

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:993  
ANSWERED ON:23.11.2001  
URBAN COOPERATIVE BANKS  
Y.G. MAHAJAN

**Will the Minister of FINANCE be pleased to state:**

to Unstarred Question No. 4059 dated 23 March,2001 and state:

(a) whether the Reserve Bank of India has issued circular No. UBD/Plan-1/U.B.-6/92-96 on 3.8.1992 and circular no U.B.D./Pian/R.C.S./13.09.72.00/95-96 on 19.01.1996 regarding distribution of charitable funds;

(b) if so, the reasons therefor;

(c) whether prior to the issuance of both the circulars Urban Co-operative Bank could donate 20 percent of their declare profit last year to any charitable funds/any other funds;

(d) if so, whether the Government have received any representation in regard to withdrawal of both the circulars by RBI; and

(e) if so. the details of the action being taken by the Government in this regard?

**Answer**

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

(a) and

(b) Yes, Sir. To ensure that the financial resources are not frittered away by the boards of the urban co-operative banks, Reserve Bank of India (RBI), as a prudent measure, prescribed a ceiling of 1% of the published profit of the previous year on donations to be made by urban co-operative banks vide its first circular dated August 3, 1992. These banks were also allowed to donate to National Funds and other funds reorganized/sponsored by the State/Central Government provided that, during a year, total donations did not exceed 2% of the published profits of the previous year. The policy was reviewed in 1996 following various representations from these banks and their federations. Following the same, a second circular was issued on January 19, 1996 indicating various relaxations like making adequate provisions for non-performing assets and for depreciation on investment, transferring atleast one fourth of the net profit to the reserve fund and make other reserves and provisions as required by the respective Co-operative Societies Act/its by laws, etc. The objective behind the issue of this circular was to allow well run urban co-operative banks to donate for charitable purposes, without causing a strain on their profitability.

(c) RBI has reported that before the issuance of these circulars, urban co-operative banks were, in this regard, governed only by the guidelines contained in their respective State Co-operative Societies Acts and the amount of donations were to be restricted as per the Provisions in the respective aforesaid Acts.

(d) No, Sir.

(e) Does not arise.