

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2390
ANSWERED ON:23.07.2004
CREDIT POLICY OF COOPERATIVE BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government of Maharashtra has requested the Reserve Bank of India for a fresh look at the new monetary and credit policy in so far as it affects the cooperative banking sector in the context of cash crunch faced by the cooperative banks, arising from the requirement of investing a large portion of SLR funds in Government's securities;
- (b) if so, the details thereof;
- (c) whether requests have also been received from Cooperative Banking Sectors of other States;
- (d) if so, the details thereof; and
- (e) the response of RBI thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIS, S. PALANIMANICKAM)

(a), (b), (c), (d) & (e): Reserve Bank of India (RBI) has reported that it has not recently received any request from the Government of Maharashtra. However, representations from several Banking Federations and others have been received seeking fresh look at the monetary and credit policy. And the existing RBI guidelines 19.4.2001 to Urban Cooperative Banks (UCBs) to achieve higher percentage of their Net Demand and Time Liabilities (NDTL) in Government and other approved securities in a specified time frame given as under:

Category of UCBs Investments in Govt. and other approved securities as a percentage of
Net Demand and Time Liabilities (NDTL)

Prior to To achieve on To achieve by After April 1, 2003
March 31, 2002 or before March September 30
31, 2002 , 2002

| | | | | |
|---|-----|-------|-----|-----|
| Scheduled UCBs | 15% | 17.5% | 20% | 25% |
| Non-scheduled UCBs | | | | |
| i) With NDTL of Rs.25 crores & above | 10% | 12.5% | 15% | 15% |
| ii) with NDTL of less than Rs.25 crore | Nil | 7.5% | 10% | 10% |

As indicated above, the UCBs were given adequate time to switch over from the deposits with DCCBs/SCBs to Government securities. As on December 26, 2003, 1139 banks have complied with RBI's instructions relating to investment in Government Securities. In view of the systemic risk involved, a modification on the above guidelines has not been found feasible at this stage.