

Government of India  
Ministry of Finance  
Department of Financial Services

LOK SABHA  
Unstarred Question No. 1160  
Answered on Monday, February 10, 2020/Magha 21, 1941 (Saka)

COOPERATIVE BANKS

**Question**

1160. SHRI Y.S. AVINASH REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is planning to review the working of the cooperative banks in the country in view of the recent scams busted in the working of cooperative banks;
- (b) if so, the details thereof; and
- (c) the steps being proposed by the Government to ward off such scams in future?

**Answer**

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

(a) to (c) : The Banking Regulation Act, 1949 provides, *inter-alia*, for application of banking regulation provisions thereunder to cooperative banks. Keeping in view developments in the banking sector and the regulation thereof over time, need has been felt to strengthen the provisions of the Act, as applicable to cooperative banks. Accordingly, Finance Minister in her speech on the Budget for the financial year 2020-21 has announced that amendments to the Banking Regulation Act are proposed to strengthen cooperative banks, by increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the Reserve Bank of India (RBI).

The following policy initiatives have also been taken by RBI for strengthening 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.

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