

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

UNSTARRED QUESTION NO:5079
ANSWERED ON:20.12.2002
INSPECTION OF COOPERATIVE BANKS AND NABARD
NARESH KUMAR PUGLIA;SHYAMA SINGH

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

- (a) whether the NABARD have conducted statutory inspection under Section 35 of the RBI Act, in regard to Central and State Cooperative Banks;
- (b) if so, the details of the inspection reports conducted by NABARD
- (c) whether the NABARD have taken any further action or propose to take any action in this regard; and
- (d) if so, the details in this regard?

Answer

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

(a) and (b) Yes, Sir. National Bank for Agriculture and Rural Development (NABARD) has reported that it had observed irregularities during 2001-02, of which the major ones related to poor recovery performance resulting in high overdues and non-performing assets, non-compliance with the various provisions of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), like Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) norms (Sections 18 and 24), etc. as also with Section 11 (1), i.e., maintaining real or exchangeable value of Paid-up Share Capital and reserves not less than Rs. 1 lakh non-compliance with 'income recognition and asset classification and provisioning norms' prescribed with Reserve Bank of India (RBI), poor internal checks and controls, non-reconciliation of inter-branch accounts and absence of periodic balance of books of accounts, lack of professionalism in managing the affairs, non-adherence to the stipulated norms of RBI while trading in government securities, defaults to higher financing agencies, defective loan policy and procedures, defaults in maintenance of norms like minimum involvement, exposure norms, etc.

(c) and (d) NABARD has conveyed the major irregularities to the banks after inspection, and then followed up through a clearly defined process of seeking a compliance report. In addition the inspecting officer holds a meeting with the Board of Directors/Chief Executive Officer of the bank to discuss the major findings and efforts needed on the part of the bank for their rectification. Further, the chief executive of the bank along with the Registrar of Cooperative Societies are invited for discussions on core issues on the inspection findings. The inspection report is also forwarded to the State Government for appropriate action, followed with a special note indicating the areas which require remedial action by the State Government. The on-site inspection is supplemented by off-site surveillance through prescribed returns on an annual/half-yearly basis. NABARD also issues early warning signals to banks wherever required.