

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2012
ANSWERED ON:31.07.2015
Loan Disbursed by the Cooperative Banks
Ering Shri Ninong

Will the Minister of FINANCE be pleased to state:

- (a) whether the percentage of loans disbursed by the Cooperative Banks to the agriculture sector is on the decrease during the last few years;
- (b) if so, the details thereof along with reasons therefor;
- (c) whether the Government has identified the constraints being faced by the cooperative banks in disbursement of loans to the agriculture sector; and
- (d) if so, the details in this regard and the corrective measures taken/being taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance
(Shri Jayant Sinha)

(a) to (d): National Bank for Agriculture & Rural Development (NABARD) has reported the details of agricultural loans disbursed by Cooperative Banks along with its share in the total agriculture credit disbursement during the last 5 years, as under:-
(Rs.in crore)

Year	Agriculture Credit Target (Crop Loan + Term Loan)	Achievement	% Achvt. to target	Share of Coop. Banks in overall agri credit disbursed (%)
2010-11	55,000	78,120.94	142	16.68
2011-12	69,500	87,962.79	126	17.21
2012-13	84,000	1,11,203.30	132	18.31
2013-14	1,25,000	1,19,963.79	96	16.86
2014-15 (Provisional)	1,40,000	1,38,469.50	99	16.38

Source: NABARD

As may be seen from the above, while the quantum of agriculture loan disbursed by Cooperative Banks in absolute terms has increased continuously over the last 5 years, the percentage share of Cooperative Banks in overall credit disbursement is between 16 to 18%.

As identified by NABARD, some of the major constraints faced by Cooperative Banks, inter alia, include (i) Need for higher professionalism in management, (ii) Governance related issues, (iii) Dual control over rural cooperative banks, (iv) Late technology adoption, (v) Weak capital base, (vi) Impaired asset quality, (vii) Low recovery of loans leading to increase in Non-Performing Assets, (viii) Low profitability, etc.

Some of the important measures by Reserve Bank of India (RBI)/NABARD for improving the financial viability of Cooperative Banks are as under:

- (i) The Cooperatives have been advised to raise capital by increasing their membership, to issue Long term (Subordinated) Debts (LTDs) and Innovative Perpetual Debt Instruments (IPDs) permitted by RBI.
- (ii) State Governments can also avail of long term loans from NABARD up to a cap of 25% towards Share Capital contribution to Cooperative Banks.
- (iii) Fit & Proper criteria has been prescribed by RBI for appointment of Chief Executive Officers (CEOs) in Cooperative Banks. All States have been advised to amend their Acts as per the Constitutional (97th) Amendment Act, 2011 to appoint minimum two professional directors on the boards of cooperative banks. This will bring professionalism in the management of banks.
- (iv) Continuous efforts by RBI/ NABARD and other stakeholders have resulted in Cooperative Banks implementing Core Banking Solution (CBS). Banks on CBS platform will soon migrate to on-board payment systems like NEFT/ RTGS/ Rupay KCC card so that customer services are improved.
- (v) Training of the staff in the new products being offered through CBS by making use of the training facilities of the Cooperative Training Institutes (CTIs), which are financially supported by NABARD.
