

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:5107  
ANSWERED ON:25.04.2003  
CLOSURE OF COOPERATIVE BANKS  
PAWAN KUMAR BANSAL

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether more and more co-operative banks are reporting losses/declaring insolvency;
- (b) the details of co-operative banks which have closed down during the last three years, State-wise;
- (c) the number of investors affected thereby and the total amount lost by them as a result of such closures/insolvency; and
- (d) the corrective measures taken by the Government for strengthening these banks?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) and (b) As reported by Reserve Bank of India (RBI) and National Bank for Agriculture & Rural Development (NABARD), six State Co-operative Banks (SCBs), 112 District Central Co-operative Banks (DCCBs) and 239 Urban Co-operative Banks (UCBs) have reported losses for the year 2000-2001. However, RBI has rejected/cancelled the licences of 54 UCBs and 3 DCCBs during the last three years in view of their deteriorating financial condition and unsatisfactory operations. The State-wise details of these banks are given in the enclosed statement.

(c) The data reporting system of RBI and NABARD does not generate the information in the manner asked for.

(d) RBI and NABARD have taken several steps to strengthen the system of regulation and supervision of Cooperative Banks. These include, putting ceiling on operations in call money market and bank finance against shares and debentures, increase in percentage of SLR investments in Government Securities, restrictions on interest rates on deposits offered by UCBs and investment of funds as deposit with other UCBs, introduction of revised entrypoint norms while setting up new UCBs, reduction of credit exposure, constitution of Audit Committee of Board of Directors to review the internal audit reports, introduction of electronic data processing (EDP) audit system, introduction of capital adequacy norms in a phased manner, introduction of a system of Off-site Surveillance, modification of, norms for identifying weak banks, introduction of a system of supervisory rating under the CAMELS model, etc.