

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:639

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Irregularities in Cooperative Banks

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

- (a) the number of Cooperative Banks registered in the country as on date, State/ UT-wise;
- (b) whether the Government has noticed/detected irregularities that several Cooperative Banks are flouting Reserve Bank of India (RBI) norms in the recent past and if so, the details thereof during the last three years, bank and State-wise;
- (c) whether the RBI has recommended the amendment laws for grant of commercial bank licences to Urban Cooperative Banks and if so, the details thereof;
- (d) whether the Cooperative Banks are facing difficulties and have incurred losses and if so, the details thereof, bank and State-wise; and
- (e) the steps taken/being taken by the Government to revive/restructure the loss making Cooperative banks in the country?

**Answer**

The Minister of State in the Ministry of Finance

(a): The State-wise number of Urban Cooperative Banks (UCBs) in the country as on date, as reported by Reserve Bank of India(RBI), is given in Annexure-I.

As regards Rural Cooperative Banks, the State-wise number of State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs), is given in Annexure-II.

(b): RBI has reported that all the scheduled UCBs and 'A', 'B', 'C' and 'D' rated non-scheduled UCBs are subjected to statutory inspection under Section 35 of Banking Regulation Act, 1949 (As applicable to Cooperative Societies). The inspection report highlighting the irregularities observed in the statutory inspection are advised to the concerned UCBs for their rectification and RBI monitors the compliance submitted by UCBs. In case of Rural Cooperative Banks, NABARD conducts statutory inspections of StCBs and DCCBs and any irregularity noticed during such inspection is advised to concerned cooperative bank for rectification.

(c) RBI has reported that it has suggested certain amendments to the Multi-State Cooperative Societies Act, 2002 to enable conversion of Multi-State UCBs into commercial banks.

(d): NABARD has reported that the Rural Cooperative Banks are facing some common difficulties which are as under:

â€¢ Co-operative Banks have lower capital and resource base which makes increasing loan portfolio difficult.

â€¢ High dependence on borrowings.

â€¢ Lack of strong corporate governance in Cooperative Banks.

â€¢ Weaknesses in internal checks and control systems.

â€¢ Lack of expertise in management of funds.

â€¢ Poor recovery performance and rising NPA's.

â€¢ Slow in adoption of banking technology.

The state-wise details of State Cooperative Banks and District Central Cooperative Banks incurring losses, as reported by NABARD, are furnished in Annexure- III & IV respectively.

As regards UCBs, RBI has reported that as on 31.3.2015, out of the total 1576 UCBs, 72 UCBs have incurred losses. The details of loss making UCBs, as reported by RBI, are given in Annexure-V.

(e): The steps taken by Government for revival of cooperative banks are as under:

i. Based on the recommendation of Vaidyanathan Committee (VC-I), Government implemented a revival package for Short Term Cooperative Credit Structure (STCCS) encompassing legal and institutional reforms, measures to improve the quality of management and financial assistance as necessary for their democratic, self-reliant and efficient functioning. Under the revival package, Government of India released Rs. 9,245 crore. The said package was closed on 30th June, 2011.

ii. Recognizing the need to revamp ailing Cooperative Banks so that they are able to cater to the needs of farmers at their doorstep, the Government in 2014 announced implementation of the Scheme for Revival of 23 Unlicensed District Central Cooperative Banks (DCCBs) in four States viz. 16 in Uttar Pradesh, 3 in Jammu & Kashmir, 3 in Maharashtra and 1 in West Bengal. The total capital infusion required for revival of these 23 DCCBs is assessed to the tune of Rs. 2375.42 crore, out of which the commitment from Central Government is Rs. 673.29 crore, from the concerned State Governments Rs.1464.59 crore and from NABARD Rs.237.54 crore. The Scheme is presently under implementation.

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