

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1988  
ANSWERED ON:09.03.2001  
URBAN COOPERATIVE BANKS  
Y.S. VIVEKANANDA REDDY

**Will the Minister of FINANCE be pleased to state:**

- (a) whether it is a fact that urban cooperative banks are hotbeds of irregularities in the State of Andhra Pradesh; and
- (b) if so, the action taken against these cooperative banks where number of scams have been unearthed?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): It is not correct to state that urban cooperative banks are hotbeds in irregularities in the State of Andhra Pradesh. Reserve Bank of India (RBI) has reported at present there are 170 urban cooperative banks in the State of which 90 have been licensed during the last few years, consequent upon liberalization in policy in respect of setting up of new banks. Serious irregularities were observed in the functioning of some of these licenced banks. About 39 banks have been identified as weak and brought under rehabilitation due to lack of prudent credit policy and proper follow-up of recovery, indiscriminate lending by the banks, management by the Boards of Management, absence of proper internal control system, incurring high preliminary and pre-operative expenses by the newly licensed banks resulting in losses, etc.

(b) RBI monitors the performance of banks through on-site periodical inspection and data collected from statutory returns. Irregularities observed in the inspection reports are pointed out to the banks for rectification and compliance within 6 weeks and thereafter continuously pursued till they are rectified. With a view to protecting the interest of depositors RBI takes action like cancellation of licence, superseding the Board of Directors, issue of show-cause notice for cancellation of licences/rejecting of licence applications due to the heavy erosion in the value of their assets, etc.