GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:885
ANSWERED ON:01.03.2013
SHORT TERM COOPERATIVE CREDIT STRUCTURE
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Will the Minister of FINANCE be pleased to state:

(a) whether an Expert Committee on Streamlining Short Term Cooperative Credit Structure constituted by the Reserve Bank of India (RBI) has expressed concerns over the functioning of primary agricultural credit cooperative societies and Central Cooperative Banks;

(b) if so, the details thereof including the main recommendations made by the Committee and the reaction of the Government thereto; and

(c) the follow up action taken by the Government thereon?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (c) The Expert Committee, in its report submitted to the Reserve Bank of India(RBI), inter alia, noted that the share of Short Term Cooperative Credit Structure(STCCS) in providing agricultural credit has fallen to a mere 17% although there are small pockets where its share is more than 50%.

The Expert Committee has, inter alia, given the following main recommendations :-

i. For providing safety of deposits and efficient loan services to farmers, the Committee has recommended that Primary Agriculture Cooperative Societies (PACS) should work only as business correspondents (BCs) on behalf of banks and should not themselves act as financial intermediaries.

ii. 238 of the 370 CCBs in the country already have CRAR of 7% or above, and about two thirds of them would be able to internally generate enough capital to maintain a sustainable CRAR of at least 9% by 2016-17. About 209 of the 370 CCBs would require additional capital aggregating Rs 6,500 crore in four years to attain 9% CRAR by 2016-17. It is estimated that despite these measures, about 60 CCBs will not become sustainable and would need to be merged with other CCBs. The Committee has suggested a roadmap for such an exercise.

iii. Some of the CCBs do not have adequate capital to meet even the relaxed licensing norm of 4% CRAR. The Committee recommends that 31 March 2013 may be set as the deadline for these banks to mobilise the required capital either internally or from any other external source so as to achieve 4% CRAR, failing which RBI should take the necessary regulatory action.

iv. The Committee has also estimated that about 58 CCBs would generally not be able to mobilise the required capital, or their business sizes are so small that they would not be sustainable in the long run and would have to be therefore consolidated with other CCB(s).

v. Most of the CCBs and State Cooperative Banks(StCBs) will also have to take concrete steps to improve their internal systems, human resources, and technology adoption.

vi. 30 September 2013 to be set as deadline for all StCBs and CCBs to be fully operational on CBS and providing RTGS, NEFT, ATM and POS device based services.

vii. StCBs and CCBs to be fully included in the financial inclusion and EBT drive. Deposits of governments and government agencies to be also made in StCBs and CCBs which have achieved 7% CRAR and are on CBS.

viii. CCBs and StCBs to be covered by the banking Ombudsman or a similar mechanism that may be developed by RBI with NABARD.

A working group to be set up to make recommendations on the human resources requirements following the transition of StCBs and CCBs on CBS and other ICT platforms