

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA
Unstarred Question No. †1737
Answered on Monday, March 2, 2020/Phalgun 12, 1941 (Saka)
COOPERATIVE BANKS

†1737. SHRI ARUN SAO: SHRI SRIDHAR KOTAGIRI: SHRI CHANDRA SEKHAR BELLANA:
SHRI ADALA PRABHAKARA REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the financial condition of the cooperative banks in the country is deteriorating day by day;
(b) if so, the details thereof and the reasons therefor; and
(c) the corrective steps taken by the Government to improve and strengthen the financial conditions of such banks?

Answer

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

(a) to (c): An overview of the financial performance of Rural Cooperative banks (State Cooperative Banks(StCBs) & District Central Cooperative Banks(DCCBs)) in the Short Term Cooperative Credit Structure (STCCS) over the past two years as reported by National Bank for Agriculture and Rural Development (NABARD) is as under:

(Amount in Rs. crore)

Performance Indicators of Rural Cooperative Banks					
Sr. No	Particulars	StCBs		DCCBs	
		31.3.2018	31.3.2019	31.3.2018	31.3.2019
1	No. of Banks	33	33	363	363
2	Gross Loans Outstanding	1,31,934	1,48,625	2,77,079	3,00,034
3	No. of Banks in Profit	32	30	311	303
4	No. Of Banks in Loss	1	3	52	60
5	Profit	1,037	1,313	1,744	1,699
6	Loss	7	147	893	986
7	Net Profit/ Loss	1,030	1,166	851	713
8	System-wide CRAR (%)	13.21	13.44	11.89	11.63
9	Gross Non Performing Assets (GNPA)(%) to loan O/s	4.72	4.32	11.15	11.85

NABARD has taken the following policy initiatives to strengthen the Rural Cooperative Banks:

- *Cooperative Development Fund (CDF)*: Cooperative Development Fund (CDF) was established by NABARD in 1992-93 with the objective to supplement the efforts of these institutions in mobilising resources, human resource development, and any measures that are expected to improve the efficiency of the structure. Assistance under this Fund is provided by way of grant, soft loan or grant cum soft loan. As on 31 March 2019, after incurring a cumulative expenditure of Rs. 193 crore, balance under CDF stood at Rs. 60.00 crore, as reported by NABARD.
- *Corporate Governance Index (CGI)*: The Governance Index for Rural Cooperative Banks has been developed by NABARD as a toolkit to measure the standards and procedures essential to provide the RCBs with an enabling environment to achieve the objectives of transparency, accountability and thereby profitability.

- *Primary Agriculture Credit Society (PACS) to Multi Service Centres:* In an endeavour to develop PACS as a 'One Stop Shop' unit for meeting not only the credit needs but also the non-credit requirements of farmers. NABARD has been financing PACS to develop them into Multi Service Centres (MSCs) across the country.
- *Pilot scheme on Fraud Risk Management software:* To address increasing cyber threats faced by RCBs, such as abuse of ATMs, debit cards, internet banking, theft of personal information and unauthorized access to bank servers, phishing etc., NABARD has rolled out a pilot project on FRM (Fraud & Risk Management) software that would address threats both external and internal in 8 RCBs in September 2019.

The consolidated position of the Urban Cooperative Bank (UCB) sector as reported by Reserve Bank of India (RBI) is given in the table below:

Parameter	Amounts in Rs. Crore		
	2016-17	2017-18	2018-19
GNPA Amount	18713	20077	21559
GNPA Ratio	7.16	7.16	7.11
NNPA Amount	6793	7355	7421
NNPA Ratio	2.72	2.75	2.57
Return on Assets	0.77	0.74	0.74
Net Interest Margin	2.79	2.93	3.12
CRAR	15.15	14.75	14.54

RBI has apprised that the financial position of UCBs is by and large stable.

RBI and NABARD has taken the following policy initiatives to strengthen the Urban Cooperative Banks (UCB) and Rural Cooperative Banks:

- 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.
- 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.
- 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.
- Guidelines have been issued on constitution of Board of Management in UCBs having deposits of Rs. 100 crore and above to improve corporate governance and professionalism in UCBs.
- As per the guidelines on reporting of large credits by UCBs having asset size of Rs. 500 crore and above to Central Repository of Information on Large Credits (CRILC) – All large credits (Rs. 5 crore and above) will be reported by UCBs having total assets of Rs.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.
- 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.
