

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1647
ANSWERED ON:12.12.2003
FINANCIAL SUPPORT TO COOPERATIVE BANKS
ALE NARENDRA;SAVSHIBHAI MAKWANA

Will the Minister of FINANCE be pleased to state:

- (a) whether most of the cooperative banks are either closed down or are on the verge of closure in the country particularly in Gujarat;
- (b) if so, whether the Reserve Bank of India has conducted an investigation in the matter: and
- (c) if so, the outcome thereof and the action taken by the Government to provide capital support to such cooperative banks which are facing resource crunch?

Answer

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

(a) It is not correct to state that Co-operative banks in the country, especially in Gujarat, are facing closure. However, Reserve Bank of India (RBI) has cancelled/rejected the licence applications of 21 urban cooperative banks including 7 banks in Gujarat and 4 District Central Co-operative Banks during 2003. In addition, Panchmahals District Central Co-operative Bank (DCCB) Ltd., Gujarat was facing a liquidity crisis and had decided to voluntarily withdraw from the clearing house operations. On RBI's requisition, the Registrar of Co-operative Societies, Gujarat had superseded the Board of Directors of the bank.

(b) and (c) RBI conducts periodic inspection/scrutiny of the books of accounts of urban co-operative banks under provisions of Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). Cancellation of licence of a bank is resorted to only after exploring all other possible avenues like merger, amalgamation, etc. In so far as rural co-operative banks, NABARD conducts scrutiny of their books and quick studies and recommends to RBI for issue of licence/ rejection of applications of banks based on the inspection findings. There is no provision in the statute to provide any capital support to any co-operative bank which is facing resources crunch.