

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2046
ANSWERED ON:03.08.2001
WEAK BANKS
RENU KUMARI SINGH

Will the Minister of FINANCE be pleased to state:

- (a) whether one more schedule cooperative bank named Visnagar Nagarik Sahakari Bank Limited has been declared/classified as a `weak` bank by the RBI recently;
- (b) if so, the reasons for classifying the bank as a `weak` bank giving the reasons for erosion of net owned fund of the bank by 85.8 per cent;
- (c) the other scheduled banks that have been declared as `weak` banks by the RBI; and
- (d) the measures taken/proposed to be taken to tighten control over the functioning of the banks by the RBI?

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 the Visnagar Nagrik Sahakar Bank Ltd., Visnagar (Gujarat) has been classified as `weak` on 7 May, 2001 as per its extant norms for classification of urban cooperative banks as `weak`. The statutory inspection of the bank carried out with reference to its financial position as on 31 March 2000 has revealed erosion in the realizable value of the bank's assets, high level of Non-Performing Assets (NPAs), insufficient provisioning towards NRAs, frauds, etc., low profitability on account of reliance on high cost deposits and low yield on assets rendering the bank `weak` as per extant norms.
- (c) As on date, apart from the Visnagar Nagrik Sahakari Bank Ltd., seven other urban co-operative banks have been classified as `weak` as per the extant norms. These are: Bombay Mercantile Co-operative Bank Ltd., Mumbai; Janata Sahakari Bank Ltd., Pune; Sangli Urban Co-operative Bank Ltd., Sangli; The Mapusa Urban Co-operative Bank of Goa Ltd., Mapusa; The Madhavpura Mercantile Co-operative Bank Ltd., Ahmedabad; Vasavi Co-operative Bank Ltd., Hyderabad; and Charotar Nagrik Sahakari Bank Ltd., Anand.
- (d) With a view to strengthen and streamline the operations/functioning of urban co-operative banks, RBI has announced certain measures which include, inter-alia, prohibition of keeping deposits with other urban co-operative banks; restricting borrowings from call money market to 2% of its deposits at the end of the previous financial year; increasing the component of investment in Government securities for SLR purposes; prohibition for lending directly or indirectly against security of shares either to individuals or any other entity; introduction of off-site surveillance system for scheduled urban co-operative banks, etc.