

Government of India  
Ministry of Finance

**LOK SABHA**  
**UNSTARRED QUESTION NO- 2250**  
ANSWERED ON 02.12.2019 /Agrahayana 11, 1941(Saka)

Cooperative Bank Scams

2250. SHRI MANISH TEWARI:  
SHRI BANDI SANJAY KUMAR:  
SHRIMATI SAJDA AHMED:  
SHRI JAI PRAKASH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any role or control over the functioning of Cooperative Banks in the country, if so, the details thereof;
- (b) the number of account holders/ depositors who were affected by RBI placing curbs on the withdrawal limits on 23rd September, 2019 in light of the recent crisis at the Punjab and Maharashtra Cooperative Banks,;
- (c) whether approximately 73 per cent of PMC's loan was lent to one borrower (HDIL) due to lack of regulatory oversight by the RBI and the Finance Ministry, if so, the details thereof and the reasons therefor;
- (d) the number of account holders/ depositors who have still not been able to withdraw their savings from their accounts so far; and
- (e) the steps taken/being taken by the Government to prevent the losses/recover Non-Performing Assets and protect the investors of Cooperative Banks?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI ANURAG SINGH THAKUR)

(a) to (e): The banking functions of Cooperative Banks are regulated by Reserve Bank of India (RBI) under Banking Regulation Act, 1949. RBI conducts statutory inspection of Urban Cooperative Banks (UCBs) under section 35 of BR Act, 1949.

With a view to prevent the possibility of preferential payment of deposits and prevent reckless lending, with effect from close of business on September 23, 2019, RBI has, for a period of six months, imposed restriction on Punjab and Maharashtra Cooperative (PMC) bank in terms of which bank is prohibited from making fresh advances and withdrawals by depositors have been restricted to the notified amount to avoid a run on the bank.

RBI, after reviewing the bank's liquidity position and its ability to pay its depositors and with a view to mitigating the hardship of the bank's depositors, has been progressively enhancing from time to time the limit for such withdrawals, which is presently at Rs.50,000 effective from November 5, 2019. With the latest relaxation, about 78% of the depositors of the bank (number of depositors of PMC bank as on 23 September 2019, as reported by RBI, is 9,15,957) will be able to withdraw their entire account balance. The withdrawal ceiling is being monitored vis-à-vis the bank's evolving depositor and liquidity profile and further action as deemed fit may be taken in the best interest of depositors of the bank.

Further, the depositors can also withdraw on hardship grounds (medical expenses and non-medical expenses like educational expenses of self or children, marriage expenses of self, other relatives and for livelihood) an amount upto Rs.1 lakh (with a sub-ceiling of Rs.50,000 for withdrawal on all non-medical grounds). The power to sanction such hardship withdrawals has been delegated to the Administrator of the bank for speedier resolution of such cases.

The statutory inspection of the Punjab and Maharashtra Cooperative (PMC) Bank under Section 35 of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) with reference to its position as on 31st March 2019 conducted by RBI revealed large group exposure toward Housing Development and Infrastructure Limited (HDIL) Group companies, which stood at 74.26%. While reporting the exposures to RBI, the bank had falsified the regulatory returns deliberately withholding information pertaining to the particular firm i.e. HDIL so as to show compliance with the regulatory provisions of exposure norms.

RBI has further stated that as this was a case of failure of management at the Board level, it was considered necessary to supersede the Board of Directors of the bank. Accordingly, Reserve Bank of India, in exercise of the powers conferred under sub-Section (1) and (2) of Section 36AAA read with Section 56 of the Banking Regulation Act, 1949, superseded the Board of Directors of the bank on September 23, 2019 and appointed an Administrator in its place for a period of six months.

Meanwhile, based on a complaint filed by the bank against its officials and borrowers associated with the fraud/financial irregularities in the bank and manipulation of its books of accounts, the Economic Offences Wing, Maharashtra Police has started its investigations into the matter. Forensic Auditors have been appointed to look into the related transactions.

RBI has reported that the following guidelines/instructions have been issued to UCBs to keep their NPA at a low level.

- Regulatory approvals for purposes such as extension of area of operation, branch authorization, internet banking facility, etc. have been linked with, among other things, a given threshold of NPA (Gross NPA 7% and Net NPA 3%).
- Under the extant Supervisory Action Framework (SAF) for UCBs, certain regulatory restrictions are imposed on the UCBs breaching the NPA threshold stipulated in the framework (Gross NPA more than 10%) and such UCBs are placed under closer monitoring.
- In order to ensure healthy credit administration and prevent malpractices in UCBs, various instructions have been issued to UCBs. These include instructions related to internal control, Audit Committee, Special Committee for high value frauds, wilful default, prohibition on lending to Directors, their relatives and the firms, concerns in which they have interest, etc.
- Detailed prudential guidelines have been issued on income recognition, asset classification and provisioning for loans and advances of UCBs with a view to timely identification of NPAs and creation of adequate provision therefor.

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