

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2650
ANSWERED ON:08.08.2003
RESTRICTION ON COOPERATIVE BANKS
CHANDRAKANT BHAURAO KHAIRE;PRAKASH V. PATIL

Will the Minister of FINANCE be pleased to state:

- (a) whether the credit policy announced in 2001 imposes some restrictions on the cooperative banks;
- (b) if so, the details thereof;
- (c) whether it is a fact that some State Governments including Maharashtra have resorted the Union Government to remove these restrictions to facilitate proper functioning of the cooperative banks; and
- (d) if so, the action taken by the Government 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. As per the credit and monetary policy announced by the Reserve Bank of India (RBI) for the year 2001-02, certain restrictions were imposed on the Urban Cooperative Banks (UCBs). Accordingly, with effect from October, 2002, the scheduled UCBs were required to maintain the prescribed level of 25% Statutory Liquidity Ratio (SLR) holdings in Government approved securities only. Further, UCBs were also permitted to grant loans to individuals against security of shares subject to certain parameters. In addition, UCBs were advised not to allow fresh proposals for lending directly or indirectly against security of shares either to individuals or any other entity. Borrowings by UCBs in the Call/notice money market on a daily basis should also not exceed 2 per cent of their aggregate deposits as at the end of March of the previous financial year.

(c) and (d) Representations were received from Maharashtra State Co-operative Bank and National Federation of Urban Co-operative Banks against these restrictions. In the light of these representations, RBI had allowed relaxations in grant of loans and advances to individuals to the extent of Rs 5 lakhs per borrower against securities held in physical form and Rs. 10 lakh against securities held in demat form, extension of time for investment in Govt. and other approved securities and liquidation of the bank's deposits with other urban cooperative banks on a case to case basis.