

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3914
ANSWERED ON:22.08.2003
INSPECTION OF COOPERATIVE BANKS BY NABARD
HARIBHAI PARTHIBHAI CHAUDHARY

Will the Minister of FINANCE be pleased to state:

(a) whether National Bank for Agriculture and Rural Development has conducted statutory inspection of District Central Cooperative Banks and State Cooperative Banks under Section 35 of the RBI Act, 1934;

(b) if so, the details of the irregularities noticed by NABARD; and

(c) the action taken by the NABARD thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) & (b) : Yes, Sir, National Bank for Agriculture and Rural Development (NABARD) has conveyed that it had observed irregularities during 21XR-02, of which major ones are:

1. Poor recovery performance resulting in high overdues and non-performing assets;
2. Non-compliance with the various provisions of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), like Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) norms (Section 18 and 24), etc., as also with Section 11 A, i.e., maintaining real or exchangeable value of Paid-Up Share Capital and Reserves not less than Rs.1 lakh;
3. Non-compliance with income recognition and asset classification and provisioning norms prescribed by Reserve Bank of India (RBI);
4. Poor internal checks and controls, non-reconciliation of inter branch accounts and absence of periodic balancing of books of accounts, lack of professionalism in managing the affairs, non-adherence to the stipulated norms of RBI while trading in government securities, defaults to higher financing agencies, defective loan policy and procedures, defaults in maintenance of norms like minimum involvement, exposure norms, etc.

(c): Major irregularities were conveyed to the banks after inspection and then followed up through a clearly defined process of seeking a compliance report. In addition the inspecting officer holds a meeting with the Board of Directors/Chief Executive Officer of the bank to discuss the major findings and efforts needed on the part of the bank for their rectification. Further, the chief executive of the bank along with the Registrar of Cooperative Societies are invited for discussions on core issues of the inspection findings. The inspection report is also forwarded to the State Government for appropriate action, followed with a special note indicating the areas which require remedial action by the State Government. The on-site inspection is supplemented by off-site surveillance through prescribed returns on an annual /half yearly basis. NABARD also issues early warning signals to banks wherever required.