

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA

Unstarred Question No. 110

To be answered on Monday, February 3, 2020/Magha 14, 1941 (Saka)
Restrictions on Cash Withdrawal in PMC Bank

MS. S. JOTHIMANI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has received representations from account holders of the Punjab and Maharashtra Cooperative Bank in light of restrictions on cash withdrawals, if so, the details thereof;
- (b) whether the Government is taking steps to remove the said restrictions and meet the demands of account holders of the aforementioned bank including a bailout package;
- (c) if so, the details thereof and if not, the reasons therefor; and
- (d) the details of steps taken by the Government to ensure that such a crisis does not occur in other banks?

Answer

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

(a) to (c) The Government has from time to time received representations about alleged irregularities in Cooperative Banks which were forwarded to the Reserve Bank of India (RBI), as the banking functions of Cooperative Banks are regulated by them.

In this regard, RBI has also informed that they have received a number of complaints/representations from depositors through various channels like e-mails, CPGRAM, post etc. and most of these pertain to the restrictions on withdrawal of money from their accounts with Punjab and Maharashtra Co-operative (PMC) Bank. RBI has taken following measures to address the demand of account holders:

- RBI, 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conferred under sub-Section (1) and (2) of Section 36AAA read with Section 56 of the Banking Regulation Act, 1949 superseded the Board of Directors of the bank on September 23, 2019 and appointed an Administrator in its place for a period of six months. An Advisory Committee comprising of three experienced professionals has also been appointed to assist the Administrator in discharge of his duties in terms of Section 36AAA(5)(a) read with Section 56 of the Banking Regulation Act, 1949.
- After reviewing the bank's liquidity position, its ability to pay its depositors and with a view to mitigating the hardship of the bank's depositors, RBI has been progressively enhancing the limit for 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 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.

- The depositors can also make withdrawals 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) for 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.

(d) RBI has informed that the following policy initiatives have been taken for strengthening the Urban Cooperative Banks (UCB) sector:

- (i) All-inclusive Directions are imposed under section 35A read with section 56 of the BR Act, 1949 in public interest to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company
- (ii) These Directions, inter alia, restrict payment of deposits beyond a threshold limit to prevent the possibility of preferential payment of deposits and prevent reckless lending in the interregnum etc. The banks are also required to take prior approval of RBI before making any payments/expenditures that have not been allowed under these Directions, thus protecting the pool of deposits of the depositors from wasteful expenditures.
- (iii) At the same time, the UCBs are advised to take measures for revival such as recovery of NPAs, augmentation of capital or merger with a strong UCB. In case the revival measures do not work within a reasonable time, license of such bank is cancelled.
- (iv) Guidelines have been issued on constitution of Board of Management in UCBs having deposits of ₹100 crore and above to improve corporate governance and professionalism in UCBs.
- (v) As per the guidelines on reporting of large credits by UCBs having asset size of ₹500 crore and above to Central Repository of Information on Large Credits (CRILC) – All large credits (₹ 5 crore and above) will be reported by UCBs having total assets of ₹500 crore and above to RBI. Banks will also recognise early stress in loan accounts by classifying them as special mention accounts so that necessary corrective and preventive action can be initiated on time. This will enable RBI to carry out off-site supervisions more effectively.
- (vi) Revised supervisory action framework for UCBs has also been issued for timely improvement in the financial position of weak but viable UCBs and early resolution of non-viable UCBs.
