

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1764
ANSWERED ON:01.08.2003
SUPERVISORY BODY FOR COOPERATIVE BANKS
AMAR ROY PRADHAN

Will the Minister of FINANCE be pleased to state:

(a) whether in spite of issuance of guidelines by Reserve Bank of India and National Bank for Agriculture and Rural Development the non-performing assets of State Cooperative Banks, District Central Cooperative Banks, State Cooperative Agriculture Rural Development Banks and Primary Cooperative Agriculture Rural Banks are increasing alarmingly;

(b) if so, the details thereof;

(c) whether the Government had set up a task force in April, 1999 under the Chairmanship of Deputy Governor, RBI to go into the details of such irregularities in cooperative banks and whether RBI has mooted a proposal in Monetary and Credit Policy 2001-02, for setting up a separate Supervisory Body for taking over the entire supervisory functions in relation to Urban Cooperative Banks;

(d) if so, whether the Government propose to set up such supervisory bodies and task force for every type of cooperative banks in the country; and

(e) if so, the details thereof and if not, the reasons therefor?

Answer

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

(a) and (b) As reported by National Bank for Agriculture and Rural Development (NABARD), the gross Non-Performing Assets as percentage of total loans outstanding of State Co-operative Banks (SCBs), District Central Co-operative Bank (DCCBs), State Co-operative Agriculture and Rural Development Banks (SCARDBs) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs), as at the end of 1999-2000, 2000-2001 and 2001-2002 is as follows:

Agency 1999-2000 2000-2001 2001-2002

SCBs	10.94	13.02	13.61
DCCBs	17.28	17.86	19.01
SCARDBs	18.80	20.40	18.50
PCARDBs	20.10	24.30	30.40

(c) to (e) Government had set up a task force in April, 1999 under the Chairmanship of Shri Jagdish Capoor, former Deputy Governor of RBI to study the working of the cooperative credit structure in the country and to suggest measures for strengthening the same. RBI had also mooted a proposal in the Monetary and Credit Policy for the year 2001-2002 for setting up a separate supervisory body for urban co-operative banks, which could take over the entire inspection/supervisory functions with regard to urban cooperative banks. A proposal for setting up an exclusive apex body for the supervision of UCBs, in view of the duality of control prevailing in the co-operative banking sector, was submitted by RBI to Government. The proposal was examined and it was found that without legislative changes in the State Co-operative Societies Acts, the apex body as suggested would suffer from similar legislative handicaps that RBI suffers today. State Governments have, therefore, been advised to modify the State co-operative Societies Act, in line with the Model Co-operative Act. Simultaneously, besides taking measures to revitalize the cooperative credit system, the efforts of the Union Government are also directed towards making necessary changes in Banking Regulation Act, 1949 to further expand the jurisdiction of RBI over Co-operative Banks.