

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA

Unstarred Question No. 2535

ANSWERED ON MONDAY, 17 MARCH, 2025/ 26 PHALGUNA, 1946 (SAKA)

Depositor Protection Mechanism

2535. Shri Saptagiri Sankar Ulaka:

Will the Minister of FINANCE be pleased to state:

- (a) the total number of cooperative banks currently operational in the country along with their financial health status and classification into sound, stressed and at-risk categories;
- (b) the details of cooperative banks that have faced financial fraud, mismanagement or regulatory action during the last five years including the nature of violations and actions taken;
- (c) whether the Government is aware of the recent financial fraud at the New India Cooperative Bank and the measures taken by the Government to investigate and prevent such incidents in the future; and
- (d) the details of depositor protection mechanisms in case of financial fraud or bank failure including the scope and implementation of coverage under the Deposit Insurance and Credit Guarantee Corporation (DICGC)?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (d): As informed by RBI and NABARD, the number of cooperative banks in the country are as under:

- i) State Cooperative Banks (StCBs)– 34
- ii) District Central Cooperative Banks (DCCBs) – 352
- iii) Urban Cooperative Banks (UCBs) – 1465

RBI has informed that licenses of 50 UCBs have been cancelled in the last five years and 24 UCBs are currently under All Inclusive Directions (AID) for various reasons. The number of cooperative banks that have faced frauds during the last five years is given at **Annexure I**.

The measures taken by RBI in respect of New India Co-operative Bank Ltd., are mentioned as below:

- To prevent further deterioration in the bank's financials and to protect the interests of the depositors, New India Co-operative Bank Ltd., Mumbai was placed under All-Inclusive Directions (AID) w.e.f. close of business as on February 13, 2025.
- In order to secure proper management in the bank, RBI superseded the board of New India Co-operative Bank Ltd., Mumbai w.e.f. February 14, 2025 and appointed an Administrator along with a Committee of Advisors.
- The withdrawal limit for depositors has been relaxed to ₹25,000/- per depositor. With this relaxation in withdrawal limits, more than 50% of the total depositors would be eligible to withdraw their entire balances.

The following measures are also in place to protect the interest of depositors from financial frauds in cooperative banks:

- Master Direction on Fraud Management for the Regulated Entities viz. Cooperative Banks have been issued in 2024 & contain comprehensive guidelines related to reporting of fraud, following of principles of natural justice, governance mechanism, implementation of early warning mechanism, staff accountability, fixation of responsibility of third parties and role of external and internal auditors, among others.
- The Prompt Corrective Action (PCA) Framework requires the identified UCBs to initiate and implement remedial measures in a timely manner, to restore their financial health and protect the interests of the depositors.
- RBI has implemented a financial safety net for the account holders of banks (including cooperative banks) in the form of Deposit Insurance through DICGC.
- RBI through "RBI Kehta Hai" has issued awareness material / useful information on aspects such as different types of frauds and their modus-operandi.

The Deposit Insurance and Credit Guarantee Corporation (DICGC) insures all types of deposits (inclusive of principal & interest) up to ₹5,00,000 per depositor in insured banks, including cooperative banks.

**Statement referred to in part (a) to (d) of Lok Sabha Un-Starred Question No. 2535 on
“Depositor Protection Mechanism” due for answer on 17.03.2025**

Number of Cooperative Banks that have faced financial fraud during the last five years

Category of bank	No. of Frauds
State Cooperative Banks (StCBs)	227
District Central Cooperative Banks (DCCBs)	938
Urban Cooperative Banks (UCBs)	2851