

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:793
ANSWERED ON:25.07.2003
COOPERATIVE BANKS FUNCTIONING WITHOUT LICENCES
KINJARAPU YERRANNAIDU

Will the Minister of FINANCE be pleased to state:

- (a) whether most of the cooperative banks that have failed in the recent past were working without licences;
- (b) if so, the action the Government have taken or propose to take to check the growth of cooperative banks running without valid licences in different States of the country; and
- (c) the steps taken by the Reserve Bank of India to ensure that banks with proper licences of banks are allowed to do banking business?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) (b) & (c) Reserve Bank of India (RBI) has reported that presently 181 unlicensed urban cooperative banks (UCBs), 17 State Co-operative Banks (SCBs) and 297 District Central Co-operative Banks (DCCBs) are functioning in the country. Since the Cooperative Banks were brought under the ambit of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies), from 1st March, 1966, these banks are permitted to carry on banking business till a decision is taken on their licence applications by RBI.

Further, RBI is reviewing the position of such banks from time to time and has written to the State Registrars of Co-operative Societies (RCS) not to register societies having enabling provision in their bye-laws to transact banking business, without the prior approval of RBI. The present situation in cooperative banking sector is not conducive for large scale rejection of licence applications. Therefore, the banks which are likely to comply with the licensing norms in the near future are given time to improve their financial position. RBI is also advising RCS liquidation of such cooperative banks which are continuously failing to show any improvement in their financial position or deteriorating.