

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1992
ANSWERED ON:26.07.2002
URBAN COOPERATIVE BANKS IN TAMIL NADU
IQBAL AHMED SARADGI

Will the Minister of FINANCE be pleased to state:

- (a) whether the RBI has cracked down two urban co-operative banks in Tamil Nadu for the first time;
- (b) whether in order to bring them under Banking Regulations Act, these banks have been asked to register with RBI;
- (c) if so, whether the action of the RBI follows the implementation of the recommendations by the High Power Committee set up under the Chairmanship of Mr. K Madhava Rao in 1999; and
- (d) if so, to what extent the recommendations of the High Power Committee has, been fully implemented?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a): Reserve Bank of India (RBI) has reported that the licence application of two urban co-operative banks in Tamil Nadu were rejected in May, 2002 and the Registrar of Cooperative Societies (RCS), Tamil Nadu was requisitioned to make an order for winding up these banks and appoint a liquidator. However, on the request of the RCS, the orders rejecting the licence applications have since been kept in abeyance for six months.

(b): All urban co-operative banks have to obtain licence from the RBI under provisions of Banking Regulation Act for carrying on banking business in India.

(c) & (d): RBI has reported that the action against these two banks were taken in the usual course as they were not complying with the provisions of B.R. Act. The action was also in conformity with the recommendations of the High Power Committee set up under the Chairmanship of Mr. K Madhava Rao. As the existing unlicensed urban cooperative banks had applied for issue of licence several years ago when the entry point norms were not so high, the High Power committee has in its report dealt with the problem of licensing of these banks and observed that the norms for licensing should be based on

- (i) minimum regulatory level of Capital to Risk Asset Ratio (CRAR);
- (ii) net Non-Performing Assets less than 10%; (iii) profitability during each of the last three years; and
- (iv) compliance with statutory framework of B.R. Act/Directions issued by the RBI from time to time. The licence applications of all unlicensed urban cooperative banks were examined in March 2002 in the light of the above norms vis-a-vis their financial position and action like issue/rejection of licence was taken.