killed.
4. Protector becomes Exploiter
5. These Banks becomes Private Bank, but words “the Cooperative Bank” remains, the Public and the Depositors are being misled by the Govt. itself.
6. The right of jointly doing the Cooperative Banking business by the Primary Agri. Coop, Society is lost.
7. All these 60 years the PACS accumulated the Reserve Fund of DCCB/CCB and SCB becomes the asset for New Investor, but it ought to be of the PACS.
8. The PACS becomes out lets for the Privatized Cooperative Bank, if the PACS doesn't want to be their out let, its only option to withdraw.
9. In due course of time Modern Money-lending system will be evolved. Economic disparities are widened in Communities and it leads to tension among the rural India.

Since these situations makes harm to the rural community, at the larger interests of the rural economy, the existence of the Cooperative Banks are must. Hence, the Sahakara Dharma Peetam appeals to impress the Government to with draw the Section 12(1) of Banking Regulation (Amendment) Act-2020.

Place ; Mumbai

Yours Sincerely



(Sambharapu Bhoomaiah)

Sevak

Sahakara Dharma Peetam