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B.Com Honours

Semester V

Calicut University

LEGAL ENVIRONMENT FOR CO-OPERATIVES

Course Code: COM5EJ306 • Module 4 Notes

Module IV: Banking Regulation Act, 1949 & Impact on Co-op Management

Covers the application of Banking Regulation Act 1949 (Section 56) to cooperative banks, RBI licensing powers, reserve maintenance, and impact of dual regulation on management.

Unit 15: Banking Regulation Act, 1949 (Sec 56 Applicable to Co-op Societies)

Enacted via BR (Amendment) Act, 1965 introducing Section 56. Applicable to Urban Cooperative Banks (UCBs), State Cooperative Banks (StCBs), and Central Cooperative Banks (CCBs). Key Provisions:
1. Banking License (Sec 22): Mandatory RBI license to carry on banking business.
2. Capital Adequacy & Reserve Ratios: Cash Reserve Ratio (CRR under Sec 18) and Statutory Liquidity Ratio (SLR under Sec 24).
3. Inspection & Supersession (Sec 35/36AA): RBI empowered to inspect books, issue binding directions, and remove unfit directors/board.

Unit 16: Impact of Cooperative Law on Cooperative Enterprise Management

Dual Control Framework: RBI regulates banking operations (monetary policy, licensing, prudential norms), while Registrar of Cooperative Societies (RCS) regulates administrative incorporation, elections, and audit. Balancing regulatory compliance with cooperative democracy.

Practical Case Framework (Banking Regulation Act Sec 56 Provisions for Co-op Banks): Detail core statutory provisions enforced by RBI on cooperative banking entities.

BR Act 1949 Section 56 Statutory Provisions Matrix:

BR Act Provision Section	Statutory Requirement for Cooperative Banks	Regulatory Authority
Section 22 (Banking Licensing)	Mandatory RBI license required to open branches & accept deposits	Reserve Bank of India (RBI)
Section 18 (Cash Reserve Ratio - CRR)	Maintenance of minimum percentage of Demand & Time Liabilities in cash	Reserve Bank of India (RBI)
Section 24 (Statutory Liquidity Ratio - SLR)	Holding liquid assets (Govt securities, T-Bills) against liabilities	Reserve Bank of India (RBI)
Section 35 (Inspection of Books)	Comprehensive inspection of financial books & loan portfolios	RBI / NABARD
Section 36AA (Board Supersession)	Power to remove directors or supersede board in public interest	Reserve Bank of India (RBI)