

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1692
ANSWERED ON:10.12.2004
CANCELLATION OF LICENCE OF CO-OPERATIVE BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has cancelled the licence of several Co-operative Banks during the last three years; and
(b) if so, the details thereof alongwith the reasons therefore ?

Answer

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

(a): The Reserve Bank of India has cancelled the licenses of 85 Urban Cooperative Banks and rejected the license application of 16 Urban Cooperative Banks since 1st January, 2002. RBI has also rejected the applications for license of 6 District Central Cooperative Banks(DCCBs) from the year 2002.

(b): Details of the Urban Cooperative-Banks whose licenses have been cancelled and licenses applications rejected since the year 2002 are at Annexure-I. The reasons for cancellation of the licenses issued to Urban Cooperative Banks include, inter-alia, the bank's precarious financial position, high level of NPAs, erosion of net worth affecting deposits etc. The cancellation of the license is effected after giving due opportunity to the bank and satisfying that the chances for its revival in the future are bleak.

Details of the 6 DCCBs whose license applications have been rejected since the year 2002 are at Annexure-II. The reasons for rejection of license applications of DCCB's include, inter-alia, the real or exchangeable value of paid up capital and reserves of the banks being negative, inability of the banks to pay their depositor's as and when their claims accrue, high NPAs levels, high accumulated losses, financial positions of the banks being extremely unsatisfactory etc.