

Government of India
Ministry of Finance
Department of Financial Services

RAJYA SABHA

Unstarred Question No. 1819

Answered on Tuesday, August 2, 2022/ Sravana 11, 1944 (Saka)

IMPROVING PERFORMANCE OF COOPERATIVE BANKS

1819. SHRI SUBHAS CHANDRA BOSE PILLI:

Will the Minister of FINANCE be pleased to state:

- whether the Ministry has taken note of the significantly high proportion of Non-Performing Assets (NPA) owned by cooperative banks;
- if so, the details thereof and the reasons therefor;
- whether the Ministry has taken note of the poor investments made by cooperative banks and if so, the steps taken to address the problem;
- whether the Ministry has prepared a roadmap for improving the financial performance of cooperative banks; and
- if so, the details thereof and if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) & (b): The Gross Non-Performing Assets (GNPAs) as a percentage of Gross Loans Outstanding of Rural Cooperative Banks (RCBs) [State Cooperative Banks (StCBs) + District Central Cooperative banks (DCCBs)] and Urban Cooperative Banks (UCBs) are as below:

Bank	GNPAs (as on 31 March 2020)	GNPAs (as on 31 March 2021)
RCBs	10.2	9.5
UCBs	10.6	11.7

(Source: RBI Report on Trend and Progress of Banking in India, 2021 & NABARD)

The NPA of the Cooperative Banks is largely dependent on the local business/economic conditions, state government policies, quality of manpower, etc.

(c): The investment portfolio of Cooperative Banks, as on 31 March, 2021 is summarised below:

Investment Portfolio (Amount in Rs. Crore)	RCBs	UCBs
Term Deposits/SLR Securities	3,24,561 (95%)	1,60,560 (89%)
Non-SLR Portfolio	16,148 (5%)	19,590 (11%)
Total	3,40,709	1,80,150

*Figures in bracket indicate the % share in the total investment

(Source: RBI and NABARD)

As per the table above, over 95% of the investment portfolio of the RCBs and 89% of the investment portfolio of UCBs are in Term Deposits/SLR Securities which are generally considered to be safe from default risk. The investment portfolio of banks is decided by the management in accordance with the policy approved by the Board of the banks.

In order to regulate the investment portfolio of cooperative banks in non-SLR securities, RBI has mandated that the total Non-SLR investments of cooperative banks shall not exceed 10% of the total deposits of a bank as on March 31 of the preceding financial year. Further, there are restrictions on the type of non-SLR investments in which the cooperative banks can invest.

(d) & (e): Some of the policy initiatives taken by RBI for strengthening Cooperative banks are as under:

- The Banking Regulation Act, 1949 has been amended to provide additional powers to RBI for more effective regulation of co-operative bank. The major amendments pertain to areas such as management, audit, capital, reconstruction/amalgamation, etc. These amendments are expected to go a long way strengthening the governance and regulation of co-operative banks.
- RBI issues instructions, circulars, guidelines and notifications to StCBs, DCCBs and UCBs under the provisions of the Banking Regulation Act, 1949 [As Applicable to Cooperative Societies (AACS)].
- Guidelines have been issued by them for StCBs /DCCBs and UCBs on various matters related to capital adequacy, income recognition and provisioning norms, investments, maintenance of deposits, branch expansion of StCBs/DCCBs and UCBs, customer service, etc.
- StCBs/DCCBs are being periodically inspected by NABARD under provisions of the Banking Regulation Act, 1949 to ensure that the banks are complying with the extant guidelines/instructions/norms.
- UCBs are being periodically inspected by RBI under provisions of the Banking Regulation Act, 1949 to ensure that the banks are complying with the extant guidelines/instructions/norms.

In order to strengthen the StCBs and DCCBs, NABARD enters into Memorandum of Understanding (MoU) with State Coop. Banks and State Governments for implementing state-specific Development Action Plans (DAPs). To review the performance under DAP, the quarterly meetings of high-powered forum under the nomenclature of “State Level Task Force (SLTF)” and “High Level Committee (HLC)” is conducted periodically. The forum has representative from State Government, RBI, NABARD and StCB. To review and monitor the performance of DCCBs against DAPs, there is a district level forum called District Level Monitoring & Review Committee (DLMRC) with representations from State Government, RBI, NABARD, StCB, etc.
