

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4781

ANSWERED ON:04.05.2012

QUESTION FUNCTIONING OF COOPERATIVE BANKS

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

- (a) whether any task force has been constituted by Reserve Bank of India (RBI)/Government to review the functioning of cooperative banks in the country;
- (b) if so, the details of cooperative banks identified in this regard and the main observations and recommendations made by the task force in the matter;
- (c) whether the task force has recommended even closure of several cooperative banks;
- (d) if, so, the details thereof; and
- (e) the reaction of the Government/RBI thereto and the time by which these are likely to be implemented?

**Answer**

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

(a) to (e): The Government of India had set up a special Task Force in August 2004 under the Chairmanship of Prof. A. Vaidyanathan, to suggest an implementable action plan for reviving the Short Term Cooperative Credit Structure (STCCS). The main recommendations made by the Task Force inter- alia include:

1. Financial package for STCCS covering accumulated losses and assistance to bring all cooperatives, including PACS to minimum CRAR of 7%.
2. Technical assistance to cover the cost of training and capacity building to improve the financial, management skills and computerisation.
3. Legal and Institutional Reforms in the State Cooperative Societies Act.

As a part of the approved package based on the above recommendations, 25 states have signed the Memorandum of Understanding (MoU), which are covered under the Revival Package (RP).

As per the Annual Policy Monetary Statement of RBI 2012-13 released on 17 April 2012, RBI has announced constituting a Working Group to review the functioning of the STCCS, which will undertake an in-depth analysis of the STCCS and examine various alternative with a view to reducing the cost of credit, including feasibility of setting up of a two-tier STCCS as against the existing three-tier structure.