

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:602
ANSWERED ON:25.11.2005
WEAK COOPERATIVE BANKS
Oram Shri Jual

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has identified the weak cooperative banks in the country ;
- (b) if so, the details thereof, State-wise ;
- (c) the reasons for their poor performance; and
- (d) the steps taken by the Government in this regard ?

Answer

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

(a)&(b): State-wise data with regard to State Cooperative Banks and District Central Cooperative Banks not complying with the provisions of Section 11(1) of the Banking Regulation Act, 1949(AACS), as on June 30, 2005 is furnished at Annex-I. State-wise details of weak/sick urban co-operative banks (UCBs) decided on the basis of the statutory inspections carried out by the Reserve Bank of India are at Annex-II.

(c): The main reasons for the poor performance of the Cooperative Banks are low volume of business, low resource base, low borrowing membership, lack of democratization and professionalisation of management, poor quality of loans and advances, high NPAs, lack of skilled manpower, high cost of funds, low yield on assets, high transaction costs and inadequate margins.

(d): In order to revitalize the short-term rural co-operative credit structure, the report of the Task Force under Prof A.Vaidyanathan has been accepted in-principle for implementation in consultation with State Governments. Besides, RBI has come out with a draft `Vision Document for UCBs and is in the process of evolving a `Medium Term Framework (MTF)` for UCBs. It envisages a time bound action plan for revival of weak banks and non-disruptive exit of unviable banks through State Level Task Force for UCBs (TAFUCB) and up-gradation of skill and IT in the UCBs. Further, a two tier regulatory regime for asset classification and income recognition norms have been put in place to give the smaller banks longer time to meet the prescribed financial parameters.