

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4169
ANSWERED ON:22.03.2013
VIOLATION OF RULES BY COOPERATIVE BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government/Reserve Bank of India (RBI) has taken note of increase in instances of violations of Rules by the cooperative banks in the country in the recent past;
- (b) if so, the details thereof for the last three years and the current year, State/UTwise along with the action taken against such banks;
- (c) whether the Government has identified/ assessed the reasons behind such increase;
- (d) if so, the details thereof; and
- (e) the corrective measures taken/ proposed to be taken by the Government in this regard?

Answer

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

(a) to (e) : The National Bank for Agriculture and Rural Development (NABARD) is supervising authority for State & District Central Cooperative Banks. Irregularities or violation of rules noticed by NABARD, are communicated to Reserve Bank of India (RBI) for regulatory action.

Some of irregularities and supervisory concerns brought out by the Inspection Reports of NABARD relate to (i) non-compliance with statutory provisions; (ii) improper application of Income Recognition and Asset Classification(IRAC) norms; (iii) non-compliance with KYC/AML standards; (iv) high level of non-performing assets/erosion of assets; (v) inadequate financial margins; and (vi) incidences of frauds & weak internal checks and control systems etc.

The no. of State & District Central Cooperative banks not complying with the provisions of Section 11(1) of the Banking Regulations Act, 1949 (as applicable to cooperative societies) has been steadily declining. It was 88 as on 31.3.2010, 68 as on 31-3-2011, 49 as on 31.3.2012 and 34 as on 31.12.2012.

In respect of non-compliant banks, necessary action to be initiated were communicated to the concerned banks, Registrar of Cooperative Societies (RCS) and State Governments for effective functioning of the banks and also for rectification of defects wherever noticed. In case of major violations, RBI had issued Directions to the banks, including the unlicensed ones, under Section 35 A of the Banking Regulation Act, 1949 (as applicable to cooperative societies). Details of directions issued by the RBI and other action taken against State and District Central Cooperative Banks is Annexed.