

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 2511

ANSWERED ON MONDAY, 15 DECEMBER, 2025/ 24 AGRAHAYANA, 1947 (SAKA)

Cooperative Banks in Kerala

2511. SHRI N K PREMACHANDRAN:

Will the Minister of FINANCE be pleased to state:

(a) whether the Kerala Bank and Cooperative Banks in Kerala are liable to comply with the guidelines of Reserve Bank of India;

(b) if so, the details thereof;

(c) whether the Government proposes to ensure the guarantee for the deposits in Kerala Bank and Cooperative Banks in Kerala;

(d) if so, the details thereof;

(e) whether it has come to the notice of the Union Government that the Government of Kerala has directed to pool money from Kerala Bank and Cooperative Banks for implementing newly declared schemes;

(f) if so, the action taken for ensuring repayment of deposits;

(g) whether the Government and Regional Rural Banks propose to ensure transparency and cooperative autonomy in the said banks;

(h) if so, the action taken in connection with the process of mobilizing surplus; and

(i) the initiative taken by the Government to safeguard and prevent the misuse of deposits in cooperative sector banks in Kerala?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (b): Cooperative Banks in Kerala, including the Kerala State Cooperative Bank and 58 Urban Cooperative Banks (UCBs), which have been issued license by the Reserve Bank of India (RBI) u/s 22 read with section 56 of Banking Regulation Act, 1949 (as applicable to cooperative societies), to conduct banking business in India, are required to comply with the guidelines issued by the Reserve Bank of India.

(c) to (d): Deposit Insurance and Credit Guarantee Corporation (DICGC) administers the deposit insurance scheme in India as per the provisions of the DICGC Act, 1961, which insures deposits upto ₹ 5 lakh (including principal and interest) and presently also covers all cooperative banks which have been issued a license by RBI in Kerala. During the past five years, DICGC has settled claims amounting to ₹ 549.27 crore for 03 cooperative banks in Kerala.

(e) to (f): As reported by Reserve Bank of India (RBI) and National Bank for Agriculture & Rural Development (NABARD), no information on the directions of Government of Kerala to pool money from Cooperative Banks for implementing newly declared schemes has been received by the Union Government.

(g) to (i): In order to ensure transparency and accountability in the functioning of cooperative banks, RBI & National Bank for Agriculture & Rural Development (NABARD) have taken various measures which *inter-alia* include:

- RBI has put in place Prompt Corrective Action (PCA) framework for UCBs in order to enable supervisory intervention at an appropriate time and require the UCBs to initiate and implement remedial measures in a timely manner, to restore their financial health.
- UCBs (other than those having deposit size less than Rs.100 crore and salary earners' banks) are required to constitute a Board of Management (BoM) to facilitate professional management and focused attention to their banking-related activities.
- UCBs shall put in place a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under their Whistle Blower Policy.
- RBI has issued guidelines for Risk Based Internal Audit (RBIA) system in UCBs.
- NABARD has introduced Fraud Vulnerability Index (VINFRA) as a self-assessment tool for banks to measure their adherence to fraud management guidelines and to sensitize them on their vulnerability to fraud.
