

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2741
ANSWERED ON:09.12.2011
URBAN COOPERATIVE BANKS
Swamygowda Shri N Cheluvarya Swamy

Will the Minister of FINANCE be pleased to state:

- (a) whether the financial condition of Urban Cooperative Banks in the country is deteriorating day-by-day and financially sound Urban Cooperative banks are not taking much interest in taking over the business of financially weaker Urban Cooperative Banks;
- (b) if so, the details thereof;
- (c) whether the account holders and stakeholders of the financially weaker Urban cooperative Banks are not willing to convert more than one lakh rupees of their deposited amount into shares;
- (d) if so, the details thereof; and
- (e) the steps taken/being taken by the Government in this regard?

Answer

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

(a) to (e) : The position of financially weak Urban Cooperative Banks (UCBs) (Grade III and IV banks) as a percentage to total UCBs came down significantly from 38% as on March 31, 2004 to 18% as at the end of March 2011. The RBI guidelines on merger/amalgamation of UCBs was issued in 2005. Since then merger of 89 weak UCBs with strong UCBs has taken place up to 31.03.2011.

The scheme of Financial Restructuring of UCBs, by converting a portion of individual deposits above Rupees one lakh into equity, was designed as an additional option for resolution of problem banks in December 2007 with an objective of enabling weak and negative networth banks to turn their networth into positive. Several banks have sought RBI permission to convert deposits exceeding Rs. one lakh into equity and RBI granted permission to the following banks in accordance with the extant instructions:

- (i) Mandi Urban Cooperative Bank Ltd, Himachal Pradesh
- (ii) Mahalakshmi Co-operative Bank Ltd, Dharwad, Karnataka
- (iii) Abhinav Sahakari Bank Ltd, Rahuri
- (iv) Nasik Peoples Co-operative Bank Ltd
- (v) Krishna Valley Co-operative Bank Ltd, Kupwad, Sangli
- (vi) Chittoor Co-operative Town Bank Ltd., Chittoor, Andhra Pradesh
- (vii) Bhimavaram Co-operative Urban Bank Ltd., Andhra Pradesh.