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Title: Need to exempt the co-operative banks from the ambit of Income Tax Act.

SHRI SUVENDU ADHIKARI (TAMLUK): The co-operative banking sector is one of the main partners of Indian banking structure. The co-operative banks have more reach to the rural India by their huge network of credit societies in the institutional credit structure. This sector has played a key role in the economy of our country and always recognized as an integral part of our national economy. Today we cannot deny that Co-operative Banking Sector is effectively playing an important role in developing rural economy of India by giving micro credit to not only farming communities but also small scale entrepreneurs. According to recent study by World Bank and National Council for Applied Economic Research, the Primary Agriculture Credit Societies share 30% micro credit in India. We all know that credit is a crucial input process for development, but for historical reasons Indian farming communities have failed to make adequate investment in agriculture. So, co-operative societies must have burden-free functioning to change the outlook that Indian farmer is born in debt, lives in debt and dies in debt. And we cannot deny that Co-operative form of organizations have been working for this pursuit since 1904 with a social outlook.

But I must mention here that since inception Co-operative banks were outside the Income Tax regime and these banks were under exempted category upto 2006. But in the year 2009, Government of India brought co-operative banks under the regime of Income Tax. As a result it has caused a deep decline in profit of the banks and it has acted as a hindrance to perform social work. Moreover, the co-operative banks have to incur a huge amount of legal expenses to tackle the complexities of Income Tax Department.

I, therefore, would like to earnestly request the Union Minister of Agriculture to reintroduce the benefit of exemption for Co-operative banks under Income Tax Act for a greater social benefit i.e. to uplift rural Indian economy.