

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2685  
ANSWERED ON:12.03.2010  
IRREGULARITY IN COOPERATIVE BANKS  
Chaudhary Shri Jayant

**Will the Minister of FINANCE be pleased to state:**

- (a) the number of Cooperative Banks in the country state-wise including Uttar Pradesh;
- (b) the amount of losses suffered/profits made by these banks during the last three years;
- (c) whether any irregularities in the working of these banks have come to the notice of Government; and
- (d) if so, the details thereof and the action taken thereon, bank-wise?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Reserve Bank of India (RBI) has reported that as on December 30, 2009, 31 State Co-operative Banks (SCBs) and 371 District Central Co-operative Banks (DCCBs) were functioning in the country out of which 1 SCB and 50 DCCBs are in Uttar Pradesh. The working results of Cooperative banks for the last three years as furnished by the National Bank for Agriculture and Rural Development (NABARD) are given in the Annex.

(c) & (d): RBI regulates all rural co-operative banks (State Co-operative Banks and District Central Co-operative Banks) functioning in the country. The NABARD inspects these banks under the Banking Regulation Act 1949 (as applicable to Co-operative Societies). Some of the common deficiencies observed during inspection of SCBs/DCCBs include non-compliance with minimum capital requirements and erosion affecting deposits, improper application of Income Recognition Asset Classification (IRAC) norms resulting in inflated profit/reduced losses, shortfall in provision, poor quality of loan appraisal, persistent operational deficiencies, defective documentation, inadequate financial margins/high cost of management/ adverse working results.

Based on inspection findings, the position of these banks is monitored by RBI constantly on an on-going basis. The actions, as appropriate, are initiated against the weak/errant SCBs/DCCBs under various provisions of the Banking Regulation Act, 1949 in consultation with NABARD from time to time by observing due process. As on date, 10 banks (2 SCBs and 8 DCCBs) have been placed under various directions as per the provisions of the Banking Regulation Act, 1949 (AACS). The directions differ from bank to bank and included prohibition from accepting fresh deposits, allowing withdrawal of deposits only up to certain limit, prohibiting granting of loans and advances to certain areas, etc.