

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:7772

ANSWERED ON:17.05.2002

URBAN COOPERATIVE BANKS

CHANDRESH PATEL KORDIA;GORDHANBHAI JAVIA;KAILASHO DEVI

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

- (a) whether the Union Government are aware of the panic-stricken situation caused by reported closure of Urban Cooperative Banks in Anand, Nadiad, Gujarat and other parts of the country;
- (b) if so, the details thereof;
- (c) whether during the last fortnight more than 60.00 crores have been withdrawn from these banks by the depositors;
- (d) whether the Reserve Bank of India is keeping a vigil over the functioning of Urban Cooperative and private banks, after the Madhavpura bank collapse;
- (e) if so, the details thereof; and
- (f) the action taken by the Government against the persons found responsible for such situation?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN )

(a) & (b): Yes, Sir. Some of the Urban Co-operative Banks in Anand/ Nadiad, Gujarat and other parts of the country had faced temporary liquidity problems in meeting the demands of the depositors. Due to liquidity crunch faced by Charotar Nagarik Sahakari Bank Ltd., Anand (Gujarat), there was rush for withdrawal by its depositors. Apprehending a serious situation and to avoid damages, the management of the bank decided to close its operations at all its branches temporarily. Consequently the bank's branches were closed during the period 2nd January to 6th January, 2002. However, it did not have contagious effect on other urban banks.

(c): The total amount withdrawn during the fortnight ended 10th May, 2002 from Anand and Nadiad in Gujarat, as reported by RBI, was ₹ 16.48 crore which is not considered as abnormal.

(d) & (e): RBI has taken various regulatory/supervisory measures to avoid such failure in future. These include restricting the operations of co-operative banks in call money market, revisiting the norms of investment in Government and other approved securities, restricting the investment of funds as deposit with other cooperative banks, restricting the issue of bankers' cheques by urban co-operative banks, introduction of a system of Off-site surveillance on scheduled urban banks, etc. Similarly, the capital market exposure of the individual old/new private sector banks are being monitored through periodical returns received from the banks as well as during annual financial inspections. A letter of displeasure has also been issued by RBI to these private sector banks for their large exposure to the capital market.

(f): On the basis of the findings of inspection of Urban Co-operative Banks, RBI has initiated several steps like issuing of requisition of supersession of the Board of 13 banks during the last three years, filing of criminal complaints, requesting the RCS, Maharashtra to institute an enquiry against the Board of Directors of Rupee Co-operative Bank for mismanagement of affairs, filing of criminal case in High Court of Gujarat against the Chairman and Directors of the Board of Shree Laxmi Co-operative Bank, Ahmedabad and initiating action against the Chairman of General Cooperative Bank Ltd., Ahmedabad, etc.