

**Discrimination between Cooperative and Commercial Banks Regarding Credit Authorisation Scheme**

3828. SHRI SUBHASH YADAV : Will the MINISTER OF FINANCE be pleased to state :

(a) whether there is any discrimination between the Cooperative and Commercial Banks in regard to Credit Authorisation Scheme ;

(b) if so, the nature of discrimination, when and where this discrimination started ;

(c) the reasons for discrimination ;

(d) whether due to this discrimination, cooperative banks have been experiencing great difficulties ;

(e) whether any representation has been made by the Cooperative Banks to NABARD to remove this discrimination ; and

(f) if so, the time by which this discrimination in regard to Credit Authorisation Scheme will be removed between cooperative and commercial banks in India ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) :

(a) Credit Authorisation Scheme envisages obtention of permission from RBI in case of commercial banks and from National Bank for Agriculture and Rural Development in case of Co-operative Banks for sanction of working capital or block capital finance above certain prescribed limits. These limits are referred to as 'cut-off-points.' At present the 'cut-off-points' prescribed for cooperative and commercial banks are different. The existence of such a difference does not amount to discrimination in view of basic difference in operational and functional requirements of the two structures.

(b) In October, 1983, RBI increased the 'cut-off-point' for sanction of working capital limits from Rs. 300 lakhs to Rs. 400 lakhs to commercial banks. This relaxation was, however, not extended to the Cooperative Banks, whose cut off point continued at Rs. 300 lakhs. In April, 1984 RBI increased the cut off point for sanction of term loans (block capital) by

commercial banks from Rs. 50 lakhs to Rs. 100 lakhs. This relaxation too was not extended to the cooperative banks which continued at Rs. 50 lakhs.

(c) The reasons for not revising the cut off points for cooperative banks are as follows :-

1. The size of internal loanable resources of cooperative banks are much small than that of commercial banks.
2. The rationale of the CAS, as applicable to the cooperative banks, is to ensure proper and judicious management of their limited resources and is distinct from the scheme as applicable to the commercial banks.
3. The recent upward revisions in the cut off points by the RBI for commercial banks was done after an independent and in-depth review of the working of the scheme for these banks from the points of operational aspects.
4. The 'information system' prescribed by the Tandon Committee on inventory control and refined by Chore Committee as well as the Bucher Committee recommendation regarding grant of participation in term loans, which is the present kingpin of the discipline under the CAS for commercial banks, has not been introduced for the cooperative banks so far.

(d) The Cooperative Banking Sector does not appear to be experiencing difficulties on account of different cut off points. Authorisations are granted to them in as short a time as possible. Delays if any in granting authorisation is mainly due to inadequate/incomplete data furnished by the banks in the proposals.

(e) Except two State Cooperative Banks, which had made representations for relaxation on the lines allowed by the RBI to commercial banks, no other State Cooperative Bank has made any reference to NABARD in this regard. Recently the National Federation for State Cooperative Banks has requested for upward revision of cut off points.

(f) The representation from the Federation of the State Co-operative Banks is being examined.

**Delay in Grant of Approval by NABARD under Credit Authorisation Scheme**

3829. SHRI SUBHASH YADAV : Will the Minister of FINANCE be pleased to state :

(a) whether it has come to the notice of Government that National Bank for Agriculture and Rural Development takes more than three months in granting the approval under Credit Authorisation Scheme for block capital loans required by terms lending institutions thereby resulting in escalation of the block capital expenditure of different projects in the cooperative sector ;

(b) if so, the number of applications in the 1983-84 which took more than three months for granting approval by NABARD and the number of applications which are pending for more than three months at present ; and

(c) the steps Government have taken or propose to take to compensate the loss due to cost-escalation and for the approval of pending applications ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) :

(a) National Bank for Agriculture and Rural Development has to ensure the eligibility of the proposal on the basis of the prescribed formula and has also to ascertain whether the term lending institutions have appraised the project and sanctioned their share of the term loan. The concerned cooperative banks are granted authorisation to sanction term loans for block capital purposes only when the proposal conforms to RBI guidelines.

(b) and (c) During 1983-84, 31 block capital proposals were received by the National Bank for authorisation under Credit Authorisation Scheme. Out of these, 18 were sanctioned, 10 were rejected due to non-fulfilment of the prescribed criteria and two were voluntarily withdrawn by the banks. Of the eleven proposals authorised after 3 months, seven related to grant of authorisation due to temporary ineligibility. There is only one proposal relating to

1983-84 and two proposals received in 1984-85 which are pending for over 3 months in respect of which details are awaited from Banks. Pegging the capital outlay requirements at normative cost is mainly responsible for gap in the financial tie-up arrangements which delays the completion of the projects and results in cost over-runs.

**Block Capital to Cooperative Agro-Based Industries**

3830. SHRI SUBHASH YADAV : Will the Minister of FINANCE be pleased to state :

(a) whether National Bank for Agriculture and Rural Development has since received a proposal for providing block capital to cooperative agro-based industries;

(b) if so, when;

(c) whether it is also a fact that the proposal has neither been placed before the Board of Directors of NABARD even though a number of board meetings have been held after the receipt of the proposal nor the board have been apprised of the proposal;

(d) if so, the reasons thereof; and

(e) the time by which the proposal is likely to be brought up before the Board of NABARD and finalised ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) :

(a) National Bank for Agriculture and Rural Development have not so far received any proposal for providing block capital to cooperative agro-based industries.

(b) to (e) In view of (a) above the question does not arise.

**Functioning of Nationalised and Foreign Banks in the Country**

3831. SHRI E. S. M. PAKEER MOHAMMED : Will the Minister of FINANCE be pleased state :

(a) the total number of nationalised banks in the country and the number of banks thereof in Tamil Nadu;

(b) the number of licenced foreign banks functioning in the country;