

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4829
ANSWERED ON:18.12.2009
CO OPERATIVE BANKS
Jagannath Dr. M.

Will the Minister of FINANCE be pleased to state:

- (a) whether a large number of Co-operative banks are working without licences in the country during the last three years and the current year;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the corrective measures taken by the Government in this regard?

Answer

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

(a) & (b): Reserve Bank of India (RBI) has reported that at the end of November, 2009, 16 State Co-operative Banks (StCBs) out of a total of 31 StCBs and 279 District Central Co-operative Banks (DCCBs) out of a total of 371 DCCBs are unlicensed. They were not licensed by RBI as they did not comply with the requirements under Section 22 of the Banking Regulation Act 1949 (as applicable to Co-operative Societies). However, Section 22 of the Act, *ibid*, provides that these banks can carry on banking business till they are granted license or by a notice in writing notified by RBI that license cannot be granted to them.

(c): The Committee on Financial Sector Assessment had observed that there was a need to draw up a roadmap for ensuring that only licensed banks operate in the co-operative space and that banks which fail to obtain a license by 2012 should not be allowed to operate. It was proposed in RBI's Annual Policy Statement for the year 2009-10 to work out a roadmap for achieving this objective in a non-disruptive manner in consultation with National Bank for Agriculture and Rural Development (NABARD). RBI has initiated necessary action in this regard.