

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

UNSTARRED QUESTION NO:5179
ANSWERED ON:25.04.2003
LICENCES OF COOPERATIVE BANKS
MANSINH PATEL,SHIVAJI MANE

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

- (a) whether RBI has cancelled licences of some Cooperative banks;
- (b) if so, the State-wise names of such banks, licences of which has been cancelled during the last three years;
- (c) the grounds for their cancellation during the last three years;
- (d) the guidelines for opening and functioning of such banks; and
- (e) the steps taken to follow up the above Said guidelines strictly on such banks?

Answer

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

- (a) and (b) Yes, Sir. The State-wise details of the names of the co-operative banks whose licences were cancelled during the last three years are given in the enclosed statement.
- (c) The licences granted to the Urban Co-operative Banks (UCBs) were cancelled/refused due to their failure in complying with the various conditions imposed upon them, conducting the affairs of the bank in a manner detrimental to the interest of the depositors as also due to the deteriorating financial condition and unsatisfactory operations. In the case of the District Central Co-operative Banks (DCCBs), their licences were rejected by Reserve Bank of India (RBI) on account of the inability of these banks to comply with the provisions of Section 11(1) of the Banking Regulation Act in maintaining the required level of capital and reserves.
- (d) As per the provisions of Banking Regulation Act, no co-operative society shall carry on banking business in the country unless it holds a licence issued by RBI. As per the latest norms for opening of a co-operative bank, the minimum requisite start-up capital varies between Rs.12.50 lakh and Rs. 4 crore. The operational aspects of co-operative banks are regulated by RBI in terms of the authority vested with it under the B.R. Act. With a view to ensure that they conduct their affairs on sound lines in the interest of the public, RBI has issued guidelines/directives/instructions to these banks governing different aspects of banking operations.
- (e) In order to ensure that co-operative banks conduct their business in compliance with its guidelines and directives. RBI has in place a system of off-site monitoring and on-site inspection. Under the same, banks are required to submit periodical returns relating to their financial position and other affairs. Their statutory inspection are conducted by RBI and NABARD and the above system is also supplemented by the statutory audit by the respective State Governments.