

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:814

ANSWERED ON:22.11.2002

URBAN COOPERATIVE BANKS

AMBATI BRAHMANAIAH;SURESH RAMRAO JADHAV (PATIL);YEMPARALA VENKATESWARA RAO

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the Government propose to set up a new supervisory board for urban cooperative bodies;
- (b) if so, the details thereof;
- (c) when a final decision will be taken in this regard; and
- (d) the other steps taken/proposed to be taken to revamp the Urban cooperative Banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) to (c) Reserve Bank of India (RBI) had submitted a proposal to Central Government for setting up an exclusive apex body for the supervision of urban cooperative banks in view of duality of control prevailing in cooperative banking sector. The proposal was examined and it was found that without legislative changes in the State cooperative Societies acts of various states to bring it in tune with the Model Cooperative Societies act recommended by Ch. Brahm Parkash Committee, apex supervisory body as suggested would suffer from similar legislative handicap that RBI suffers today.

The efforts of the Central Government are directed towards convincing State Government to amend their State Cooperative Societies Act. With this background, Central Government has announced in the Urban Budget to usher reform in cooperative banking sector and has made a provision of Rs. 100 crore to start with to incentive these reforms and revitalize the cooperative banking sector.

(d) RBI reviews the system of regulation and supervision of urban cooperative banks (UCBs) and has taken a series of measures to correct the systemic deficiencies and to strengthen the system of regulation and supervision of urban cooperative banks. These measures inter-alia include putting ceiling on operations in call money market and bank finance against shares and debentures, increase in percentage of SLR investments in Government Securities, restrictions on interest rates on deposits offered by UCBs and investment of funds as deposits with other UCBs, etc.