

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:960

ANSWERED ON:27.07.2001

URBAN COOPERATIVE BANKS

A. VENKATESH NAIK;ASHOK NAMDEORAO MOHOL;RAMSHETH THAKUR

Will the Minister of FINANCE be pleased to state:

- (a) whether the FICCI have sought introduction of reforms in Urban Cooperative Banks such as those adopted for commercial banks;
- (b) if so, the details thereof;
- (c) whether State Government frames the policy for these banks and monitoring and supervision is done by PBI; and
- (d) if so, the steps taken by the Government to remove dual control on Urban Cooperative Banks and to fix the responsibility of regulation on the Board for financial supervisions?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN):

- (a) Reserve Bank of India (RBI) has reported that no such specific request has been received from FICCI in this regard;
- (b) Does not arise, in view of (a) above.
- (c) The Urban Co-operative banks (UCBs) primarily being Co-operative societies are governed under various provisions of the State Co-operative Societies Act apart from the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies (AACS)). The powers in regard to incorporation, registration, management, amalgamation, reconstruction or liquidation are exercised by the Registrar of Co-operative Societies of the State concerned under the respective Co-operative Societies Act of the State, in case of banks coming under the purview of multi-state cooperative societies Act, such powers are exercised by the Central Registrar of Co-operative Societies. The banking related functions such as issue of licence, issues relating to interest rates, loan policies, investments, prudential exposure norms etc. are regulated and supervised by the RBI under the provisions of the Banking Regulation Act, 1949 (AACS).
- (d) As per the existing constitutional provisions the subject `Banking` and `Co-operative Societies` come under the Union List and State List respectively and therefore the `duality of control` over the Co-operative banks is inevitable. Various experts` bodies like Task Force on Co-operatives headed by Shri Jagdish Capoor, Ex-Deputy Governor, RBI and Madhava Rao Committee on Urban Co-operative Banks have made several recommendations on removal of quality of control over the Co-operative Banks. RBI has also suggested for establishment of an Apex Supervisory Body for UCBs. These recommendations are under examination of Government and RBI.