

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. 2581

ANSWERED ON MONDAY, 17th MARCH, 2025/ PHALGUNA 26, 1946 (SAKA)

FAILURE OF CO-OPERATIVE BANKS

2581. SHRI RAJA A:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is considering to increase the limit of insurance of deposit account for public beyond the current Rs. 5 lakh, in view of the frequent collapse of Cooperative Banks;
- (b) if so, the details thereof;
- (c) the number of cooperative banks which have failed in meeting the customers' obligations and RBI had to intervene due to mismanagement along with details of those banks;
- (d) whether any corrective measures have been taken by the RBI and the Government in this regard in view of the past experience; and
- (e) If not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) and (b): Total deposit insurance cover in terms of section 16(1) of the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act is upto ₹5 Lakh per depositor for deposits held by the account holder in “the same capacity and the same right” of all the deposits such as savings, fixed, current, recurring etc. kept at all the branches of a bank taken together. As per section 16(1) of the DICGC Act, DICGC may, from time to time, having regard to its financial position and to the interest of the banking system of the country as a whole, raise, with the previous approval of the Central Government, the aforesaid deposit insurance limit. Consequently, deposit insurance coverage limit was raised from ₹1 Lakh to ₹5 Lakh with effect from 04.02.2020. DICGC considers its financial position and the interest of financial system of the country to make a suitable proposal to Government for enhancing the deposit insurance limit as per section 16(1) of the DICGC Act.

(c) to (e): Since 2020, licenses of 58 Urban Co-operative Banks (UCBs) have been cancelled. The Banking Regulation Act, 1949 has been amended to provide additional powers to RBI for more effective regulation of Co-operative banks vide Banking Regulation (Amendment) Act, 2020. The major amendments pertain to areas such as management, audit, capital, reconstruction/ amalgamation, etc. The provisions of the Act have been brought into force for UCBs with effect from 26.06.2020.

Post these amendments, inter-alia, the governance/management related provisions of the BR Act, (such as Section 10, 10A, 10B, 35B, 36AB, etc.), have become applicable to co-operative banks.