

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2286

ANSWERED ON:14.03.2008

COOPERATIVE BANK

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Will the Minister of FINANCE be pleased to state:

- (a) the details and number of Cooperative Banks functioning in the country as on date, State-wise;
- (b) whether many cooperative banks in the country are incurring losses;
- (c) if so, the details thereof and the reasons for incurring losses;
- (d) the action taken or proposed to be taken by the Government for arresting losses and to improve the financial conditions of these banks;
- (e) whether the Government proposes to allow the rebate under section 80(P) of Income Tax Act to cooperative Banks; and
- (f) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) : The details of State-wise Cooperative Banks operating in the country as on 31 March 2007 is annexed.

(b) & (c) : 4 State Cooperative Banks (SCBs), 88 District Central Cooperative Banks (DCCBs), 8 State Co-operative Agriculture and Rural Development Banks (SCARDBs) and 194 Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) had incurred losses during the year 2005-06.

The reasons for losses of the Cooperative Banks were poor recovery, low volume of business, high cost of management, inadequate follow up action on recovery of loans, low resource base, low borrowing membership, lack of skilled manpower, high cost of funds, low yield on assets, inadequate margins, inadequate legal action, frequent changes in CEOs, etc.

(d): The revival package for short-term cooperative credit structure (STCCS), based on the report of Prof. Vaidyanathan Committee has been finalised by the Government of India (GoI). The package envisages a total outlay of Rs.13,596 crore of which 68% would be shared by GoI. So far, 17 states have signed the Memorandum of Understanding (MoU) with the GoI and National Bank for Agriculture and Rural Development (NABARD) and a sum of Rs. 1,185 crore has been released by GoI to four States. Further, the GoI and the State Governments have reached an agreement on the package for reviving the long-term cooperative credit structure (LTCCS). The cost of the package is estimated at Rs. 3,074 crore, of which the Central Government's share is Rs. 2,642 crore or 86 % of the total burden.

As regards Urban Co-operative Banks (UCBs), to ensure regulatory coordination and cooperation under the existing legal framework, RBI has entered into Memorandum of Understanding (MoU) with State Governments. As part of the MoU, a Task Force for Urban Co-operative Banks (TAFUCB) has been set up in each of the States which have signed the MoU for identification of and drawing up of a time bound action plan for revival of potentially viable UCBs and for non- disruptive exit for non-viable UCBs.

(e) & (f): The demand for exemption of Cooperative Banks from income tax under Section 80P of the Income Tax Act was considered by the Government. However, the same has not been found to be acceptable since only the profit making entities have been covered under the scheme and there seems no point in exempting them.