

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

UNSTARRED QUESTION NO:5041  
ANSWERED ON:20.12.2002  
SICK URBAN COOPERATIVE BANKS  
PRAKASH V. PATIL;PUTTASWAMY GOWDA

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

- (a) the total number of urban co-operative banks in the country, State-wise;
- (b) the details of Urban Cooperative Banks (UCBs) which have become sick during the last three years;
- (c) whether more UCBs are likely to become sick by the end of the current financial year;
- (d) if so, whether the Government have made efforts to identify the causes for dismal performance of UCBs all over the country;
- (e) if so, the details thereof; and
- (f) the remedial action taken by the Government to improve the financial health of UCBs?

**Answer**

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

- (a) Reserve Bank of India (RBI) has reported that there are 2,090 urban co-operative banks (UCBs) in the country as on March 31, 2002. The State-wise details are given in the Statement.
- (b) and (c) RBI has reported that the system of classification of UCBs 'sick' was introduced from 31st March, 2002. Based on the financial position of UCBs, 26 banks have so far been classified as 'sick'. The position in regard to more number of UCBs getting classified as sick would be known only after the annual review or statutory inspection of the banks is conducted.
- (d) and (e) RBI has identified various factors leading to sickness in UCBs in the country. These include low entry level capital, deficiencies in management, competition, limited sources for raising funds, low resistance in financial crisis and systemic reaction.
- (f) RBI has taken a series of measures to correct the systemic deficiencies and to strengthen the system of supervision on UCBs. 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 depositors offered by UCBs and investment of funds as deposit with other UCBs, etc.