

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:6201  
ANSWERED ON:27.04.2001  
SURVIVAL OF COOPERATIVE BANKS  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether survival of about 150 cooperative banks are at stake due to troubled Madhavpura Mercantile Cooperative bank;
- (b) if so, the details thereof;
- (c) whether private sector banks are also investing funds in securities;
- (d) if so, the areas in which those banks are allowed to invest their funds;
- (e) whether cases have come to light where private sector banks have invested their funds in violation of the laid down norms; and
- (f) if so, the names of those banks and the action of Government have taken against those banks?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) and (b) Reserve Bank of India (RBI) has reported that a quick scrutiny of the Madhavpura Mercantile Co-operative Bank Ltd., (MMCB), Ahmedabad has revealed that as many as 164 cooperative banks have placed sizeable deposits with the said bank. The impact of the crisis on these banks will have to be assessed on the basis of their financial position as on 31 March, 2001 as also by taking into account any revival plan, which may be received from the Administrator of MMCB.

(c) and (d) As reported by RBI commercial banks including private sector banks have been allowed to invest their funds in shares/debentures, public sector undertaking bonds and units of Mutual Funds including Unit Trust of India, subject to the condition that overall exposure to sensitive sectors, private sector banks' exposure to capital market by way of investment in shares/debentures/units of Mutual Funds through primary or secondary markets does not exceed 5% of their total outstanding domestic credit as on March 31 of the previous year.

(e) and (f) RBI has reported that as per data collected from all commercial banks as on 31st January, 2001, two private sector banks viz. Karnataka Bank Ltd. and Development Credit Bank Ltd. have violated the above 5% ceiling. The investments of these two banks aggregated 5.8% and 8.29% respectively. RBI had taken up the matter with these two banks and the Karnataka Bank Ltd. has since rectified the excess and brought down the outstanding investment to 5%, as on 31 March, 2001. It has been advised to adhere to the 5% norm in future. Development Credit Bank has explained that the excess investment was wrongly reported to RBI on account of inclusion of certain investments in UTI's MIP Scheme which were strictly not covered under bank's exposure to Capital Market.