

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3068
ANSWERED ON:07.12.2001
COOPERATIVE BANKS
AMBATI BRAHMANAIAH

Will the Minister of FINANCE be pleased to state:

- (a) whether a number of co-operative sector banks are on the verge of closure or have been closed down in the country after the share market scam;
- (b) if so, the details of such co-operative banks, State-wise;
- (c) whether the Reserve Bank of India has audited the accounts of all co-operative banks in the country;
- (d) if so, the co-operative banks whose accounts were found incomplete or who had sanctioned loans/advances without adhering to the norms/guidelines, State-wise;
- (e) the action taken against such banks; and
- (f) the steps taken to revive the co-operative sector banks which are facing closure?

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 it is not correct to say that a number of urban co-operative banks in the country are on the verge of closure or have been closed down after the share scam. However, in all, licences of 8 urban cooperative banks were cancelled/ rejected after the share scam. The details of these banks are given below:

- | No. | Name of the Bank |
|-----|---|
| 1. | The Friends` Co-op. Bank Ltd., Mumbai (Maharashtra) |
| 2. | Western Co-op. Bank Ltd., Mumbai (Maharashtra) |
| 3. | The Bellary Urban Co-op. Bank Ltd., Bellary (Karnataka) |
| 4. | The Sitara Co-op. Bank Ltd., Hyderabad (Andhra Pradesh) |
| 5. | Krushi Co-op. Bank Ltd., Hyderabad (Andhra Pradesh) |
| 6. | Classic Co-op. Bank Ltd., Ahmedabad (Gujarat) |
| 7. | Vikas Co-op. Bank Ltd., Ahmedabad (Gujarat) |
| 8. | City Co-op. Bank Ltd., Lucknow (Uttar Pradesh) |

(c) and (d) RBI has reported that the audit of cooperative banks is earned by the statutory auditors appointed by the Registrar of Cooperative Societies, as per the provisions of the Cooperative Societies Act of each State. However, RBI conducts inspection of urban Cooperative Banks under Section 35 of the Banking Regulation Act 1949 (As Applicable to Cooperative Societies) as per the prescribed periodicity. There have been common violations of RBI norms/guidelines noticed during the course of inspections. These include default in the maintenance of CRR and SLR, non-adherence to prudential norms regarding income recognition, assets classification and provisioning, sanctioning of unsecured advances to banks directors, non-achievement of targets for advances fixed for priority sectors/weaker sections, keeping deposits with other co-operative banks without Registrar's permission, opening of branches/extension counters without RBI's permission, etc.

(e) Whenever any deficiencies/irregularities are noticed during the course of inspection by RBI, the same are brought to the notice of the banks concerned for rectification and compliance report is obtained from them. Penal action is taken for non-compliance with statutory requirements such as maintenance of CRR/SLR. submission of statutory returns etc. Further, shortcomings noticed in the managerial functions of these banks are simultaneously brought to the notice of the Registrar of Cooperative Societies of the State concerned for remedial action. In extreme cases, the Registrar is requisitioned to supersede the Board of Directors and appoint an administrator to secure proper management as per the provisions of Cooperative Societies Act. He is also advised to conduct enquiry and take appropriate action.

(f) Banks classified as 'weak' are advised to chalk out an action plan for successful turnaround in a time bound manner. The plan covers mobilization of resources, deployment of funds, effective recovery and economy in expenditure. RBI monitors the progress achieved in the revival of these banks.