

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6128
ANSWERED ON:05.05.2000
DISTRICT COOPERATIVE BANKS
P. RAJENDRAN

Will the Minister of FINANCE be pleased to state:

- (a) whether RBI has directed the District Cooperative Banks not to deposit their surplus funds with District Treasuries; and
- (b) if so, the details thereof and the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) and (b) Yes, Sir. Reserve Bank of India (RBI) vide its circular letter dated February 28, 2000 has advised all the District Central Co-operative Banks (DCCBs) in the country not to deploy their funds in deposits with or loans to the State Governments, as doing so would tantamount to indirect loaning to the State Governments, which is not the function of cooperative banks. The banks have also been advised to withdraw such funds, if any, placed as deposits in the treasury savings account, etc. within 90 days of the issue of the letter. Further, the banks have been advised to note that no concessional refinance from the National Bank for Agriculture and Rural Development (NABARD) can be provided to banks which place deposits with or make loans to State Governments. In terms of RBI instructions contained in its circular letter dated October 16, 1992 the cooperative banks were not permitted to lend to the State Governments either directly or indirectly since the resources of the cooperative banks comprise, inter alia, deposits mobilized from general public, deposits from cooperative institutions and borrowings at concessional rates from NABARD.