

3. Correct option: (a)

Explanation:

- **Statement 3 is incorrect:** Both StCBs/DCCBs are registered under the provisions of State Cooperative Societies Act of the State concerned and are regulated by the Reserve Bank through Banking Regulation Act, 1949

Supplementary notes:

Co-operative Banking in India

- The rural co-operative credit system in India is primarily mandated to ensure flow of credit to the agriculture sector. It comprises short-term and long-term co-operative credit structures.
- The short-term co-operative credit structure operates with a three-tier system - Primary Agricultural Credit Societies (PACS) at the village level, Central Cooperative Banks (CCBs) at the district level and State Cooperative Banks (StCBs) at the State level.
- **PACS are outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India directly.** PACs are a village-level institution which directly deals with the rural people. It encourages savings among the agriculturists, accepts deposits from them, gives loans to the needy borrowers and collects repayments.
- **StCBs/DCCBs are registered under the provisions of State Cooperative Societies Act of the State concerned and are regulated by the Reserve Bank through Banking Regulation Act, 1949 and Banking Laws (Co-operative Societies) Act, 1955.**
- State cooperative banks are the apex institutions in the three-tier cooperative credit structure, operating at the state level. Every state has a state cooperative bank.
- **Powers have been delegated to National Bank for Agricultural and Rural Development (NABARD) under Sec 35 (6) of the Banking Regulation Act (As Applicable to Cooperative Societies) to conduct inspection of State and Central Cooperative Banks.**
- Primary Cooperative Banks (PCBs) also referred to as Urban Cooperative Banks (UCBs), cater to the financial needs of customers in urban and semi-urban areas.
- UCBs are primarily registered as cooperative societies under the provisions of either the State Cooperative Societies Act of the State concerned or the Multi State Cooperative Societies Act, 2002 if the area of operation

of the bank extends beyond the boundaries of one state.

- The sector is heterogeneous in character with uneven geographic spread of the banks. While many of them are unit banks without any branch network, some of them are large in size and operate in more than one state.
- Besides short-term credit, the agriculturists also need long-term credit. Cooperative banks and commercial banks by their very nature are not in a position to provide long-term loans because their deposits are mainly demand (short-term) deposits. Thus, there was a great need for a specialized institution for supplying long-term credit to agriculturists. The establishment of land development banks now known as cooperative and rural development banks (CARDs) is an effort in this direction.
- The working capital of the primary credit societies comes from their own funds, deposits, borrowings and other sources. Own funds comprise of share capital, membership fee and reserve funds. Deposits are received from both members and non-members. Borrowings are mainly from central cooperative banks.

4. Correct option: (a)

Explanation

- **Statement 3 is incorrect:** C. Nachiket Mor recommended that each Indian resident, above the age of 18 years would have an individual, safe and secure electronic bank account.

Supplementary notes:

Recommendations of Narasimhan Committee report I-1991

- Establishment of 4 tier hierarchy for banking structure with 3 to 4 large banks (including SBI) at the top and at bottom rural banks engaged in agricultural activities.
- Setting up Asset Reconstruction fund to take over a portion of the loan portfolio of banks whose recovery has become difficult.
- The supervisory functions over banks and financial institutions can be assigned to a quasi-autonomous body sponsored by RBI.
- A phased reduction in statutory liquidity ratio.
- Phased achievement of 8% capital adequacy ratio.
- Abolition of branch licensing policy.
- Competition among financial institutions on participating approach.