

RBI in July, 2002 had also introduced non-discretionary and non-discriminatory One Time Settlement Scheme for NPAs upto Rs. 5 crore.

Credit Information Bureau has been set up to disseminate information on borrowers to the banks. Corporate Debt Restructuring (CDR) scheme has been put in place to provide a transparent mechanism for restructuring of corporate debts to viable entities facing problems due to internal and external factors. Further, to facilitate foreclosures and enforcement of securities in cases of default and to enable the banks and financial institutions to realize their dues, "The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002" has been promulgated, and its replacement Bill has been passed by the Lok Sabha on 21st November, 2002.

Cancellation of Licences of Co-operative Banks

643. SHRI AIMADUDDIN AHMED KHAN (DURRU): Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether RBI has cancelled licences of some Co-operative Banks this year;

(b) if so, the details thereof indicating the grounds for their cancellation;

(c) whether any such licences were cancelled during 2000-2001 and 2001-2002;

(d) if so, the details thereof; and

(e) the guidelines for opening and functioning of such banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) Reserve Bank of India (RBI) has reported that it has cancelled/rejected the licences/licence applications of 25 Urban Co-operative Banks (UCBs) and 1 District Central Co-operative Bank (DCCB) during the year 2002-2003. RBI conducts periodic inspection/scrutiny of the books of accounts of UCBs under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). The grounds on which the licence of these banks had been cancelled include non-maintenance of minimum paid-up capital and reserves, banks being not in a position to pay its present or future depositors in full, conduct of the affairs of the bank in a manner detrimental to the interests of its depositors, the general character of the bank being prejudicial to the interest of the public/depositors, etc.

(c) and (d) RBI has reported that during 2000-2001, licences of 17 UCBs were cancelled/applications for licence were rejected. During 2001-2002, licences of 13 UCBs and 2 DCCBs were cancelled/applications for licence were rejected.

(e) As per the provisions of Section 5 (ccvi) of the Banking Regulation Act, 1949 (AACS), 'a primary credit society' means a cooperative society other than a primary agricultural credit society.

1. The primary object or principal business of which is the transaction of the banking business;
2. The paid up share capital and reserves of which are less than Rs. one lakh; and
3. The bye-laws of which do not permit admission of another cooperative society as a member.

When a primary credit society's owned funds attain the level of Rs. one lakh, it automatically gets the status of a primary cooperative bank. Thereafter it is required to apply for a licence to carry on banking business.

Under the provisions of sub-section 2 of Section 22 of the Banking Regulation Act, 1949 (AACS) a primary credit society, which was carrying on banking business on 1st March, 1966 was required to apply to Reserve Bank of India for grant of licence to carry on banking business within three months. Further, even after 1966, as and when the owned funds of a primary credit society reaches Rs. one lakh, it has to necessarily apply to the RBI for a licence, and pending issue of licence it can carry on banking activity.

Supervisory Board for UCBs

644. SHRI RAMACHANDRA KHUNTIA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government propose to set up a separate supervisory board for Urban Cooperative Banks (UCBs) in banking sector;

(b) if so, details thereof; and