

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:472
ANSWERED ON:26.04.2002
CREDIT POLICY OF RBI
NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

- (a) whether the credit policy for cooperative banks is decided by the Reserve Bank of India ;
- (b) if so, the details thereof ;
- (c) whether the State Government of Maharashtra has written to his Ministry and the Reserve bank of India to make suitable amendments in the credit policy for cooperative banks in the State of Maharashtra ;
- (d) if so, the details thereof; and
- (e) the reaction of the Government and the Reserve Bank of India thereto ?

Answer

THE MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI YASHWANT SINHA)

(a) and (b) Reserve Bank of India (RBI) lays down macro-level credit policy measures in its annual monetary and credit policy statement, which is announced in April every year. This policy is applicable to entire banking sector including Cooperative Banks. It covers areas such as maintenance of Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), prudential norms, etc. All banks are expected to follow the guidelines laid down by RBI.

(c) to (e) The recent crisis in the Urban Cooperative Banking Sector necessitated certain tightening of norms in areas relating to SLR investment pattern for Urban Cooperative Banks (UCBs), operations in call money market, investment of funds by urban cooperative banks as deposits with other co-operative banks and bank finance against shares and debentures which were announced in the annual monetary and credit policy statement in April 2001. The State Government of Maharashtra requested Government of India and RBI for giving more time to UCBs to withdraw their SLR holdings from District Central Cooperative Banks (DCCBs)/State Cooperative Bank (SCB) for investing in Government and other approved securities, as this would adversely affect resource position of SCB/DCCBs in Maharashtra. On review of monetary policy measures and pace of progress in implementing them in October 2001, RBI extended the time frame for achieving the prescribed levels of SLR holding in the form of Government and other approved securities.