

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

UNSTARRED QUESTION NO:2653
ANSWERED ON:07.03.2003
COOPERATIVE BANKS
GORDHANBHAI JAVIA

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

- (a) whether the Union Government are aware that of late, some cooperative banks are facing a crisis causing panic among small depositors;
- (b) if so, the details thereof, State-wise;
- (c) whether the Union Government have conducted any survey in this regard;
- (d) if so, the steps Union Government proposed to take to safeguard the interests of small depositors; and
- (e) the present status of rehabilitation package for cooperative credit sector announced during budget 2002-03?

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), certain Urban Cooperative Banks (UCBs) in the country are facing liquidity crisis. The State-wise details of the number of such banks are given below:

S. No. Name of State No. of Banks

1. Andhra Pradesh 10

2. Goa 1

3. Gujarat 34

4. Karnataka 1

5. Madhya Pradesh 1

6. Maharashtra 7

(c) and (d) UCBs are inspected by RBI and State Cooperative Banks (SCBs) and District Central Cooperative Banks (DCCBs) are inspected by NABARD once in two years under provisions of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). RBI has taken stringent steps to strengthen the system of regulation and supervision of UCBs to safeguard the interests of depositors. These steps 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 investment of funds as deposit with other UCBs, etc. Similarly, NABARD has taken the following steps:

From the year 1996-97, CAMELS [capital, asset quality, management, earnings, liquidity, systems and control, and compliance] rating norms have been adopted for inspection of the banks for reflecting transparency.

From the year 1998-99, a system of off-site surveillance (OSS) has been introduced and cooperative banks are monitored and forewarned through the prescribed OSS returns.

A board of supervision has been set up in NABARD under the chairmanship of NABARD's Chairman to monitor the functioning of

the cooperative banks for effective follow-up. # Convenes conference of audit officers of the State Governments and Chief Inspecting Officers of SCBs periodically to strengthen internal inspection/audit in the bank.

(e) As announced in the Budget 2002-03, a token provision of Rs. 100 crore has been made for the year 2002-2003 towards rehabilitation assistance to cooperative credit sector. The modalities for the same are under finalisation.