

Master Circular

Board of Directors

**Recommendations made by the Madhava Das Committee
on Urban Co-op. Banks in regard to Board of Directors**

[Vide para 1.4]

Recommendation

1. Board to provide Representation to Branch Members

Representation on the board of directors to members of branches is necessary with a view to involving them in the management of the affairs of urban banks. The branches may be grouped according to the following categories for the purpose of election of directors on the board.

- (i) Branches within the limits of the head office, including only the branches within about 25 Kms. from the head office town.
- (ii) Branches falling outside the above limits but within the district.
- (iii) Branches outside the district including those outside the state.

The representation may be based on membership and not on deposits or loan business of branches. Certain number of seats on the board may be provided exclusively for the head office town and every branch in a group may get representation by rotation.

2. Eligibility for Director's Post

- (i) The extent of shareholding should not be the determining factors in regard to eligibility to hold office as director in an urban bank. A director should be elected by virtue of the confidence he commands among the members. The existing stipulation that a minimum share qualification for membership of the Board should not be insisted upon is, therefore, salutary.
- (ii) Those contesting for directorship in urban banks should have been members for a minimum period of two years. Similarly, members contesting for election to the Board should have had a minimum deposit of any type of Rs.500 in the urban bank concerned for a minimum period of two years continuously.

3. Member's Eligibility for Voting

To prevent instances of en-masse enrolment at the instance of certain vested interests just before the general body meeting, primarily with a view to capturing seats on the BODs and thereby destabilizing or dislodging the Boards of efficiently managed urban banks, the members of a primary (urban) cooperative bank should be allowed to participate in the election of its Board of Management only after completion of a minimum period of 12 months from the date of acquiring of membership.

4. Women Representative on the Board

Where, the scope for the organization of an urban bank exclusively for women is limited in any area, the existing urban banks may give representation to women members on the board of management and, wherever necessary set up a separate section to cater to the needs of women members. At least one seat for women shareholders may be reserved on the BODs.

5. **Developmental Programmes for Board Members**

The members on the BODs need regular programmes to develop themselves into a competent policy and decision making body. These programmes may include exposing the board members to short-term orientation courses, workshops, seminars and visits to other banks. A suitable manual prepared by banks themselves or Federations or Associations of urban banks may be one of the methods of familiarizing the directors with their duties under the by-laws. The National Co-operative Union, in collaboration with the National Federation of Urban Co-operative Banks and Credit Societies, and the State Federations or Associations of urban banks, should apply itself to this very important task of educating and training the boards of management of urban banks and draw-up co-coordinated programmes for the purpose.

6. **Chief Executive to be on the Board**

The Chief executive of an urban bank should preferably be a member of the BODs i.e., he should be a Managing Director.

7. **State Government Nominee on the Board**

State Government may nominate their representatives on the board of directors of urban banks which are state partnered in regard to share capital. The number of such representatives should not exceed one-third of the total number of directors or three, whichever is less. Further, the directors nominated by the Government should preferably be competent non-officials rather than officers from the Co-operative Department.