REPORT OF THE

COMMITTEE ON LICENSING OF NEW URBAN CO-OPERATIVE BANKS

1992

BOMBAY
RESERVE BANK OF INDIA
URBAN BANKS DEPARTMENT

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CONTENTS

CHAPTER - 1

INTRODUCTION

1.01 In September 1977 the Reserve Bank of India appointed a Committee on Urban Cooperative Banks under the Chairmanship of the then Executive Director Shri K.Madhava Das to evaluate the role of primary (urban) cooperative banks in the banking system and to indicate the lines of their future growth. During the course of its deliberations,the Committee, inter alia, looked into the policy and procedures relating to the licensing of new urban cooperative banks and made certain recommendations which were accepted by the Reserve Bank of India.

Although more than a decade and half has elapsed since then, the overall scenario regarding urban cooperative banks continues to be marked with glaring inter-regional and intra-regional imbalances. There has been a general perception that notwithstanding significant progress in the volume of business urban cooperative banks have not been afforded adequate opportunities to find their rightful place in the Indian Financial System.

As it was represented by various State Governments, National and State Federations of urban cooperative banks that the inability of urban cooperative banks to extend their geographical reach and functional spread of services derived from policy induced rigidities, the Governor of the Reserve Bank of India constituted a Committee in September 1991 to review the policy relating to the licensing of new primary urban cooperative banks and other related aspects and to make suitable recommendations in this regard.

Composition of the Committee

1.02 The Committee consisted of the following members :

1. Shri S.S.Marathe — Chairman
   Director, Central Board
   Reserve Bank of India
   Bombay

2.	Shri Anna Saheb Shinde Deputy Chairman Planning Board Government of Maharashtra Bombay	Member
3.	Shri Sujit Banerjee Registrar of Cooperative Societies Uttar Pradesh	Member
4.	Shri V.S.Gopalakrishnan Registrar of Cooperative Societies Maharashtra	Member
5.	Smt. Meera Pande Registrar of Cooperative Societies West Bengal	Member
6.	Shri H.K.Patil, MLC President National Federation of Urban Cooperative Banks & Credit Societies New Delhi	Member
7.	Shri Hiralal Bhagwati President Ahmedabad City Cooperative Banks Association Ahmedabad	Member
8.	Shri A.K.Bakhshy Secretary Indian Banks' Association Bombay	Member
9.	Shri C.V.Nair Former Executive Director Reserve Bank of India Bombay	Member
10.	Shri Y.S.P.Thorat Joint Chief Officer Urban Banks Department Reserve Bank of India Bombay	Member Secretary

Terms of Reference

1.03 The terms of reference of the Committee were as follows :

(i) To review the present policy of Reserve Bank of India in regard to licensing of new primary urban cooperative banks taking note of factors such as the efficacy of the present regulatory mechanism, proper geographical and spatial spread and the need to discourage mushroom growth of weak urban cooperative banks and ensure orderly growth of an efficient and viable urban banking structure.

(ii) To examine whether different criteria need to be laid down for organisation of banks in States which are advanced in urban cooperative banking as compared with States where the facilities have not yet developed.

(iii) To consider whether primary credit societies which have attained viability norms should be recognised as urban cooperative banks and if so, the conditions which should govern such recognition.

(iv) To examine whether the viability norms presently prescribed particularly in regard to capital adequacy need upward revision.

(v) Any other related issue.

After the Committee had started its work, it was represented that notwithstanding two and half decades having elapsed since the enactment of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), as many as 313 urban cooperative banks continue in the unlicensed category. It was, therefore, suggested that ways and means should be devised for licensing the same. In response to this request, the Deputy Governor, Reserve Bank of India vide his order dated 5th October 1991 directed that the Committee may also look into the policy relating to licensing of existing urban cooperative banks as an additional Term of Reference.

Committee's Approach

1.04 In addressing itself to the Terms of Reference above, the

Committee took note of the fact that the prospective economic and financial environment is likely to be radically different from what it was in 1977 when the Committee on Urban Cooperative Banks (Madhava Das Committee) examined the major issues relating to the urban cooperative banking structure. It was represented to the Committee that despite some changes in policies and procedures following upon the Madhava Das Committee's report, the growth position of the urban cooperative banking sector, although significant, was not spectacular due to a rigid licensing policy,while at the same time it was admitted that the sector had some noticeable deficiencies here and there. The Committee also noted that there is a widespread feeling amongst those connected with the urban cooperative movement that the urban cooperative banks will be able to play a much more significant role in the financial system if the present restrictive policies are amended.

The approach of the Committee has been determined by two basic considerations. Firstly, in the context of the greater freedom being given to the financial system and greater thrust towards market orientation of the system, there was a clear need to review the regulatory framework pertaining to the urban cooperative banking sector. If, as is likely over a period of time, the commercial banking sector will enjoy greater freedom in regard to the conduct of its operations, including expansion of branches (or closing down of existing ones), it would only be reasonable to expect that corresponding policy initiatives are taken in regard to the cooperative banking sector. In other words, the system in the cooperative sector will have to face up to the implications of the more competitive environment in the overall banking sector. This will imply a need for greater managerial and operational efficiency. But correspondingly there must be an assurance of reasonable "level ground" treatment in the sense that the cooperative banking sector is not saddled with irksome restrictions regarding its operations, including the opportunities for expansion through new branches.

One aspect of the changes being proposed for the operations of the commercial banking sector is the ways and means of reducing, if not eliminating, the politicisation of the banking activities. The Committee on Financial System (1991) (Narasimham Committee) has flagged political interference as one of the disturbing features in the evolution of the financial sector and has recommended certain measures with a view to reducing such interference. A similar problem exists in respect

of urban cooperative banking system. In the evidence tendered before the Committee and its interaction with officials and non-officials connected with the urban cooperative banking movement, there was a widespread feeling that the cooperative movement, including the urban cooperative banking, is becoming increasingly politicised. The extent of control exercised by the Cooperation Department in some states is, it was argued, not only excessive and unreasonable but it also resulted in considerable corruption at different political and administrative levels. The situation is worse in some states than in others; but the fact remains that the pervasive and detailed regulation by the Cooperation Department was perceived as being responsible for enhancing the scope for political intervention.

There was a further complication arising from the fact of dual control over the urban cooperative banking sector. While the Reserve Bank of India exercises control under the Banking Regulation Act, 1949 several provisions of that Act are not applicable to the primary cooperative societies. In particular, provisions which deal with appointments, removal supersession, liquidation and special procedures to be followed in the event of liquidation continue to be exercised by the Registrar of Cooperative Societies under the respective Cooperative Societies Act which give the Registrar powers in regard to incorporation, management and winding up of these institutions. No doubt, the Reserve Bank of India does exercise indirect powers relating to merger, amalgamation, supersession of the Board of Management, etc., nevertheless, it is not uncommon that there are long delays in the execution of major amalgamation/liquidation proposals made by the Reserve Bank of India. In several cases the State Governments, for their own reasons, have been tardy or positively dilatory and that measures taken by the Reserve Bank of India to protect the interests of the depositors thus get nullified.

While, in principle, the Committee is in favour of a greater degree of freedom of operations to the urban cooperative banks, the paramount consideration has to be protection of interest of depositors. This is because generally the depositors in the urban cooperative banking sector are middle or low income groups who put their hard earned savings in these banks. This section of depositors is also not always aware of or capable of detecting malafide actions by the management which will adversely affect the viability of the bank's operations. Despite all the present regulations, it is not uncommon

to find unscrupulous elements taking advantage of this situation to defraud these more vulnerable sections of our population by misusing the powers of the management, often for their own gains. This has to be prevented. The Committee is very conscious of the need to provide maximum protection to the small man associated with the cooperative banking sector. It is firmly of the view that such protection is more likely to emerge through evolution and insistence on strict viability norms and prudential lending practices and not through very wide and detailed powers of day-to-day regulations of the working of these banks. A major lacuna in the present system is that although there are numerous and elaborate returns required to be filed by the cooperative banks these have not, in practice, helped greatly to reduce the incidence of sickness. What is needed is a mechanism for early detection of incipient sickness and prompt corrective measures. For this purpose the Committee has recommended (Chapter 7) certain measures to which it attaches great importance.

The Committee has also suggested that there should be a separate chapter for urban banks in the State Cooperative Societies Act and has also listed some specific amendments to certain sections of the Banking Regulation Act, 1949. While these will, hopefully, receive due attention there is also the more general point of the role of Cooperation Department and the Registrar of Cooperative Societies. In keeping with the general ethos of regulation, the Cooperation Department through the Registrar of Cooperative Societies in some states has tended to become highly regulatory in approach. This, in turn, has bred corruption not only at the political levels but even more pervasively in the operative levels of administration. The Committee would strongly recommend that the state governments may be asked to consider appropriate changes both in law and in procedures to free the cooperative movement from the shackles of bureaucratic control and the pernicious influence of political patronage.

The Broad Scenario in Urban Banking Sector

1.05 The Committee has also observed the heterogeneous character of the urban cooperative banking system in the country in its size and operations. The financial and other indicators in this regard made available to the Committee are as under :

A. Position as on 31st March 1992

(i)	Number of "unit" urban cooperative banks	797
(ii)	Number of urban cooperative banks having upto 5 branches	430
(iii)	Number of urban cooperative banks having more than 5 branches	123
(iv)	Number of urban cooperative banks placed under liquidation	51
	Total	1401

B. Position as on 27th September 1991

		Scheduled urban coop. banks	Non-scheduled urban coop. banks	Salary earners' societies	Total
1.	No. of reporting banks	14	1201	82	1297 *
2.	Deposits (Rs.in crores)	2,713.32	6,980.19	504.27	10,197.78
3.	Loans and advances (Rs. in crores)	1,760.41	5,679.73	630.08	8,070.22

*Data not available in respect of the remaining banks.

C. Position as on 28th June 1991

(Rs. in crores)

	Deposits	Loans and Advances
Top one hundred urban cooperative banks in the country	5,442.78	3,893.70

D. Position as on 31st March 1991

i)	No.of urban cooperative banks whose working capital is upto Rs.10 crores	1000
ii)	No. of urban cooperative banks whose working capital is between Rs.10 crores and Rs.25 crores	343
iii)	No. of urban cooperative banks whose working capital is between Rs.25 crores and Rs.50 crores	30
iv)	No. of urban cooperative banks whose working capital is more than Rs.50 crores	22*
	Total	1395

*includes 14 scheduled urban cooperative banks

It has, therefore, been found that one hundred urban cooperative banks out of the total 1401 urban cooperative banks are holding more than 53 percent of deposits and account for more than 48 percent of loans and advances. Only 14 scheduled urban cooperative banks are having more than 26 percent of deposits and account for more than 21 percent of loans and advances. Again, 797 urban cooperative banks are functioning as unit banks and 430 urban cooperative banks are functioning with 5 or less number of branches. Similarly as on 31st March 1991 out of 1395 urban cooperative banks, 1000 urban cooperative banks were functioning with working capital of Rs.10 crores or less. This reveals the vast disparities in terms of size, strength and operations within the urban banking system as well as the prevalent weakness resulting therefrom to which the Committee has addressed itself during its deliberations.

Method of Enquiry

1.06 With a view to eliciting views on different aspects relating to the registration and licensing of urban cooperative banks, two ques-

tionnaires were issued by the Committee. The first questionnaire was issued to officials and non-officials connected with the urban cooperative banking movement in the North/East and North-Eastern states for identifying the factors which had impeded growth of urban cooperative banking movements in the said states.

The second questionnaire sought to elicit views on a broad spectrum of issues touching the Committee's terms of reference and was issued to Registrars of Cooperative Societies, State Cooperative Banks, Federations/Associations of urban cooperative banks, selectedd urban cooperative banks and cooperators. A copy each of the questionnaires issued by the Committee is appendedd as Annexure I and II. A list of persons and institutions from whom replies were received is given in Annexure III.

In order to broad-base the process of consultation and to insure that officials/non-officials connected with the urban cooperative banking movement from all parts of the country were afforded an opportunity to interact with the Committee, the Committee constituted itself into three Sub-groups which held meetings with officials/non-officials connected with urban cooperative banking movement at different places of the country, as detailed in Annexure IV. During the course of the meetings at various places, the Sub-groups held detailed discussions on the Committee's terms of reference and other matters relating to the working of urban cooperative banks with the respective Ministers for Cooperation, Secretaries (Co-operation), Registrars of Cooperative Societies, representatives of State Cooperative Banks, State Federations/Associations of Urban Cooperative Banks, co-operators etc. The Committee also met the National Federation of Urban Cooperative Banks & Credit Societies on 25th March 1992 and Cooperative Bankers' Forum on 29th April 1992. The views expressed at the aforesaid meetings have been suitably incorporated in the report. A list of the persons who participated in the discussions is given in Annexure V.

Structure of the Report

1.07 The report deals with each of the items of the Terms of Reference and contains the following chapters :-

Chapter No.	Subject
1.	Introduction
2.	Registration and Licensing of new Urban Cooperative Banks
3.	Primary Credit Societies Inclusion in the list of Primary Urban Cooperative Banks
4.	Viability of Urban Cooperative Banks
5.	Licensing of existing Urban Cooperative Banks
6.	Area of Operation
7.	Rehabilitation of weak Urban Cooperative Banks
8.	Supportive Legislative Amendments
9.	Branch Licensing Policy of Urban Cooperative Banks
10.	Regulatory Mechanism
11.	Other related matters

1.08 In order to facilitate the reading of the report, Summary of the main recommendations giving cross-references to the chapter/paras is also added at the end.

Acknowledgements

1.09 The Committee is grateful to the Reserve Bank of India for providing it with the Secretariat drawn from the staff of Urban Banks Department. The Committee would also like to acknowledge its gratitude to Shri N. T. Hariramani, the Chief Officer and staff of the Urban Banks Department for the guidance and assistance made available to the Secretariat. The Committee would also like to acknowledge its gratitude to institutions, officials and non-officials who personally or through correspondence gave it the benefit of their views.

The Committee wishes to express its appreciation of the able assistance received from Shri J.Ray, Shri R.R.Teckchandani, Shri G.N.Chavan, Smt.B.Banerjee, Smt.A.K.Patel, and Shri S.D.Singh of the Secretariat in the preparation of the report.

CHAPTER - 2

REGISTRATION AND LICENSING OF NEW URBAN COOPERATIVE BANKS

Legal Framework

2.01 Banking institutions in the non-agricultural cooperative credit structure popularly known as "Urban Cooperative Banks" have been defined as PRIMARY COOPERATIVE BANKS in the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). In terms of Section 5(ccv) of the said Act -

"primary co-operative bank" means a co-operative society, other than a primary agricultural credit society, -

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are not less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member;

Primary (urban) co-operative banks also include salary earners' co-operative societies having paid up share capital and reserves of Rs. 1 lakh or more and the bye-laws of which contain a provision for acceptance of deposits from non-members.

2.02 Additionally, the law also provides for a separate category of co-operative societies known as Primary Credit Societies. They accept deposits from the public (i.e. non members) and are allowed to use the word "bank" "banker" "banking" as part of their name under Section 7 ibid but are kept outside the control of the Reserve Bank of India until their paid up capital and reserves reach the level of Rs.1 lakh or more. Such societies have been defined in terms of Section 5(ccvi) of the Act ibid as those other than a primary agricultural credit society, the primary object or principal business of which is the transaction of banking business, the paid up share capital and reserve of which are

less than one lakh of rupees and the bye-laws of which do not permit admission of any other cooperative society as a member.

2.03 As per the provisions of the State Co-operative Societies Acts and Rules in force in various states, the authority for registering primary (urban) co-operative banks and primary credit societies vests with the Registrar of Co-operative Societies. In terms of the dual control in force, while the Reserve Bank of India is entrusted with control and supervision over the banking business of primary co-operative banks including, inter alia, the authority to grant a licence to them to commence/ carry on banking business, Registrars of Co-operative Societies exercise control over all aspects in respect of primary credit societies and over aspects other than banking aspects in respect of primary co-operative banks.

2.04 In terms of Section 22 of the Act *ibid*, a co-operative society is required to obtain a licence from the Reserve Bank of India before commencing banking business. Before granting such a licence the Reserve Bank of India examines the application of the new bank from the point of its attaining viable status within a reasonable period keeping in view other relevant considerations including the public interest that would be served by the establishment of a new bank in the area concerned and the capacity of the proposed bank's management to manage the affairs of the bank to safeguard the interests of the depositors.

Evolution of Policy - Registration and Licensing

2.05 In the period following the extension of certain provisions of the Banking Regulation Act, 1949 to co-operative societies in 1966 till 1974, there does not appear to have been any recognition of the fact that the processes of registration and licensing are complementary to each other and call for a meaningful coordination between the authorities concerned. Thus while on the one hand no specific norms for the registration of new primary (urban) co-operative banks or primary credit societies were laid down by the Reserve Bank of India for the guidance of the registering authorities, on the other hand Registrars of Co-operative Societies were observed to have freely allowed the organisation of primary credit societies with initial share capital of less than Rs.1 lakh prescribed for primary co-operative banks. The registration of such

societies led to an unplanned "mushroom growth" of institutions which (consequent on reaching the minimum prescribed level of Rs.1 lakh in respect of share capital and reserves and thereby attaining the status of primary cooperative banks) were found to be unable to comply even with the essential provisions of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) primarily on account of inadequate resources and weak managements. The Committee on Urban Cooperative Banks which examined the issue in 1977 remarked that the proliferation of weak units during this period took place "not by accident but by design".

2.06 In the above circumstances, it was considered necessary to initiate action which would help to prevent the unplanned growth of such urban cooperative banks at the time of registration itself so that when they become eligible to come under the purview of the Banking Regulation Act, they would be capable of complying with the requirements of the various provisions of the Act. Since registration of urban banks is a statutory responsibility of the Registrars of Cooperative Societies, the question of prescribing appropriate norms for registration was posed before the Second Seminar of the Chief Executive Officers of Urban Cooperative Banks held in March 1974 and at a meeting of the Registrars of Cooperative Societies of certain states in August 1974. The consensus of opinion at the Seminar and the meeting was in favour of the Reserve Bank suggesting certain norms for the guidance of Registrars of Cooperative Societies. These norms which were announced in October 1974 emphasised that Registrars of Cooperative Societies should register a primary cooperative bank or a primary credit society only if its initial share capital was not less than Rs.1 lakh. The policy announcement also encompassed certain other stipulations including conduct of detailed study and survey by promoters to assess the prospects for deposit mobilisation and scope for lending to small and medium industries, minimum entry - point norms for membership, scrutiny of applications for registration by the Cooperation Department on grounds of potential of the proposed area of operation (normally to be confined to the town or city of registration in case of banks registered in urban centres and to the municipal or tehsil limits in case of banks located in semi-urban areas) and ability of the bank to attain viability within 3 years, etc.

2.07 The entire question of registration and licensing of new primary cooperative banks was examined by the Committee on Urban Coop-

erative Banks appointed by the Reserve Bank of India in September 1977. The Committee's Report was released for general circulation in May 1979. The recommendations made by the Committee pertaining to the policy and procedures for registration and licensing of new primary (urban) cooperative banks were accepted by the Reserve Bank of India and communicated to the Registrars of Cooperative Societies in June 1979. It was clarified that only such units should be considered for registration and licensing as had prospects of functioning as viable primary cooperative banks and were able to satisfy entry point share capital and membership norms prescribed for centres classified on the basis of population coverages. In particular Registrars were advised not to register primary credit societies having as their object the carrying on of banking business (i.e. acceptance of deposits from non-members) or Salary Earners' Societies with a provision in their bye-laws for raising deposits from non-members. Further in the interests of viability, higher norms of minimum share capital and membership were laid down for registration and licensing of new primary cooperative banks and it was recognised that the operational areas of urban cooperative banks could be extended to the whole of the district on considerations of viability.

2.08 On account of a sudden spurt in the receipt of defective proposals for organisation of new banks, the licensing policy was reviewed in October 1981 and certain modifications were made in the extant policy to ensure that the proposed banks had a truly cooperative character, reasonable prospects of attaining viability and functional jurisdiction covering only urban areas/urban pockets. It was also clarified that no application would be entertained for establishment of new urban banks or opening of branches by the existing banks in centres having a population of 10 lakhs and above.

2.09 In November 1982 it came to light that in a number of cases organisers had undertaken drives for enrolment of members and collection of share capital even though the proposals were not in consonance with the norms stipulated. Consequently when such proposals were rejected, the organisers were required to refund the share capital collected. With a view to obviating situations as above it was decided in November 1982 that organisers of new urban cooperative banks should not enroll members or collect share capital from them till such time as the proposal in question had been scrutinised and cleared by the Reserve Bank of India.

2.10 In a major policy initiative taken in December 1983 the concept of Mahila banks and banks for weaker sections of society was introduced. This was in deference to the cooperative aspiration that in order to bring a large segment of women of small means who normally tended to shy away from banks to the banking fold, promote thrift and a spirit of self-help among them, an organisation of urban banks exclusively for women was necessary. A similar logic was advanced in respect of proposals emanating from areas having predominant concentrations of weaker sections. It was, therefore, agreed that subject to satisfaction of extant norms, a sympathetic treatment would be accorded in the case of banks organised in areas having predominantly scheduled caste/ scheduled tribe or other weaker sections/population or for the benefit of women.

2.11 In the context of the escalation in establishment costs and revision made in the rate of interest on deposit and advances, it was felt in 1986 that the existing viability and pre-registration norms needed revision. Accordingly, on the basis of detailed studies conducted by Reserve Bank of India the norms regarding initial membership and minimum share capital required to be collected by a newly organised bank prior to registration and the viability norms to be achieved by them within 3-5 years thereof were revised on the basis of centres classified according to population criteria. These norms which have been indicated elsewhere in the report continue to be in force as on date.

Existing policy

2.12 In October of the same year (1986) the policy was revised once again and the same with minor modifications, continues to be in force as on date. The new policy was framed in the overall perspective of the massive thrust of commercial banking in the urban, semi-urban and rural areas which had led to most urban centres becoming adequately banked. The policy sought to emphasise the promotion of a sound and viable banking system, inter-alia, by consolidation of weak units therein. It also aimed at avoiding unregulated growth of urban cooperative banks in areas which are already overbanked on the one hand and to fill in gaps in districts devoid of urban banking facility on the other. For this reason, establishment of new urban cooperative banks is at present confined to districts which do not have such facility and the unbanked/under-banked areas therein are sought to be covered under

the branch expansion programme. However, proposals for organisation of a first Mahila Bank in a district are shown some consideration provided it is established that the non-agricultural business potential exclusively from women clientele in the said area is adequate to enable the proposed Mahila Bank to attain viability within the stipulated time schedule. Sympathetic consideration is also given to banks organised in areas having predominant concentration of weaker sections. In addition to stipulating the policy guidelines, it was clarified that new urban cooperative banks would be allowed areas of operation extending to all urban/semi-urban centres in the district concerned.

2.13 In June 1987, a slight relaxation was made in the policy relating to organisation of new urban cooperative banks in metropolitan cities by prescribing that if it was established to the satisfaction of the Reserve Bank of India that there was a need for an urban bank in any metropolitan city and that the new bank would be a viable unit in course of time having regard to the business potential and the existing banking facilities in the area, the proposal for organisation of such an urban cooperative bank would be considered favourably.

2.14 The salient features of the extant policy relating to the licensing of new urban cooperative banks are summarised below:

(a) New urban cooperative banks will be allowed only in districts devoid of urban cooperative banking facilities. However, in certain cases certain exceptions were allowed.

(b) New urban cooperative banks will be allowed in metropolitan cities provided there is need for the same and it is clearly established that the new bank will become a viable unit in course of time.

(c) Proposals for organisation of a first Mahila Bank in a district will be shown consideration provided it is established that the non-agricultural business potential exclusively from women clientele in the said area is adequate to enable the proposed Mahila Bank to attain viability within the stipulated time schedule.

(d) Sympathetic consideration will be given to banks organised in areas having predominant concentration of weaker sections of society.

(e) Unbanked and under-banked areas in districts/centres having urban banking facility will be covered under the branch expansion programme.

(f) New urban cooperative banks will be allowed area of operations extending to the urban and semi-urban centres in a district subject to the condition that the bank will not finance persons residing at centres other than those where the bank's office is located, till it has made adequate arrangements for supervision of the end-use of such loans and for their recovery.

(g) New urban cooperative banks will be required to satisfy minimum share capital and initial membership norms as indicated below :-

	Type of centre	Amount required to be collected initially (Rs. in lakhs)	Initial member-ship (Nos.)
	(1)	(2)	(3)
1.	Large metropolitan centres (population of 25 lakhs & above)	10.00	2000
2.	Other metropolitan centres (population between 10 lakhs and and 25 lakhs)	6.00	1500
3.	Urban centres with population of		
	a) 5 lakhs to 10 lakhs	4.00	1000
	b) Upto 5 lakhs	3.00	700
4.	Semi-urban centres	1.50	400

Procedure

2.15 Prior to 1974 the Reserve Bank had not stipulated any specific procedure/guidelines for the organisation and registration of new urban cooperative banks. The Cooperation Department had the discretion to register a new unit either as a primary cooperative bank or primary credit society and on doing so, the proposal was forwarded to Reserve Bank of India for appropriate action regarding grant of licence/inclusion of primary credit society in the list of primary cooperative banks. In 1974 it was submitted that the proposal for organisation of a new urban cooperative bank should be supported by a detailed survey report conducted by the promoters regarding the population of the area, prospects for deposit mobilisation and scope for lending to small scale and medium scale industries. It was stipulated that the survey by promoters should be in conjunction with the Cooperation Department, State Cooperative Bank and the concerned central cooperative bank. Further, in recognition of the fact that the process of registration and licensing should be complementary to each other and that there should be a close coordination between the registering and licensing authorities, a joint study with the involvement/association of officials of the Cooperation Department, State Cooperative Bank, promoter/s and the Reserve Bank of India was mooted. The joint study was to be in addition to the preliminary survey of local areas by the promoters. The object of the joint study was to assess the need for a new primary cooperative bank in the area on a realistic basis, its potentiality to become a viable unit and to opine whether the management was competent to carry on its affairs in a manner consistent with the interests of the members and depositors. To ensure uniformity, standard proformae were prescribed in 1980 for the preliminary survey and joint study. In the following year the size of the preliminary survey team was reduced and restricted to promoters and the local cooperative officer only. The relevant formats in this regard were also modified.

2.16 In October 1984 on account of instances coming to light that certain urban cooperative banks had been promoted by undesirable elements with a view to securing their own selfish interests and in certain cases even by persons guilty of criminal offences, it was felt necessary to ensure that promoters should be persons imbued with social objectives and a genuine desire to serve the community. Accordingly, it was prescribed that proposals of new urban cooperative banks

before being recommended to Reserve Bank of India for clearance for registration by the departmental authorities, should be got checked as to the antecedents of the promoters concerned and a model proforma for obtaining the bio-data of the promoters was also prescribed for the purpose.

In 1986 significant procedural changes were made and the scrutiny of proposals for establishment of new urban cooperative banks was centralised in the office of the Registrar of Cooperative Societies. Under the revised procedure which is in vogue, proposals are required to be submitted to Reserve Bank of India by the State Registrar of Cooperative Societies instead of by local field officers, as hitherto. With a view to speeding up scrutiny of the proposals for establishment of new banks, the system of first obtaining a preliminary survey report and thereafter conducting an on-the-spot feasibility study of the proposal by a joint study team has been dispensed with. Presently establishment of new banks is considered by Reserve Bank of India on the basis of the recommendations made by the Registrar of Cooperative Societies. Promoters are required as hitherto to survey the headquarters where the proposed bank is to be established in collaboration with the local cooperative officer and submit a report thereon in the prescribed proforma to the local Cooperation Department and later to the State Registrar of Cooperative Societies. Registrars of Cooperative Societies of various States have been requested to have proposals thoroughly scrutinised by one of their senior officials and to facilitate scrutiny, a check list covering the major areas to be looked into by the Registrars of Cooperative Societies has also been furnished to them. Registrars of Cooperative Societies have been advised to forward proposals to the Reserve Bank of India with their specific recommendations only after satisfying themselves that they have been scrutinised in consonance with prescribed eligibility standards and that the need for a new urban cooperative bank is clearly established.

Position regarding receipt, clearance, rejection etc. of proposals received

2.17 Between October 1986 and December 1991, 207 proposals were received for the organisation of new primary (urban) cooperative banks. Of these, 60 were cleared for registration (c.f.Annexure VI) and 107 were rejected (c.f.Annexure VII). As at the end of December 1991, 40

proposals were under consideration of Reserve Bank (c.f.Annexure VIII). During the period under reference licences to commence banking business were issued to 70 primary (urban) cooperative banks (c.f.Annexure IX).

Representation made to the Committee

2.18 It has been represented to the Committee that the present policy of closing the avenues for establishment of new urban cooperative banks in districts already served by urban banking facilities has set back the movement by a decade. It is contended that this has dampened enthusiasm and stifled cooperative endeavour and initiative. Instances have been cited of districts and centres having more than one urban cooperative banks/large concentration of urban cooperative banks (most of which are working satisfactorily, posting profits and offering a good range of services to their clients) in support of the argument that the policy of not allowing new urban cooperative banks in districts served by urban banking facilities is untenable. It has been represented in this connection that while paying lip sympathy to the criteria of need and potential, proposals for organisation of new urban cooperative banks from such areas have been rejected by the Reserve Bank mechanically on the technical ground that the proposed centre/district is already served by one or more urban cooperative banks without involving a realistic assessment of the credit gap thereat. The Committee also notes that equally strong sentiments have been expressed in regard to the "one district one bank" approach. Non-officials and even officials connected with the urban cooperative banking movement have been unanimous in their opinion that the policy stipulation of allowing only one bank in a district constitutes the single biggest impediment to the organisation of new urban cooperative banks and betrays a geographical approach with an arithmetical bias ignoring the reality of a dynamic and evolving economic environment.

2.19 It has been submitted to the Committee that under the current policy, unbanked and underbanked areas in districts having urban banking facilities are sought to be covered by the branch expansion programme rather than by allowing new urban cooperative banks so as to permit existing urban cooperative banks requisite scope for expansion and growth. It has been argued that the rigid application

of such an approach has protectionist overtones apart from overlooking the fact that there is no contradiction in permitting branch expansion by existing banks to coexist side by side with fresh cooperative initiative.

2.20 The policy objective of restricting the growth of the system on the ground of preventing weakness and consolidating the vulnerable units therein has also come in for its share of criticism. It has been submitted to the Committee that though there can be no two views that a policy relating to licensing of new urban cooperative banks should seek to prevent anticipated weakness by stipulating appropriate capital adequacy safeguards, the initiatives for rehabilitation of existing weak banks should not be linked to consideration of proposals for organisation of new banks.

2.21 There is a near unanimity of views that in its overall impact the policy has failed not only in preventing the growth of urban cooperative banks in the cooperatively advanced states but also to promote their growth in the less developed regions of the country. It is submitted that notwithstanding the so called initiatives for ensuring an even spread of banking, the urban cooperative banking map continues to show glaring regional imbalances. The data made available to the Committee in this regard shows that Maharashtra, Gujarat and the four southern states account for 1162 out of 1392 urban cooperative banks in the country (Annexure X),(only Maharashtra and Gujarat have 682 urban cooperative banks), that nearly 50% of the total number of districts are not served by urban banks (Annexure XI and XII) and that even in States where the movement has developed on satisfactory lines, there is a concentration of such banks in certain districts and uneven development in others (Annexure XIII).

2.22 Cooperators from the less developed states have complained that their failure to enter the mainstream of urban cooperative banking derives from a multiplicity of factors - social, political and economic. A sub-group constituted by the Committee which went into these issues has opined that political instability, insurgency, social unrest, low level of capital formation, industrial sickness, inadequate infrastructural facilities, difficult geographical terrain, thinly spread population, tribal inhibitions, lack of adequate support from state governments, low level of cooperative education, lack of initiative on part of non-official cooperative leadership, poor image of existing cooperatives and the failure to adopt a region specific approach are the main factors which

have inhibited the growth of the urban cooperative banking movement in the said states. During the discussions held by the sub-group with official and non-official representatives from these states, it was indicated that considerable scope exists for the organisation of urban banks at the district and taluka headquarters in such states. The governments of the concerned states have also assured requisite help for the purpose.

2.23 A large number of co-operators interacting with the Committee were of the opinion that the coverage of the urban banks should not be restricted only to metropolitan or urban or semi-urban areas but should be allowed to extend to the peripheral rural areas also. Such peripheral villages have close and tangible business connections with the urban centres due to proximity of location. It was stated that there is considerable scope in such adjacent rural areas for provision of non-agricultural credit to the needy persons which can be of great help in activising the rural economy in new productive and service areas.

2.24 Lastly, it has been represented to the Committee that there have been considerable delays in the clearance of proposals in the organisation of new urban cooperative banks both at the level of the Registrars of Cooperative Societies and the Reserve Bank of India. It has been submitted that queries/clarifications in respect of such proposals are raised piecemeal involving avoidable and protracted correspondence. Respondents have opined that delay in the clearance of a proposal creates a doubt in the minds of the lay public regarding the bonafides of the promoters and is the basic cause for such proposals not fructifying into urban cooperative banks at a later date. Cooperators have, therefore, voiced a strong demand for a time bound approach to the issue.

RECOMMENDATIONS OF THE COMMITTEE

2.25 Taking the totality of circumstances into account (including the information provided by the Reserve Bank in this regard), the Committee is of the view that adequate scope exists for the organisation of new urban cooperative banks in towns and semi-urban centres in the country. The existence of this scope in 225 districts presently devoid of urban banking facilities out of 465 districts in the country does not need any elaboration. In the remaining districts, mainly spread over

the cooperatively developed states also such scope exists and is closely linked to emerging growth centres in the said areas.

2.26 The Committee notes that in the recent past significant policy initiatives have been taken by the Government and the Reserve Bank towards the overall liberalisation in the financial services industry. These emphasise a greater freedom of entry and operation coupled with concomitant changes in the style of supervision and control.

2.27 The Committee is, of the view that the thrust of future policy should be (i) to actively promote the growth of urban cooperative banking movement in the regions where it has not taken strong roots and (ii) to give further impetus to its growth in the cooperatively advanced states by removing the impediments thereto. The Committee is of the view that the proactive approach being recommended by it will, in no way, dilute the objectives of promoting a sound and viable system or lead to the proliferation of weak and non-viable units provided the safeguards recommended by it - both financial and legislative - are also adopted simultaneously.

General Policy

2.28 The Committee therefore recommends that :

(i) The present policy of permitting organisation of urban cooperative banks only in districts devoid of urban banking facilities which led to certain distortions in the system may be discontinued. The "one district one bank" aproach may be given up since growth and development are dynamic processes which cannot be circumscribed by artificial stipulations prescribing a fixed number of banks per district irrespective of the need and potential thereat.

(ii) The Committee is of the view that organisation of new urban cooperative banks may henceforth be permitted strictly on the criteria of need for the institutions and the potential in the proposed centre/area for the mobilisation of deposits and the purveying of credit.

(iii) The Committee suggests that the Reserve Bank may address

itself to the task of prescribing quantitative definitions for the key indicators of "need", "potential" and "adequacy or otherwise of banking cover". The Committee is of the view that while "need" for the organisation of a new urban cooperative bank refers to concepts such as population coverage, spatial and geographical spread of existing banks etc., potential relates to an assessment of whether in the area of operation proposed, the new unit would be able to achieve the norms of viability within a reasonable (stipulated) period of time. The Committee feels that the determinant basis for such an assessment should be the credit gap in the functional area and suggests the following guidelines for assessing the same :

(a) Industrial activity-present and proposed; setting up of new industrial estates etc;

(b) Level of trading activity; emerging markets/market yards;

(c) Sub-urban areas - existing and proposed;

(d) Existing banking network, deposits, advances, credit-deposit ratio;

(e) Average population served by existing bank offices.

(iv) The Committee is of the view that the policy of covering unbanked and underbanked areas in districts having urban banking facilities under the branch expansion programme only may be replaced by one under which proposals for organisation of new urban cooperative banks are considered together with those for expansion of branch cover also on the basis of the aforesaid criteria of need, potential and the aggregate credit gap.

(v) The Committee feels that the existing policy in regard to Mahila Banks and to proposals for organisation of new banks from areas having predominant concentration of Scheduled Castes/Scheduled Tribes/weaker sections is in order and may be continued in its present form.

However, no bank should be allowed to be established for the exclusive benefit of a particular caste, creed, avocation, profession or a specific section of population or society.

(vi) Coordinate with the liberalisation proposed, the Committee has made certain recommendations regarding viability norms to be achieved by banks over a specified period of time as also entry point norms regarding minimum share capital and membership to be achieved prior to registration of the proposal. The Committee notes that such norms were prescribed in 1977 by the Committee on Urban Cooperative Banks and revised upwards in 1986. The Committee is of the view that by and large such norms have helped in preventing entry of weak units in the system. The Committee's effort in refixing the norms in light of the conditions obtaining on date is informed by the approach that in the emerging economic system which will be characterised by increased competitiveness if urban cooperative banks have to retain their cutting edge, they will have to satisfy the condition of productivity, efficiency and profitability. The Committee is clear in its perception that the best safeguard against the emergence of subsequent weakness is the prescription at entry point stage of minimum share capital and membership requirements which will ensure the entry of only players with sound financial credentials into the playing field.

(a) Accordingly, the Committee recommends the following entry point norms for adoption. (also please see Chapter - 4).

Type of Centre	Initial share capital (Rs.in lakhs)	Initial membership	Membership after 2 years
A*	30	2000	5000
B*	18	1500	3000
C*	12	1000	2000
D*	5	500	1000

*A - Metropolitan (Large) - Population - 50 lakhs and above
*B - Metropolitan (others) - Population - 10 lakhs and above but less than 50 lakhs
*C - Urban - Population - 1 lakh and above but less than 10 lakhs
*D - Semi-urban - Population - 10 thousand and above but less than 1 lakh.

(b) The Committee also recommends that standards of viability as specified below to be normally achieved within 3 years. In deserving cases, the period may be extended suitably but in any case not exceeding 2 years in the aggregate; the overall period being 5 years. (also please see Chapter 4).

(Rs. in lakhs)

	Metropolitan (large)	Metropolitan (Others)	Urban	Semi-Urban
Share Capital	50.00	30.00	18.00	8.00
Reserves	20.00	12.00	7.20	3.20
Deposits	430.00	258.00	154.80	68.80
Advances	350.00	210.00	126.00	56.00
Working Capital	500.00	300.00	180.00	80.00

(c) The Committee has deemed it fit to provide specific relaxations in entry point and viability norms for banks organised in North Eastern etc. regions, the tribal areas declared by the specified authority of the concerned State Government and the less developed states. These are indicated elsewere in this Chapter.

(vii) The question of area of operation has been considered by the Committee in Chapter 6 of the report. The Committee's view in this regard is that the initial area of operation of a urban cooperative banks organised in metropolitan centres shall be the limits of the said city/ town including the urban agglomeration thereof and banks organised in urban/semi-urban centres should extend to peripheral rural areas appertaining thereto. Banks organised in urban and semi-urban centres may be allowed to cover urban, semi-urban and peripheral rural areas in the district of registration subject to the condition that only non-agricultural credit requirements will be financed in the rural areas. The Committee has prescribed specific relaxations in the initial area of operation to be assigned to new banks organised in the North Eastern etc. region. These are indicated elsewhere in this Chapter.

Policy for Less Developed States/Areas

2.29 The Committee notes that no perceptible progress has been made regarding the development of urban cooperative banking in the North Eastern Region and in the less developed States. The Committee takes cognisance of the factors which have impeded the growth of banks in such regions. It also notes that in many such states there is now a greater awareness of the need for establishing urban cooperative banks and the concerned governments appear to be keen on lending support to the organisation of such banks.

2.30 The Committee has examined the various suggestions received for energising the urban cooperative movement in these states and considers that the most important prerequisites for this are capable cooperative leadership and supportive State Government. The Committee, however, feels that even given such leadership and support, it would not be realistic to straightaway embark on any extensive programme for organising urban cooperative banks covering all the said districts. It feels that to begin with a few districts/select centres may be identified in such states which would be able to support urban cooperative banks in terms of level of economic activity, existence of local leadership of proven track record and potential for mobilisation of deposits and purveying of credit.

The Committee recommends that the work of carrying out the survey for identification of such centres may be entrusted to the National Federation of Urban Cooperative Banks and Credit Societies/State Federation of Urban Cooperative Banks and the Cooperation Department of the state concerned. The programme for organising urban cooperative banks at these centres may thereafter be taken up in a phased manner.

2.31 The Committee feels that in areas where there is absence of local leadership, strong urban cooperative banks from the nearby areas/ outside the district or even outside the state may be permitted/ encouraged to organise new urban cooperative banks by combining their own expertise/initial funds with local initiative with a commitment to pull out after the new bank has achieved the stipulated levels of viability. The Committee, however, notes that in many parts of the country the local cooperative leadership is not in favour of such an arrangement and sometimes even the State Government is averse to such an approach. The Committee, therefore, recommends that impediments may be removed for the organisation of urban cooperative banks by such a modality subject to clearance by the concerned State Government and the Reserve Bank of India.

2.32 Elsewhere in the report the Committee has suggested minimum entry point norms regarding share capital and membership required to be collected by newly organised banks prior to registration as also the viability norms to be achieved by them within 3 to 5 years as stated in paragraph 2.28(vi)(b) above. These norms have been prescribed for various centres on the basis of population strata. In regard to banks organised in the less developed states and the North Eastern etc. regions the Committee recommends certain enblock relaxations in the entry point norms as also an elongated time frame for achievement in case of the viability norms. Thus for banks organised in the North Eastern Region, Sikkim, Daman, Diu, Andaman and Nicobar Islands, Lakshadweep and tribal areas declared by the specified authority of the concerned State Government, the entry point relaxation may be pegged at 33.1/ 3% of the share capital prescribed under the general viability norms and for the other less developed states at 50% thereof. The recommended norms are tabulated below:

		North Eastern states etc.	Other less-develped states
1.	Initial share capital under viability norms.	33.1/3% of the share capital prescribed under viability norms.	50% of the share capital prescribed
2.	Minimum membership	Reduction on a pro-rata basis.	Reduction on a pro-rata basis.
3.	Period for attaining viability.	5 years subject to such extension not exceeding 3 years	5 years subject to such extension not exceeding 2 years

The Committee feels that Urban Cooperative Banks organised in these areas should be in a position to attain the viability norms at the end of the elongated periods indicated above.

2.33 The Committee recommends that in view of the fact that population in the North Eastern etc. regions is thinly spread the minimum initial area of operation for banks organised in such regions can, on grounds of viability, be extended to 3 to 4 districts or even the whole state depending upon the facts of each case. In the Committee's view these measures will go a long way in opening up such areas to the benefits of urban cooperative banking.

2.34 The Committee is aware that even in the cooperatively strong states, the urban banking situation is not uniformly spread out and that there are regional imbalances which require to be ironed out. The Committee recommends that cooperatively underdeveloped areas in the strong states deserve to be given relaxation in terms of extended viability norms as are applicable to cooperatively less developed states. This exercise may be done by the Reserve Bank of India in consultation with the State Governments.

Recommendation pertaining to procedure

2.35 The Committee has made a careful study of the procedure

in terms of which proposals for organisation of new banks are handled by various agencies at different levels. The Committee's views in this regard are as under :

(a) There is scope for decentralisation of the scrutiny mechanism at the Reserve Bank's level. The Committee, therefore, recommends a greater involvement of the Regional Offices of the Reserve Bank in the process.

(b) There is scope for expediting the disposal of proposals. The Committee notes that under the procedure in vogue considerable time is involved in the processing of proposals at various levels in the office of the Registrars of Cooperative Societies/ Reserve Bank of India and that the main strategem therefore is raising queries on a piecemeal basis. In some cases proposals have been in correspondence for more than a year. The Committee appreciates that licensing of new banks is a serious matter which cannot be dealt with in a facile manner. It also agrees that certain delays are inherent in a procedure which requires two statutory authorities to deal with the proposal separately. However, the Committee feels that the following time-frame should be laid down in respect of the proposals received from promoters of urban cooperative banks :

i) Examination and recommendation/rejection by Cooperation Department - 2 months

ii) Examination and disposal by Reserve Bank of India, after scrutiny at the Regional office level and Central Office - 6 months

(c) The Committee feels that the raising of piecemeal queries is an irritant which is best avoided and recommends that clarifications by the authorities concerned should be sought for at one go. It also suggests that to the extent possible differences in perception between the statutory authorities or between them and the promoters should be ironed out at joint meetings.

(d) The Committee notes that in respect of many of the proposals cleared by Reserve Bank of India, there were delays at the level

of promoters, particularly at the stage of completion of pre-registration formalities. In certain cases these delays range between one and two years and give rise to an apprehension that perhaps the proposals were not originally mooted with the sincerity and seriousness which they deserved. While in certain cases the promoters were reported to have lost interest, in others they had failed to mobilise the entry point requirements regarding initial share capital and membership. The Committee feels that consequent on a proposal being cleared for registration within a time bound programme, it is necessary for the Registrars of Cooperative Societies to register it within three month from the date of receipt of clearance of the Reserve Bank of India and convert the same into an application for grant of licence under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) within a further period of 3 months, otherwise the clearance given by the Reserve Bank of India may be withdrawn.

(e) The Committee considers it necessary to make it obligatory on the part of the Registering Authority to ensure compliance of entry point norms relating to initial share capital, minimum membership and area of operation before registering a new urban cooperative bank. For this purpose a suitable provision may be incorporated in the State Cooperative Societies Act prescribing that one of the conditions for registration shall be "that the proposed bank has fulfilled the norms laid down by the Reserve Bank of India in regard to initial share capital, minimum membership and area of operation". The Committee also recommends that the liberalised policy should be made operative only in such states which amend their State Cooperative Societies Act on the lines indicated in this report.

(f) The Committee also feels that a factor critical to the success or failure of a new urban cooperative bank is the capability, integrity and drive of the promoters. It, therefore, feels that due note should be taken of the background/biodata of the promoters, and that the Cooperation Department of the State concerned should devote special attention to ensure that the persons behind the proposed bank are of good standing and imbued with public spirit.

(g) The Committee recommends improved coordination/healthy relationship between the Registrar of Cooperative Societies and the Reserve Bank of India regarding processing of proposals for organisation of a new bank. Before taking a decision to reject a proposal the views of the promoters and the Registrar of Cooperative Societies may be ascertained as far as possible at a joint meeting convened by the Regional Office of the Reserve Bank of India.

(h) The Committee feels that since the future organisation of new urban cooperative banks will be on the basis of the criteria of need and potential, it is necessary to redesign the existing survey format in a manner which will enable the registering and the licensing authorities to assess these two factors on a realistic basis. A specimen of the revised format is at Annexure XIV.

2.36 The Committee is also of the view that the policy relating to licensing of urban cooperative banks should be reviewed periodically say after every 5 years.

CHAPTER - 3

PRIMARY CREDIT SOCIETIES - INCLUSION IN THE LIST OF PRIMARY URBAN COOPERATIVE BANKS

Introduction

3.01 In terms of Section 5(ccvi) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) "Primary Credit Socciety" means a cooperative society,other than a primary agricultural credit society, -

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other cooperative society as a member.

Primary Credit Societies include not only such societies located in urban and semi-urban areas but also Salary Earners' Societies having a provision in their bye-laws to accept deposits from non-members and the paid up share capital and reserves of which are less than Rs 1 lakh in both the categories of societies.

Section 22 of the Banking Regulation Act, 1949 (As applicable to Cooperative Societies) enjoins that a primary credit society which becomes a primary cooperative bank after the commencement of the Act ibid shall, before the expiry of 3 months from the date on which it so becomes a primary cooperative bank, apply in writing to the Reserve Bank for a licence. It has been further provided that such "a primary credit society may carry on banking business until it is granted a licence in pursuance of the Act or is, by a notice in writing notified by the Reserve Bank of India that a licence cannot be granted to it".

3.02 Primary credit societies are allowed to accept deposits from the

public, call themselves as banks and use the word "bank", "banker", "banking" as part of their names. As they do not come within the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), the Reserve Bank does not exercise any control over the working of such societies. The authority for registering such societies and exercising general superintendence and control over them - including control over their banking business - is vested with the Registrar of Cooperative Societies under the provisions of the State Cooperative Societies Acts and Rules in force in various states. Such societies are also not required to obtain a licence from the Reserve Bank for the commencement of business. However, once the level of their share capital and reserves reaches Rs.1 lakh they are deemed to attain the status of primary cooperative banks and it then becomes obligatory on their part to apply for a licence from the Reserve Bank in order to continue to carry on banking business. Having so applied, the applicant society/bank can carry on banking business until a licence is refused to it.

3.03 Urban cooperative banks have been in existence in India for several decades. As on 1 March 1966 when the Banking Regulation Act, 1949 was applied to the cooperative societies, there were 403 urban cooperative banks. The number of urban cooperative banks increased to 1023 as on 30 June 1977. Of the additional 620 banks, as many as 567 had previously been classified as primary credit societies and they attained the status of primary cooperative banks, as and when their paid-up capital and reserves reached a level of Rs. 1 lakh or more. As such these units had entered the main stream of urban cooperative banks purely as a result of the operation of the law, rather than a realistic assessment of their operations from the point of viability and efficiency. Many such units were subsequently found to be weak on account of inadequate resources, inefficient managements, eroded capital structures and inability to comply even with the essential provisions of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) such as Section 11(1) which prescribes that the real or exchangeable value of paid up capital and reserves should not be less than Rs.1 lakh, Sections 18 and 24 regarding the maintenance of prescribed limits of cash reserve and liquid assets, etc.

3.04 Between 1966 and 1974 there was a large growth of urban cooperative banks in the country. A number of these were primary credit

societies which had kept their share capital below the statutory minimum of Rs.1 lakh at the time of their registration to obviate the requirement of getting a licence from the Reserve Bank to commence banking business and had been freely allowed to be organised by Registrars of Cooperative Societies. The resultant proliferation of weak banks in the system led to a perception that there was a need for introducing measures to arrest their unhealthy growth by prescribing suitable checks at the time of registration itself. As detailed in paragraph 2.06 and keeping in view the consensus of opinion at the seminar a circular issued by the Reserve Bank to Registrars of Cooperative Societies in October 1974 regarding the norms for registration of new primary (urban) cooperative banks, it was emphasised that primary credit societies or primary cooperative banks should be registered by the Cooperation Department only if the share capital collected by them at the time of registration was not less than Rs.1 lakh.

3.05 In December 1976 it was pointed out to the Registrars of Cooperative Societies that primary credit societies which had attained the status of primary cooperative banks continued to default/delay in the submission of applications for a licence. It was explained that carrying on of banking business by such societies without applying for a licence under Section 22(2) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) apart from being a serious violation of the provisions of the said Act, also debarred them from obtaining insurance cover under the Deposit Insurance Scheme.

3.06 (a) The entire question of registration and licensing of new primary cooperative banks was examined by the Committee on Urban Cooperative Banks (1977). In pursuance of the recommendations thereof Registrars of Cooperative Societies were advised in June 1979 that in order to prevent the emergence of weak urban cooperative banks and to promote the growth of the system on sound lines only such units should be considered for registration in future as had "prospects of functioning as viable primary cooperative banks". It was emphasised in this connection that primary credit societies having the object of carrying on banking business should not be registered hereafter and that this applied equally to the case of salary earners' or employees' credit societies having provision in their bye-laws for acceptance of non-member deposits.

(b) The Committee on Urban Cooperative Banks also opined that to

promote the growth of the urban credit movement, there was a need to (i) "stop the practice of primary credit societies commencing banking business without first obtaining a licence from the Reserve Bank, and (ii) prevent them from using the word "bank", "banker", "banking" to enable the public to distinquish between a banking institution coming under the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) and (such) societies functioning outside its purview". In order to give effect to its recommendations the Committee proposed appropriate legislative amendments including amendments to the above Act.

(c) As regards existing primary credit societies the Committee suggested that they may be allowed to continue to carry on banking business for a maximum period of 4 years with effect from the date of coming into force of the amendments proposed. It was clarified that during this period such societies should either reach the level of viability standards prescribed by the Reserve Bank for primary (urban) cooperative banks and thus qualify for issue of a licence to carry on banking business or take suitable steps for going outside the purview of the Act ibid.

3.07 In a comprehensive reiteration of earlier policy it was indicated in October 1983 to Registrars of Cooperative Societies that despite repeated requests instances had been coming to light of primary credit societies having been registered with initial share capital of less than Rs.1 lakh and having as their primary objective the transaction of banking business. It was explained that by keeping the level of their paid up capital below the statutory minimum at the time of registration, organisers of such societies had been able to enter the fold of urban cooperative banks through a back door strategem thus avoiding scrutiny of the proposal by the Reserve Bank from the viability angle and injecting the mainstream with potential or manifest weakness. Emphasising the need for utmost coordination between the registering and licensing authorities, Registrars of Cooperative Societies were therefore requested once again to ensure that they should "under no circumstances register any primary credit societies hereafter with a provision to accept deposits from non-members and with paid up share capital of less than Rs.1 lakh". It was also informed that Reserve Bank was taking necessary steps for amendments to the Banking Regulation Act to prohibit the registration of such societies.

3.08 In an endeavour to prevent the future entry of primary credit societies into the category of primary cooperative banks, Registrars of Cooperative Societies were advised in 1984 to amend the bye-laws of existing primary credit societies whose paid up capital and reserves had not reached the prescribed level of Rs.1 lakh and preclude them from accepting non-member deposits thereby restricting the gamut of their activities to members only.

Initiatives taken by the Reserve Bank of India

3.09 (i) The work relating to promoting necessary amendments to the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) as recommended by the Committee on Urban Cooperative Banks was initiated by the Reserve Bank in 1982 together with other amendments which had become necessary in light of experience gained/difficulties encountered over the years. In 1983 while communicating the policy relating to primary credit societies, Registrars of Cooperative Societies were informed of the fact that the Reserve Bank was taking necessary steps for amendment to the Act ibid to prohibit registration of such societies. The Committee has been informed that as on date a comprehensive draft Amendment Bill has almost been finalised by the Reserve Bank and it will be forwarded to the Government of India for enactment after consultations with the Legal Department.

(ii) Concurrent with the initiative for enactment of amendments prohibiting registration of primary credit societies, the Reserve Bank modified the extant procedure relating to the steps to be taken by primary credit societies for going out of the purview of the Banking Regulation Act,1949 (As Applicable to Cooperative Societies)and stipulated that such of the societies as had attained the status of primary cooperative banks and were functioning in centres/districts having adequate banking facilities including urban banking, should take steps for being declared as non-banking institutions after ensuring that the interests of the depositors were fully protected as contemplated in terms of Section 36A(2) of the Banking Regulation Act, 1949 (As

Applicable to Cooperative Societies). Such steps included promoting amendment of bye-laws, restricting acceptance of deposits from members alone, deletion of the word "bank", "banker", or "banking" appearing as part of their names, refunding non member deposits or making adequate provision therefor. However, primary credit societies which attained the status of primary cooperative banks and functioning in districts devoid of urban banking facilities continued to be included in the list of primary cooperative banks on their attaining the norms of viability stipulated for urban cooperative banks.

3.10 Salary Earners' type of societies which are included in the category of primary credit societies have been dealt with elsewhere in the report. For the reasons stated therein such societies are not being included in the list of primary cooperative banks irrespective of the locale of operation, capital adequacy, achievement of viability norms etc.

Procedure

3.11 From 1969 the Reserve Bank has been exhorting Registrars of Cooperative Societies to furnish information relating to such primary credit societies functioning under their jurisdictions as have attained the status of primary cooperative banks. Although originally such information was to be furnished on a case to case basis it was sought to be placed on a regular footing from 1976 onwards. Except for periodic revisions in the reporting proforma this position obtains as on date.

Statistical Data

3.12 It is learnt that upto-date and comprehensive data on the number of primary credit societies which have attained the status of primary cooperative banks and have not been included in the list of primary cooperative banks are not available. The Committee is informed by the Reserve Bank of India that despite sincere and concerted efforts by them in this regard, Cooperation Departments of states concerned who are the primary source of the data have been generally remiss in the furnishing of requisite information to the Reserve Bank.

3.13 The information as could be gathered by the Reserve Bank of India and furnished to the Committee appended as Annexure XV relates to the position of primary credit societies which had attained the status of primary cooperative banks as on 30 June 1991. In consonance with current policy such societies have not been included in the list of primary cooperative banks but advised to take requisite steps to go outside the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). It is reported that while a few of them have initiated appropriate steps in this regard, the majority have either not taken any steps in this direction or made repeated applications for inclusion of their names in the list of primary cooperative banks involving the Reserve Bank in protracted correspondence. Some of these societies have also been reported to have achieved prescribed viability norms. The Committee feels that the continuance of such banking units without being subjected to the control and supervision of Reserve Bank of India is not consistent with its responsibility to depositors.

3.14 It has been represented to the Committee that applications in Form IV for issue of a licence under Section 22(2) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) from certain primary credit societies have been pending with the Reserve Bank for an inordinately long time. It has been submitted that such societies not only, prima facie, satisfy the minimum capital adequacy norms prescribed under section 11(1) of the said Act, but have in many cases also achieved the present standards of viability. The Committee has been informed that despite the non-inclusion of their names in the list of primary cooperative banks such societies are doing banking business without regard to the prescribed banking disciplines pertaining to interest rates, maintenance of cash reserves/liquid assets etc. and with attendant risks to the interests of depositors.

While taking cognisance of the steps taken by the Reserve Bank so far in persuading such societies to go out of the purview of the Banking Regulation Act 1949 (As Applicable to Cooperative Societies), the Committee feels that primary credit societies whose share capital and reserves have reached a level of Rs.1 lakh as prescribed under the Act ibid are primary cooperative banks subject to compliance of prescribed conditions.

RECOMMENDATIONS OF THE COMMITTEE

3.15 The Committee has been given to understand that several weak

primary credit societies were indeed registered by State Governments despite the instructions of the Reserve Bank to the contrary from time to time. It would appear that the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) until amended gives recognition to primary credit societies doing banking business irrespective of any administrative instructions to the contrary. Given the complicated legal and administrative background, the Committee felt that a pragmatic solution was necessary. While it was not feasible or desirable to deny licences to all these societies, it was essential to ensure that they conformed to certain norms as worked out by the Committee for fresh entry.

3.16 The Committee is of the view that all primary credit societies which attain the revised entry point norms prescribed under standards of viability for urban coperative banks in this report before 30 June, 1993 will become eligible for being considered for inclusion in the list of primary cooperative banks. In case where societies have not applied, they may be allowed time upto 30th June, 1993 to apply in case they have reached the new entry point norms. Such societies may thereafter be taken up for inspection and considered for issue of licence on merit. This exercise should be completed within a period of 6 months from the date of taking the primary cooperative bank's name on record. The Reserve Bank's decision on the licence application should be communicated to the concerned institution as early as possible but not later than 3 months from the completion of the inspection process. In case, the application for issue of a licence is rejected by the Reserve Bank, the concerned primary cooperative bank should itself discontinue the banking business. In case such initiative is not forthcoming, the Cooperation Department of the State concerned may invoke the powers vested in them and expedite the process.

3.17 The Committee also recommends that after the expiry of the cut off date of 30 June 1993, the primary credit societies which do not satisfy the revised entry point norms of standards of viability prescribed in this report may discontinue the banking business and the Cooperation Department of the State Government concerned may invoke the powers vested in them and expedite the process.

3.18 The Committee agrees with the existing policy of the Reserve Bank of India of not recognising Salary Earners' Type of Primary Credit Societies becoming primary cooperative banks. The Committee recommends that the Cooperation Department of various States should initiate action so that such societies go out of the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).

CHAPTER - 4

VIABILITY OF URBAN COOPERATIVE BANKS

Evolution of Policy

4.01 Various Committees set up by the Reserve Bank of India from time to time have gone into the question of fixation of specific standards of viability for cooperative banks.

4.02 Broadly if the income earned by an institution is adequate to cover its expenditure and leaves a certain surplus to pay a reasonable return on capital, it is deemed to be viable. However, though the ability to earn profits is a basic requirement, profitability is not the sole criterion of viability. Supporting this stand the Committee on Urban Cooperative Banks (1977) observed that "in view of the fact that several urban banks with low level of transactions have kept the establishment and management expenditure low enabling the institutions to earn a surplus, the capacity to earn profit cannot be taken as the sole criterion for deciding the viability of an institution". The Committee added that "a more appropriate test of viability would lie in examining how far a unit has been able to effectively and efficiently carry the role assigned to it". The definition of a viable unit given by the Committee on Urban Cooperative Banks holds good even today and the present Committee agrees that in addition to profitability, viability is closely linked to efficiency of operations and management.

4.03 The first attempt to define viability in the context of urban cooperative banking institutions was made by the Reserve Bank of India in 1971. The norms arrived at were placed before the Seminar of the Chief Executive Officers of Urban Banks held at Pune in July 1971. The Committee on Problems of Urban Cooperative Banks in Maharashtra (1976) also went into the question, inter alia, of the viability aspect of banks and made certain recommendations in this regard.

4.04 This aspect was also included as one of the terms of reference of the Committee on Urban Cooperative Banks set up by the Reserve Bank in 1977. In order to fix the norms of viability on a scientific basis the Committee conducted a detailed survey in 5 states between December 1977 and January 1978 with a view to ascertaining the resources and

investments of urban banks and return accruing on deployment thereof. For this purpose banks were classified into those operating in metropolitan, urban and semi-urban centres so as to arrive at different sets of norms of viability depending on the type of centre where the bank operated.

As part of the methodology adopted, an attempt was made to arrive at the minimum complement of staff and the ideal organisational set up required to adequately tap the potential both by way of mobilisation of deposits and lendings as related to the particular type of centre where the bank was functioning. The exercise involved working out the margin available to banks in raising and deployment of resources as well as the cost of establishment expenditure to be incurred on the minimum fixed and variable staff requirements leading to the quantum of loan business which would be necessary to generate the income requisite to meet such costs. Based on the findings of the study the Committee prescribed norms of viability as per details indicated below.

(Rs. lakhs)

	Metro-politan	Urban	Semi-urban
Share capital	6.00	4.50	2.25
Reserves	1.20	0.90	0.45
Deposits	44.00	33.00	17.70
Borrowings	6.00	4.50	1.50
Loans & advances	40.00	30.00	15.00
Working capital	57.00	43.00	22.00

The above norms of viability were accepted by the Reserve Bank and brought into force with effect from 2nd June 1979 for considering proposals for organisation of new banks, identification of non-viable banks and allowing existing banks to open new places of business.

4.05 In 1984 it was felt that the norms fixed by the committee related to the position of representative urban cooperative banks obtaining as on 30th June 1977, and did not reflect the all round increase in the operational and establishment expenditures of such banks during the interregnum of 7 years. It was also felt that the interest margin available to urban banks had come down on account of periodic upward revision in the interest rates of deposits as per directives issued from time to time. The operative margin had been further eroded by downward revision in the interest rates of advances particularly those provided to the priority sector and weaker sections of the society. Resultantly, it was decided to have a fresh look at the then existing norms and sample studies were carried out afresh to obtain data on various operational and financial aspects relating to the working of urban cooperative banks. The methodology adopted for the purpose followed the pattern of the Committee on Urban Cooperative Banks (1977) except for certain minor modifications in the staffing patterns. Taking into account the information received from banks which had been selected for study as also other relevant factors, revised viability norms were worked out and submitted to the Fourth Standing Advisory Committee in February 1985. In pursuance of the discussions/recommendations made at the meeting, a revised note on the norms of viability including entry-point norms relating to initial share capital and minimum membership to be collected by a newly organised urban cooperative bank was submitted to and approved by the Fifth Standing Advisory Committee in January 1986. These norms were as under :

(Rs. in lakhs)

Item	Metropolitan Centres with population of		Urban Centres with population of		Semi urban centres with population of less than 1 lakh
	25 lakhs and above	10 lakhs and above but less than 25 lakhs	5 lakhs to 10 lakhs	1 lakh to 5 lakhs	
A. Norms of viability for a bank (to be achieved over a period of 5 years)					
1. Share capital	20	12	8	6	3

1	2	3	4	5	6
2. Reserves	4	2	2	1	1
3. Deposits	156	94	62	47	24
4. Borrowings	20	12	8	6	2
5. Loans & advances	140	84	56	42	21
6. Working capital	200	120	80	60	30
B. Norms of viability for a branch (to be achieved over a period of 3 years)					
1. Deposits	70	35	25	19	11
2. Advances	63	31	23	17	10

B. Entry Point Norms

	Type of centre	Amount of share capital to be collected initially (Rs. in lakhs)	Initial membership (Nos.)
	1	2	3
1.	Metropolitan centres with population		
	a) Of 25 lakhs and above	10.00	2000
	b) Between 10 lakhs and 25 lakhs	6.00	1500
2.	Urban centres with population		
	a) Between 5 lakhs and 10 lakhs	4.00	1000
	b) Between 1 lakh and 5 lakhs	3.00	700
3.	Semi-urban centres with population of less than 1 lakh	1.50	400

4.06 Taking into account the fact that the revised norms of viability had been introduced in 1986, the views/suggestions expressed/made by members of the Standing Advisory Committee from time to time and the developments which had taken place in the banking and financial environment in the intervening years, a sample study was undertaken for determining the need for a further revision of the said norms by calling for requisite information from as many as 104 banks operating in semi-urban, urban and metropolitan centres spread over the country. The results of the study indicated the need for an upward revision in the norms and accordingly fresh proposals for the upward revision of viability standards was placed before the Tenth Standing Advisory Committee at its meeting held on 19 April 1991 for approval. However, on account of the paucity of time, discussion on the proposals submitted was deferred. The viability standards as also the minimum entry point norms submitted to the Tenth Standing Advisory Committee for approval are detailed below :

(i) Standards of viability

(Rs.lakhs)

	Metropolitan (Population 50 lakhs and above) A	Metropolitan (Population 10 lakhs and above but less than 50 lakhs) B	Urban centres (Population 1 lakh and above but less than 10 lakhs) C	Semi-urban (Population 10,000 but less than 1 lakh) D
Share Capital	30.00	20.00	12.50	6.00
Reserves	12.00	8.00	5.00	2.40
Deposits	258.00	172.00	107.50	51.60
Advances	210.00	140.00	87.50	42.00
Working Capital	300.00	200.00	125.00	60.00

(ii) Entry point norms relating to minimum share capital and initial membership for new urban cooperative banks to be achieved prior to their registration by the Cooperation Department

Details	Type of Centre	Initial	
		Share capital (Rs.lakhs)	Member-ship (No.)
Metropolitan centres - large - population 50 lakhs and above	A	20.00	3000
Metropolitan centres - population 10 lakhs and above but less than 50 lakhs	B	13.00	2400
Urban centres - population 1 lakh and above but less than 10 lakhs	C	8.00	1600
Semi-urban centres - population 10,000 and above but less than 1 lakhs	D	4.00	600

Observations of the Committee

4.07 In arriving at its conclusions the Committee has considered the major changes which have been introduced in the economy to correct macro-economic imbalances and effect structural adjustments with the objective of bringing about a more competitive system and promoting efficiency in the real sectors of the economy. It has built into its evaluation the achievements of the urban banking sector in mobilisation of resources, extension of credit and diversification of services offered to clientele over recent years. The Committee is influenced by the philosophy that the emerging economic situation will be characterised by increased competitiveness and, therefore, the urban banking system must be firmly rooted in productivity, efficiency and profitability in addition to its social responsibilities. The Committee is clear that in the context of organisation of new banks, the challenges of a competitive environment can only be met by units which are per se strong and capable of holding their own in a level playing field.

Methodology

4.08 In arriving at its conclusions the Committee has used the data

on the basis of which recommendations were made by the Urban Banks Department to the Tenth Standing Advisory Committee in April 1991. This data covers 104 urban cooperative banks operating in different population strata in the country and covers information on their assets, liabilities, cost structure, operating results and branch and manpower economics. The Committee has analysed the operative economics of the sample with special reference to the break-even operations in relation to the structure of costs, assets and liabilities. The methodology adopted by the Committee is in consonance with the Bank's thinking on the subject and covers various aspects relating to organisational set up, staffing pattern, emoluments, margin on raising and deployment of resources, operational costs, both fixed and variable, and working capital requirements in relation thereto.

Keeping in view the staffing pattern adopted at the time of last revision and taking into account the actual staff deployed by the banks selected for the study, an ideal organisational staffing pattern for an urban cooperative bank has been arrived at. However, the emoluments payable to the staff have been revised upwards by 50% and recalculated taking into account the double digit inflation for three years between 1989 and 1992 as also the anticipated stabilisation of this trend at the same level in the short run.

The organisational staffing pattern arrived at for an urban cooperative bank together with proposed per mensem emoluments is indicated on next page.

(Amount in Rs.)

Designation	No.of posts	Centres A*	B*	C*	D*
Chief Executive Officer	1				
Assistant Manager	1				
Accountant	1				
Section Officer	1				
Cashiers/Clerks/Clerk-cum-Typists	4	39900	35400	30450	18900
Peons	2				
Watchman/Security staff	2				
Other menial staff	1				

Note :

*A refers to Metropolitan centres having population of 50 lakhs and above.

*B refers to Metroplitan centres having population of 10 lakhs and above but less than 50 lakhs.

*C refers to Urban centres having population of 1 lakh and above but less than 10 lakhs.

*D refers to Semi-urban centres having population of 10,000 and above but less than 1 lakh.

The study conducted by the Committee on the same sample found that after including income from investments, the sample average of net return on working capital was 4.5% ± 0.2%. The study revealed expenditure on account of rent, taxes, etc. as a percentage of the fixed salary costs in respect of banks in groups A, B, C and D centres at 45, 37.5, 30 and 15 respectively. Similarly, expenditure on other variable items has been arrived at 2.5%, 2.0%, 1.5% and 1.15% of the loan business estimated at 70% of the working capital of Rs. 20 lakhs for one clerk. Share capital has been taken as 10% of the working capital and reserves have been deemed at 40% of the share capital.

On the basis of the aforesaid, the Committee has worked out viability norms to be achieved by urban cooperative banks classified in 4 population strata (1991 census) as per details given below:

	Centres	Population
A	Metropolitan(large)	50 lakhs and above
B	Metropolitan(others)	10 lakhs and above but less than 50 lakhs
C	Urban	1 lakh and above but less than 10 lakhs
D	Semi-urban	10,000 and above but less than 1 lakh

Five sets of viability norms have been worked out assuming net return on working capital at 4.3%, 4.4%, 4.5%, 4.6% and 4.7%.

(a) (i) **Proposed Viability Norms at net return on working capital assumed at 4.3%**

Viability Norms	Centres			
				(Amount in Rs.)
	A	B	C	D
Share Capital[1]	71,82,000	38,37,153	22,34,245	9,61,478
Reserves	28,72,800	15,34,861	8,93,698	3,84,591
Deposits	6,17,65,200	3,29,99,519	1,92,14,511	82,68,712
Advances	5,02,74,000	2,68,60,073	1,56,39,718	67,30,346
Working Capital	7,18,20,000	3,83,71,533	2,23,42,454	96,14,781

(a) (ii) **Worksheet showing computation of working capital**

Fixed Costs	Centres			
	A	B	C	D
Salaries	4,78,800	4,24,800	3,65,400	2,26,800
Rent, taxes	2,15,460	1,59,300	1,09,620	34,020
Total fixed Cost	6,94,260	5,84,100	4,75,020	2,60,820

	Centres			
	A	B	C	D
Variable costs				
Expenditure on staff by way of 1 clerk for every 20 lakhs of Rupees in the working capital	32,400	28,800	23,400	16,200
Other variable cost	35,000	28,000	21,000	16,100
Total variable cost	67,400	56,800	44,400	32,300

Assumptions				
Variable cost to working capital	0.0333	0.0278	0.0217	0.0159
Net return on working capital	0.0430	0.0430	0.0430	0.0430
Working capital required to meet total fixed and variable costs on the basis of the net margin Working Capital	7,18,20,000	3,83,71,533	2,23,42,454	96,14,781

(b) (i) **Proposed viability norms at Net return on working capital assumed at 4.4%**

Viability Norms	Centres			(Amount in Rs.)
	A	B	C	D
Share capital	65,08,688	36,00,616	21,33,879	9,27,295
Reserves	26,03,475	14,40,247	8,53,552	3,70,918
Deposits	5,59,74,712	3,09,65,301	1,83,51,358	79,74,733
Advances	4,55,60,813	2,52,04,315	1,49,37,152	64,91,062
Working Capital	6,50,86,875	3,60,06,164	2,13,38,789	92,72,946

(b) (ii) **Worksheet showing computation of working capital**

Fixed costs	A	B	C	D
Salaries	4,78,800	4,24,800	3,65,400	2,26,800
Rent, Taxes	2,15,460	1,59,300	1,09,620	34,020
Total Fixed Cost	6,94,260	5,84,100	4,75,020	2,60,820

Variable costs				
Expenditure on staff by way of 1 clerk for every 20 lakhs of Rupees in the working capital	32,400	28,800	23,400	16,200
Other variable cost	35,000	28,000	21,000	16,100
Total variable cost	67,400	56,800	44,400	32,300
Assumptions				
Variable cost to working capital	0.0333	0.0278	0.0217	0.0159
Net return on working capital	0.0440	0.0440	0.0440	0.0440
Working Capital required to meet total fixed and variable costs on the basis of the net margin Working Capital	6,50,86,875	3,60,06,164	2,13,38,789	92,72,946

(c) (i) **Proposed viability norms at net return on working capital assumed at 4.5%**

Viability Norms	Centres			(Amount in Rs.)
	A	B	C	D
Share capital	59,50,800	33,91,548	20,42,142	8,95,458
Reserves	23,80,320	13,56,619	8,16,857	3,58,183
Deposits	5,11,76,880	2,91,67,317	1,75,62,422	77,00,942
Advances	4,16,55,600	2,37,40,839	1,42,94,994	62,68,208
Working Capital	5,95,08,000	3,39,15,484	2,04,21,421	89,54,583

(c) (ii) **Worksheet showing computation of working capital**

Fixed costs	A	B	C	D
Salaries	4,78,800	4,24,800	3,65,400	2,26,800
Rent, taxes	2,15,460	1,59,300	1,09,620	34,020
Total Fixed cost	6,94,260	5,84,100	4,75,020	2,60,820
Variable costs				
Expenditure on staff by way of 1 clerk for every 20 lakhs of Rupees in the working capital	32,400	28,800	23,400	16,200
Other variable Cost	35,000	28,000	21,000	16,100
Total variable cost	67,400	56,800	44,400	32,300
Assumptions				
Variable cost to working capital	0.0333	0.0278	0,0217	0,0159
Net return on working capital	0.0450	0.0450	0.0450	0.0450

	Centres			
	A	B	C	D
Working capital required to meet total fixed and variable costs on the basis of the net margin Working Capital	5,95,08,000	3,39,15,484	2,04,21,421	89,54,583

(d) (i) **Proposed viability norms at net return on working capital assumed at 4.6%**

Viability norms	Centres			(Amount in Rs.)
	A	B	C	D
Share Capital	54,81,000	32,05,427	19,57,968	8,65,736
Reserves	21,92,400	12,82,171	7,83,187	3,46,294
Deposits	4,71,36,600	2,75,66,670	1,68,38,522	74,45,325
Advances	3,83,67,000	2,24,37,988	1,37,05,774	60,60,149
Working capital	5,48,10,000	3,20,54,268	1,95,79,677	86,57,355

(d) (ii) **Worksheet showing computation of working capital**

Fixed costs	A	B	C	D
Salaries	4,78,800	4,24,800	3,65,400	2,26,800
Rent, taxes	2,15,460	1,59,300	1,09,620	34,020
Total fixed cost	6,94,260	5,84,100	4,75,020	2,60,820
Variable costs				
Expenditure on staff by way of 1 clerk for 20 lakhs of Rupees in the working capital	32,400	28,800	23,400	16,200
Other variable cost	35,000	28,000	21,000	16,100
Total variable cost	67,400	56,800	44,400	32,300

	Centres			
	A	B	C	D
Assumptions				
Variable cost to working capital	0.0333	0.0278	0.0217	0.0159
Net return on Working Capital	0.0460	0.0460	0.0460	0.0460

Working capital required to meet total fixed and variable costs on the basis of the net margin Working Capital	5,48,10,000	3,20,54,268	1,95,79,677	86,57,355

(e) (i) **Proposed viability norms at net return on working capital assumed at 4.7%**

(Amount in Rs.)

Viability Norms	Centres			
	A	B	C	D
Share capital	50,79,951	30,38,671	18,80,458	8,37,922
Reserves	20,31,980	12,15,468	7,52,183	3,35,169
Deposits	4,36,87,581	2,61,32,566	1,61,71,937	72,06,134
Advances	3,55,59,659	2,12,70,694	1,31,63,205	58,65,457
Working capital	5,07,99,512	3,03,86,705	1,88,04,578	83,79,225

(e) (ii) **Work sheet showing computation of working capital**

Fixed costs	A	B	C	D
Salaries	4,78,800	4,24,800	3,65,400	2,26,800
Rent, taxes	2,15,460	1,59,300	1,09,620	34,020
Total fixed cost	6,94,260	5,84,100	4,75,020	2,60,820

	Centres			
	A	B	C	D
Variable costs				
Expenditure on staff by way of 1 clerk for every 20 lakhs of Rupees in the working capital	32,400	28,800	23,400	16,200
Other Variable costs	35,000	28,000	21,000	16,100
Total variable cost	67,400	56,800	44,400	32,300

Assumptions				
Variable cost to working capital	0.0333	0.0278	0.0217	0.0159
Net return on Working Capital	0.0470	0.0470	0.0470	0.0470
Working capital required to meet total fixed and variable costs on the basis of the net margin working capital	5,07,99,512	3,03,86,705	1,88,04,578	83,79,225

4.09 After taking into account all the related factors the Committee is of the view that the following viability norms are to be achieved by the existing urban banks within the prescribed time from the date of issue of instructions by Reserve Bank of India and/or from the date of issue of licence in case of newly organised urban cooperative banks respectively.

(Rs. in lakhs)

	Metropolitan (large)	Metropolitan (others)	Urban	Semi-urban
Share capital	50.00	30.00	18.00	8.00
Reserves	20.00	12.00	7.20	3.20
Deposits	430.00	258.00	154.80	68.80
Advances	350.00	210.00	126.00	56.00
Working Capital	500.00	300.00	180.00	80.00

The above standards of viability will have to be normally achieved within a period of 3 years from the date of issue of instructions or from the date of issue of licence, as the case may be. In deserving cases, the period may be extended suitably but in any case not exceeding 2 years in the aggregate; the overall period being 5 years.

Accordingly, norms relating to minimum share capital and initial membership at the entry point for new urban cooperative banks may be refixed as under :-

Type of centre capital	Initial share Membership (Rs.lakhs)	Initial 2 years (Nos.)	Membership after (Nos.)
A	30	2000	5000
B	18	1500	3000
C	12	1000	2000
D	5	500	1000

4.10 Despite the measures taken hitherto urban cooperative banking movement continues to exhibit glaring regional imbalance. Taking note of this the Committee constituted a Sub-group to identify the factors which had impeded the growth of urban cooperative banks in the North, East and North Eastern States. The findings of the Sub-group indicate that the slow growth of urban cooperative banking in these states derives mainly from the lack of non-official leadership, inadequate interest on the part of the State Governments and others concerned and low levels of economic activity, historical and sociological reasons. However there now appears to be a greater measure of awareness in these states for the promotion and organisation of urban cooperative banks specifically to cater to the needs of the small and middle income groups in urban and semi urban areas. The Committee feels that conditions should be created so that this stepped up awareness can be taken advantage of.

It has been represented to the Committee that 'under developed' regions should be treated on a separate footing from the rest of the country and that relaxations should be made in the norms of viability, entry point criteria and the time frame for achievement thereof. Taking into account the submissions made by officials and non-officials connected with the urban cooperative banking movement in these states, State/National Federation, the Committee feels that there is some force in the arguments adduced. The Committee is, however, unable to agree with the view that the norms of viability themselves should be lowered for such regions as viability is a concept "objective" in itself and not related to the locale of functioning of the banks concerned. However, with a view to creating conditions conducive to the organisation of urban cooperative banks in such states and/or by removing the impediments which have

stunted the growth of the movement thereat, the Committee recommends relaxations regarding entry point norms relating to initial share capital and minimum membership. These relaxations will enable the initial setting up of urban cooperative banks in these areas without subjecting them to the rigours of similar requirements prescribed for urban cooperative banks in other states.

4.11 For the purposes of relaxation, states where urban cooperative banking movement has not taken adequate roots have been categorised into -

i) Less developed states i.e. states excluding the cooperatively developed states.

ii) Least Developed States viz. North Eastern Region, Sikkim and the Union Territories of Daman, Diu, Lakshadweep, Andaman and Nicobar Islands and the tribal areas declared by the specified authority of the concerned State Government.

The relaxations pertain to quantum reductions (expressed in percentage terms) in initial share capital and minimum membership necessary for organisation of new urban cooperative banks and to the period within which the regular norms of viability are to be attained.

	Relaxed Entry Point Norms		Period for attaining viability Norms
	Share Capital	Membership	
Less Developed States	50% of the share capital prescribed under viability norms	Reduction on a pro-rata basis	5 years subject to such extension not exceeding 2 years
Least Developed States	33.1/3% of the share capital prescribed under viability norms	Reduction on a pro-rata basis	5 years subject to such extension not exceeding 3 years

4.12 The Committee hopes that the norms proposed by it will facilitate the building up of a strong and vibrant urban banking structure in the country which will be able to mobilise and deploy larger resources to cater to the needs of its somewhat special clientele consisting of small and middle income groups in the urban and semi-urban areas of the country.

4.13 The Committee also hopes that these norms will help to eliminate at the entry stage itself, the emergence of units which in course of time might become weak on account of inadequate capital structure, resources and inefficient management.

4.14 The Committee is of the view that viability and entry point norms are part of a dynamic process of change and should therefore be reviewed periodically but in any case not later than 5 years. The Committee also emphasis the need for achieving the viability norms by urban cooperative banks as early as possible as stated elsewhere in this report.

CHAPTER - 5

LICENSING OF EXISTING URBAN COOPERATIVE BANKS

Legal Framework

5.01 In terms of sub-section 2 of Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) every cooperative society carrying on banking business at the time of extension of the provisions of the above Act, i.e. 1 March 1966, was required to apply to the Reserve Bank of India for grant of a licence.

Also every primary credit society which became a primary cooperative bank after the commencement of the Act was required to apply for a licence before the expiry of three months from the date on which it so became a primary cooperative bank. These banks are classified as 'Existing' banks to differentiate them from the category of newly organised banks which are required to commence their banking business only after obtaining a licence for this purpose from Reserve Bank of India.

Evolution of Policy

5.02 Accordingly, the Reserve Bank of India had been receiving applications for licences from the 'existing' cooperative banks from time to time. Commenting on this aspect the Committee on Urban Cooperative Banks remarked that as on 30 June 1977 only 96 out of 1162 Urban Cooperative Banks in the country had been licensed. Emphasising the importance of licensing, the Committee stated that this confers certain distinct advantages and status on a bank and enhances its image in the eyes of the public including the depositors and other clients. The Committee recommended that "the Reserve Bank of India should start issuing licences to the existing banks without further delay".

5.03 In order to give effect to the recommendations of the Committee,

it was deemed necessary first to study all the aspects of the working of these cooperative banks including developmental aspects through a few rounds of inspections to be in a position to evolve suitable eligiblity criteria for issue of licence. With the above purpose in view a small Working Group was set up in October 1978 which evolved detailed parameters for issue of licence to eligible (existing) urban cooperative banks.

The criteria evolved were consistent with the general statutory requirements in this regard and sought to ensure a realistic assessment of the performance of applicant banks in light of financial and managerial criteria. The licensing process commenced after March 1979 and licences were issued to as many as 82 eligible banks during a short span of about 18 months ending December 1980.

5.04 The norms/criteria were reviewed periodically with a view to making suitable modifications taking into account the practical difficulties, both financial and operational faced by these banks and the views expressed at various Seminars/Conferences of Urban Cooperative Banks Federation/Associations.

5.05 In May 1986 the continuance of a large number of banks in the 'unlicensed' category was brought to the notice of the Reserve Bank of India. In pursuance of an assurance given by the Governor, a special task force was constituted to review the licence applications of all existing banks on a priority basis. It was observed that since the extension of certain provisions of the Banking Regulation Act to cooperative societies in March 1966, only 213 banks had been licensed upto 31 May 1986. Of the remaining 889 unlicensed urban cooperative banks, 220 suffered from various defects such as being weak/under rehabilitation, not complying with the requirements relating to minimum share capital and reserves and other provisions of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies). With a view to simplifying the process of licensing the existing eligibility criteria were also revised and in the light thereof, licences were issued to as many as 370 banks by January 1987. The progress made in this regard was reported to the Sixth Standing Advisory Committee in February 1987.

5.06 The position was once again reviewed in the following year and

after examining the cases of 228 unlicensed banks, licences were issued to 101 of these banks between October 1987 and March 1988.

Existing Procedure

5.07 Presently, banks have to comply with the following norms so as to be eligible for a licence.

(i) Compliance with certain provisions of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) i.e. Sections 11(1) (minimum capital requirements, 22(3)(a) (capacity to pay the depositors as and when their claims accrue), 18 (maintenance of prescribed level of cash reserve), and 24 (maintenance of prescribed level of liquid assets).

(ii) Compliance with the general directives of the Reserve Bank under Sections 21 and 35A of the Banking Regulation Act .

(iii) Compliance with other important provisions of the Act, ibid, i.e. Section 6 (forms of business). 8 (prohibition of trading), 14(A) (prohibition of floating charge on assets) and 23 (restriction on opening of new places of business).

(iv) Regularity in submission of statutory returns to the Reserve Bank.

(v) Satisfactory recovery performance.

(vi) Position of repayment of loans availed of from higher financing agencies.

(vii) Maintenance of adequate reserves against erosion in the value of assets.

(viii) Working on profit during the last 2 cooperative years for which audit had been completed.

(ix) Satisfactory progress in mobilisation of deposits (deposit growth rate should be not less than 5% per annum).

(x) Prompt and satisfactory compliance in rectification of defects and implementation of suggestions communicated in the Reserve Bank inspection reports.

(xi) a. Formulation of proper rules and regulations governing deposits and advances.

b. Absence of serious instances of misappropriation/ frauds affecting the working and financial soundness of the bank.

(xii) a. Achievement of required level of share capital, deposits and loans business as per the viability norms prescribed by the Madhava Das Committee on Urban Cooperative Banks.

b. Attainment of prescribed level of performance in regard to financing of priority sectors, weaker sections.

(xiii) Provision inbye-laws regarding acceptance of open membership.

(xiv) Management by an elected Board of Directors and a full-time paid Chief Executive.

Statistical Position of Unlicenced Urban Cooperative Banks

5.08 As at the end of February 1992, out of 1401 urban cooperative banks in the country, 313 had not been licensed under Section 22 of the

Banking Regulation Act for the reasons stated thereagainst -

	Nature of deficiencies for which the licence is deferred (1)	No.of banks (2)	Total (3)
1.	Banks under rehabilitation (i.e. banks the percentage of whose overdues to loans outstanding is 50% and above and/or whose erosion exceeds 25% of owned funds)	57	
2.	Banks not complying with the provisions of Section 11(1) of the Banking Regulation Act, 1949 (As applicable to Cooperative Societies) i.e. minimum capital requirement	19	
3.	Non-viable banks (i.e. those which have not achieved prescribed viability criteria)	43	
4.	Banks not complying with provisions of Section 11(1) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) AND which have not achieved prescribed viability criteria.	3	
5.	Banks not complying with provisions of Section 11(1) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) AND which are under programmes of rehabilitation.	13	
	Weak unlicensed banks(A)		135

Nature of deficiencies for which the licence is deferred (1)	No.of banks (2)	Total (3)
6. Banks the percentage of whose overdues to loans outstanding is between 25 to 50 **	61	
7. Banks which have not achieved prescribed priority sector targets **	76	
8. Banks not satisfying other norms of licensing (Please see paragraph 5.07).	41	
Other unlicensed banks(B)	178	
Total unlicensed bank (A+B)		313

** Banks shown under items 6 & 7 do not also satisfy some other norms in addtion to their having high level of overdues/ not satisfying priority sector targets.

5.09 The position of unlicensed primary urban cooperative banks in various State as at the end of February 1992 is indicated below :

Sr. No.	Name of State/Union Territory	Total No. of banks	No.of unlicensed banks
1.	2.	3.	4.
1.	Andhra Pradesh	66	21
2.	Arunachal Pradesh	-	-

1.	2.	3.	4.
3.	Assam	8	1
4.	Bihar	5	2
5.	Goa	6	2
6.	Gujarat	293	75
7.	Haryana	8	1
8.	Himachal Pradesh	4	3
9.	Jammu and Kashmir	3	-
10.	Karnataka	216	61
11.	Kerala	59	14
12.	Madhya Pradesh	42	8
13.	Maharashtra	386	44
14.	Manipur	5	1
15.	Meghalaya	2	2
16.	Mizoram	1	-
17.	Nagaland	-	-
18.	Orissa	14	6
19.	Punjab	6	4
20.	Rajasthan	25	3
21.	Sikkim	-	-
22.	Tamil Nadu	137	21
23.	Tripura	1	-

1.	2.	3.	4.
24.	Uttar Pradesh	47	11
25.	West Bengal	48	27
26.	Andaman and Nicobar	-	-
27.	Chandigarh	-	-
28.	Dadra, Nagar haveli	-	-
29.	Daman and Diu	-	-
30.	Delhi	17	5
31.	Lakshadweep	-	-
32.	Pondicherry	2	1
		1401	313

It will be seen from the above that the maximum number of unlicensed banks are in the states of Maharashtra, Gujarat and Karnataka.

Observations of the Committee:

5.10 The Committee takes note of the fact that as on date as many as 22.3% of the total urban cooperative banks in the country are unlicensed and that of these 43% have been classified as weak and placed under programmes of rehabilitation/time bound action programmes etc. and are being monitered through the State Level Review Committee mechanism/Annual Financial Review.

The Committee further notes that although certain provisions of the Banking Regulation Act were extended to Cooperative Societies from 1 March 1966, the actual work of licensing of existing urban cooperative banks was taken up only after March 1979. The Committee has been informed that since 1966, these banks have been subjected to Reserve Bank Inspections and some of them have been inspected more than a dozen times since then.

The Committee is concerned at the fact that even after the lapse of nearly 2 1/2 decades, a large number of banks continue to fail to comply with the more important norms relating to statutory requirements, viability norms, overdues etc. despite such deficiencies having been pointed out to them.

The Committee is of the view that the continuance of such banks on an indefinite basis in the mainstream of urban cooperative banking is contra indicated. It has been represented to the Committee that the licence applications of certain banks have been withheld on grounds of marginal non-compliance. It has also been represented that the Reserve Bank of India should first licence such banks "en masse" and later use the instrument of cancellation of licence to ensure compliance with stipulated criteria. The Committee is unable to agree with this view. While conceding that certain relaxations can be made in the less critical norms, the Committee has no doubt that only financially and managerially sound units should be allowed to enter the licensing fold.

RECOMMENDATIONS OF THE COMMITTEE :

5.11 Taking an overall view of the position, the Committee recommends as under :

(i) (a) The cases of all banks in the unlicensed category which have been under programmes of rehabilitation on account of weakness may be reviewed by the Reserve Bank of India in light of the period for which they have been under rehabilitation, progress made vis-a-vis the targets set, etc. Such of those banks which have been under programmes of rehabilitation for more than 5 years may be given a final opportunity to come out of weakness within a period of one year from the date of issue of instructions by the Reserve Bank of India failing which they may be taken up for amalgamation/merger/liquidation.

(b) Urban cooperative banks which have been under programmes of rehabilitation for less than 5 years

may be advised to tone up their working and initiate remedial measures on a priority basis. It may be made clear to them that in case they are not able to come out of weakness within a period of 5 years from the date of being classified as weak, action as at (i) (a) above will be initiated.

(ii) Banks whose applications for issue of licence have been held up on account of non-compliance with the provisions of Section (11)(1) (minimum share capital of Rs. 1.00 lakh) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) may also be reviewed. Such banks may be given a final opportunity to comply with the said provisions as early as possible but not later than one year. They may also be given a period of 2 years to reach minimum entry point norms prescribed and 3 to 5 years time to attain standards of viability. In the event of the failure of the bank to attain above norms within the specified period as above, the Reserve Bank of India and the Cooperation Department of the state concerned may jointly and without delay determine the future set up of these banks within a further extended period not exceeding six months. The determination of the future set up of such banks may be either by way of merger or taking the banks into liquidation.

(iii) Banks whose applications for issue of licence have been held up only for the reason that they are not complying with the prescribed standards of viability may be cleared subject to the concerned banks having achieved potential viability (75% of norm prescribed) and working on a profit for the last 5 years.

(iv) Banks whose applications for issue of licence have been held up only for the reason of non-compliance of priority sector targets at 60% of total loans and advances may be cleared if the level of such advances is not less than 40% subject to the condition that the bank's working is otherwise satisfactory. In case, the priority sector target

fixed for commercial banks are lowered down the target under this sector for urban cooperative banks may also be reduced.

(v) Banks whose applications have been held up on account of their overdues exceeding 25% of the total loans and advances outstanding may similarly be provided an extended period not exceeding one year from the date of instructions by the Reserve Bank of India for bringing the level of overdues within the stipulated level i.e. 20%. The Committee is not in favour of making any relaxation in the matter of overdues as this has a serious repurcussion on the recycling of funds leading to cash flow problems. If at the end of the extended period such banks are not able to bring down the level of overdues to the stipulated level, action as in the case of banks not complying with the provisions of Section 11(1) may be initiated and completed within the same time schedule i.e. six months after the expiry of the extended period.

(vi) Banks whose applications have been held up for non-compliance with other statutory provisions (eg. Sections 6, 8, 14, 18, 20A and 24) may be dealt with as below :

(a) Cases of banks not complying with provisions of Section 18 and 24 may be reviewed by the Reserve Bank of India with a view to ascertaining whether defaults in the maintenance of cash reserves and liquid assets have continued over long period and the deficits involved are substantial. Such banks may be initially given a period of six months to set their houses in order. During this period their performance may be watched. At the end of the period the Reserve Bank may review individual cases and if the provisions of Sections 18 and 24 have since been complied with, the relevant licence applications may be cleared subject to the satisfaction of other conditions.

(b) Banks not complying with the provisions of Section

6, 8, 14 and 20A may be advised to initiate action to ensure compliance with the relevant sections. Till the concerned banks comply with the provisions, their applications may be held in abeyance.

5.12 The Committee notes that salary earners' types of banks numbering 40 constitute 12.8% of the total number of unlicensed urban cooperative banks. In this regard the Committee is in agreement with the views expressed by the Committee on Urban Cooperative Banks (1977) which are quoted below :

"the proposal to bring such societies under the purview of the Reserve Bank appears to have been mooted at a time when it was felt that the increasing operations of the societies might have a bearing on the currency and credit situation of the country. No doubt, there has since been a considerable increase in the operations of salary earners' societies both in terms of volume of deposits and in the quantum of loan business. However, the operations of salary earners' societieshave certain distinct characteristics which make them different from urban banks. First, they hardly undertake any banking function and yet they are classified as primary cooperative banks merely on account of the provisions in their bye-laws for acceptance of deposits from non-members. Second, their credit operations are restricted to members and are in the nature of surety loans issued mostly for consumption purposes. The regulatory or other credit control measures resorted to by the Reserve Bank with a view to enforcing monetary discipline and to ensure orderly economic activities have, therefore, no direct bearing on the operations of salary earners' societies. Third, the salary earners' societies do not enjoy any special advantages other than the acceptance of deposits from non-members. Unlike urban banks, which ordinarily utilise the resources raised from non-members by way of deposits in loans and advances to members for productive and to some extent, consumption purposes, the advances of salary earners' societies are mostly for consumption purposes. Fourth, urban banks have an important role in the economic development of the area where they are functioning which is not the case with the salary earners' societies as the membership of salary earners' societies is restricted to the employees of certain institutions".

5.13 The Committee is, therefore, of the view that there is no valid

reason for permitting salary earners' societies to accept deposits from non-members. For the Reserve Bank, the continuance of salary earners' societies within the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) only entails additional work to watch the compliance with statutory requirements, scrutiny of their returns as also to conduct periodical inspections of the societies, involving a great deal of expenditure with no particular purpose or need for controlling their operations from the angle of overall monetary and credit policy. In the circumstances, it is recommended that the salary earners' societies presently classified as primary cooperative banks should go out of the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). Accordingly, in future no licence should be given to salary earners' societies and existing licensed salary earners' societies (classified as primary cooperative banks) may be persuaded to go out of the purview of the Banking Regulation Act, 1949 (As applicable to Cooperative Societies). Section 2 of the Reserve Bank of India Act, 1934 and Sections 7 and 49A of the Banking Regulation act, 1949 may be amended suitably to give effect to this recommendation. Suitable amendments where necessary may also be made to the concerned State Cooperative Societies Acts.

CHAPTER - 6

AREA OF OPERATION

Introduction

6.01 Primary (Urban) cooperative banks are essentially conceived as small man's banks in urban and semi-urban areas mobilising resources from the lower and middle income groups and using the same for the economic benefit of the smaller people within their areas of operation. The special characteristics of these banks are compactness of area of operation, cooperative character, open membership, democratic management, local feel and familiarity, personalised service, close supervision and prompt recovery of credit.

6.02 The area of operation of such banks has an important bearing on their functioning because a compact, well defined area ensures mutual knowledge and cohesion which is essential for maintaining the cooperative character of the institution. In a pointed reference to this aspect the Committee on Urban Cooperative Banks (1977) observed that widening the area of operation beyond prescribed limits would dilute the cooperative character of the institution, make its operations increasingly impersonal and ultimately result in erasing its unique identity.

Evolution of Policy

6.03 The question of the area of operation of an urban bank has been reviewed from time to time and the present policy relating thereto has evolved in response to overall objectives as perceived by the statutory authorities and the changing aspirations of urban cooperative banks over the years.

6.04 The Committee on Cooperation appointed by the Government of Madras (1968) held that ordinarily there should only be one urban bank for a town.

6.05 The Study team appointed by the Reserve Bank in January 1973 to examine the working of some of the newly registered urban banks

and to make suggestions regarding norms for registration of new banks in Maharashtra opined that the area of operation of an urban bank should ordinarily be confined to the town or city where it had its head office. It was suggested that in metropolitan areas the area of operation should be confined to contiguous municipal wards or zones while in other urban or semi-urban centres covering municipal towns or tehsil headquarters it should be coextensive with the municipal or tehsil limits, as the case may be.

6.06 The above position was incorporated in circular dated 5th October 1974 issued by the erstwhile Agricultural Credit Department of the Reserve Bank of India which emphasised additionally that the area of operation proposed for a new unit should be clearly adequate to enable the bank to attain viability within 3 years.

6.07 The question of area of operation was also considered by the Committee on Urban Cooperative Banks (1977) which felt that urban cooperative banks should have compact areas of operation and recommended that -

(i) Urban cooperative banks having their areas of operation confined to the municipal limits or a town may be permitted to extend the same to "adjoining areas" i.e. upto the peripheral limits in conformity with the definition of urban agglomeration as given in the Urban Land (Ceiling and Regulation) Act, 1976;

(ii) Urban cooperative banks having their areas of operation confined to contiguous municipal wards or zones may be permitted to operate throughout the limits of the metropolitan area; and

(iii) In areas where there was poor growth of the urban credit movement, where existing urban cooperative banks were weak or where the operational limits of a new bank to be registered in a town required a larger area of operation on considerations of viability, suitable relaxations should be given in deserving cases with adequate safeguards while registering new urban cooperative banks, permitting their area of operation to be extended to the whole district.

The Committee noted that though as a general rule urban cooperative banks were not allowed to open offices in rural areas falling within their areas of operation, nevertheless keeping in view the possible repurcussions of such permissions on the business of primary agricultural credit societies functioning in the said areas, exceptions had been made in cases where there were large concentrations of non-agricultural population engaged in mining, presence of cottage industries etc.

6.08 The above recommendations were accepted by the Reserve Bank and while forwarding the guidelines relating to the norms and procedures for registration and licensing of new urban cooperative banks in June 1979, Registrars of Cooperative Societies were advised that the operational jurisdiction of a new urban cooperative bank should normally be a town or city extendable on considerations of viability in deserving cases, to a larger area covering the whole district. In metropolitan centres, banks were permitted to operate throughout the limits of the metropolitan area with a proviso that such limits could be extended to 'peripheral limits' in conformity with the definition of urban agglomeration as given in the Urban Land (Ceiling and Regulation) Act, 1976.

6.09 In October 1981, while announcing the policy guidelines to be followed in respect of licensing of new urban cooperative banks it was indicated that urban cooperative banks would be allowed to operate only in urban areas of a district and not the rural areas therein. It was clarified that the practice of adding villages to the area of operation or proposals for extension of area of operation to the whole district would not be viewed with favour and urban cooperative banks would not be allowed to thwart the initiatives for promoting and strengthening of different type of cooperatives in the rural areas. There would, however, be no objection to the adding of a minimum number of urban centres in the district of registration to the area of operation provided these offered potential for growth, achievement of viability and did not lead to a dilution of the cooperative character of the institution concerned.

6.10 The policy relating to the licensing of new primary (urban) cooperative banks/branches was modified in 1983. It had been represented earlier to the Reserve Bank that there were close links between villages lying on the outskirts of urban town/cities and that

the non-agricultural requirements of the populations in the said areas were not being catered to by the rural credit structure. It was, therefore, decided that peripheral areas in the immediate vicinity of an urban town/city irrespective of whether such areas were deemed as urban agglomeration or not would be taken into account in deciding the area of operation of new primary (urban) cooperative banks - the exact area depending upon the merits of each case. It was also stipulated that in talukas where there were no urban cooperative banking facilities there would be no objection to primary (urban) cooperative banks catering to some of the urban and semi-urban centres provided the talukas in question were in close proximity to the headquarters of the proposed bank and this was necessary on grounds of ensuring viability of the institution concerned.

6.11 The issue relating to the opening of branches by primary (urban) cooperative banks outside the district/metropolitan city of registration but within the state concerned was discussed at the Third Standing Advisory Committee in August 1984. It was represented by some banks in Maharashtra that a large number of their clients had direct trade links with counterparts operating in and having businesses in the city of Bombay and that permission to open branch/es thereat would enable them to upgrade the range and quality of service to their customers. The Standing Advisory Committee felt that there was some substance in the arguments put forth and resolved that though a general exemption was neither necessary nor desirable, some exceptions could be made on merits subject to compliance with certain conditions regarding minimum working capital, number of branches, volume of business within the metropolitan city etc. The above decisions were circularised in December 1984. Accordingly, a circular dated 1st December 1984 was issued to all Regional Offices of the Reserve Bank of India conveying the above decision. The circular also indicated that as a general rule proposals relating to extension of jurisdiction out of the district of registration were under the existing dispensation, not viewed with favour and that such requests were considered only in exceptional circumastances, such as in respect of areas backward in terms of urban banking cover where there were no prospects of organising new urban cooperative banks under local leadership in the near future. It was clarified that even in such cases preference was always given to the existing urban cooperative banks functioning in the adjoining district and only if no bank from the adjoining district was interested, banks from other districts within the

States became, prima facie, eligible for consideration.

6.12 The issue relating to area of operation of urban cooperative banks was again taken up in the Fourth Conference of the National Federation of Urban Cooperative Banks and Credit Societies. It was represented to the Reserve Bank that with a view to ensuring effective amalgamation between geographical cohesion and reasonable expansion for attainment of economic viability, the minimum area of operation of an urban bank should be a metropolitan city or the whole of a district in mofussil areas. The resolutions passed at the Fourth Conference of National Federation on Urban Cooperative Banks and Credit Societies were examined by the Sarma Committee and a circular dated 27 June 1987 was issued permitting certain relaxations to the effect that requests from banks for extending the area of operation to cover the entire metropolitan town/ city would be considered favourably depending upon the number of other cooperative banks functioning in the area. It was also indicated that similar requests for extension of area of operation to cover the urban and semi-urban centres in the district of registration would be considered favourably by Reserve Bank on merits.

6.13 Under the existing policy relating to area of operation, extension is permitted to urban and semi-urban areas in the district as well as the entire metropolitan town/city including the urban agglomeration thereof on merits. Further, area/s peripheral to the head-quarters or branch of a bank which are in the immediate vicinity of an urban town/city irrespective of whether such areas are deemed as urban agglomerations or not may also be taken into account in deciding the area of operation of new urban cooperative banks, the exact area depending on the merits of each case.

Committee's Observations

6.14 The Committee takes cognisance of the extremely heterogeneous position obtaining in respect of the functional areas of existing urban cooperative banks. While certain urban cooperative banks are confined to the limits of the town/city of registrations others have territorial jurisdiction over a taluka, a few talukas, a district, a couple of districts and in some cases even to the entire state. Additionally, urban cooperative banks coming under the purview of the Multi State

Cooperative Societies Act, 1984 have areas of operation extending to more than one state.

6.15 The Committee is aware that the heterogenity of the urban banking system makes it difficult to prescribe 'across the board' solutions to the problem of area of operation and that depending upon the manner in which the role and functions of such banks is perceived, different views can be held on the issue.

6.16 The Committee's thinking on the subject is in consonance with the view that urban cooperative banks function in urban and semi-urban areas and mobilise resources from the relatively lower income groups using them for the economic benefit of the vulnerable sections of society. Such banks function in compact areas of operation. Resultantly, they have intimate knowledge of their customers and are able to ensure end use of credit and timely recoveries from borrowers. For the same reason they are customer friendly and are able to offer personalised service and satisfaction to their clients.

6.17 The Committee notes that the issue relating to the'area of operation' of urban cooperative banks has two facets: the first relates to the functional area to be prescribed for newly organised banks and the second to requests for extensions of area of operation from existing banks.

6.18 It has been explained to the Committee that almost from the beginning, operational areas of urban cooperative banks have been defined in terms of geographical compactness and linked to the potential thereat for achievement of prescribed standards of viability. It notes that orginally such areas were restricted to a few wards in the town/city where the headquarters of the bank was to be located or to a taluka or a few talukas in the district of registration. Subsequently, functional areas were extended on grounds of viability to cover the entire town/city (including urban agglomeration/limited peripheral areas) and the revenue boundaries of the district. The Committee takes note of the fact that notwithstanding the initiative/steps taken for ensuring compactness in the area of operation of urban cooperative banks, exceptions - including certain notable exceptions - have existed for long. Thus, in early years of the movement, certain urban

cooperative banks organised by migrant populations in the industrially developing cities (eg. Bombay) were given contiguous and/or far flung districts in the erstwhile composite states as their areas of operation on the ground that the community which they represented had concentration/s of population at the said places. The Committee is also aware that in many cases such positions crystallised into inter-district or inter-state areas of operation consequent on the territorial reorganisation of states. The bringing of such banks under the Multi State Cooperative Societies Act, 1984 is perceived by the Committee more as an endeavour to regularise such defacto position than as an enabling enactment for urban cooperative banks to aspire for inter-state areas of operation. The Committee, therefore, concludes that the heterogeneous inter district/inter state position relating to the area of operation of existing urban cooperative banks is in part a historical legacy and in part a derivative of policy initiatives, operation of law and piecemeal concessions made from time to time in deference to the aspirations for growth particularly of the more aggressive banks from the developed states of Gujarat and Maharashtra.

6.19 It has been represented to the Committee that as on 31 March 1992 out of 1401 urban cooperative banks in the country, 797 banks are unit banks having areas of operation confined to town/city/taluka limits. It has been explained that such banks render useful service to the clients, post profits and have modest aspirations for extension of area of operation usually not beyond the revenue jurisdiction of their respective districts of registration. On the other hand, it has also been submitted to the Committee that urban cooperative banks mainly from the cooperatively developed states of Gujarat and Maharashtra, accounting for 59.5% and 59.7% of the deposits and advances of all urban cooperative banks taken together as on 30th June 1990, offer a sophisticated range of services to their customers and have clearly defined ambitions for territorial expansion. Such expansion is perceived by these banks as being a condition precedent to growth in the volume of business. It is agrued that the massive branch expansion by commercial banks in the last decade with its penetration into the urban and semi-urban areas has significantly altered the playing field from what it was at the time of the Committee on Urban Cooperative Banks in 1977. It is contended that if urban cooperative banks are to compete on equal terms with their commercial counter-parts, they must be permitted areas of operation which are consistent with their present and future levels of business with

an inbuilt provision for "growth related expansion" based on performance criteria - both operational and financial.

6.20 The Committee has sought to reconcile the varying aspirations in regard to area of operation on the touchstone of accepted cooperative philosophy tempered by a realisation that the realities of the emerging financial and economic context cannot be ignored. In arriving at its recommendations the Committee has taken into consideration the views of urban cooperative banks both from the developed and less developed states as also the submissions made to the Sub-groups constituted by it.

COMMITTEE'S RECOMMENDATIONS :

6.21 The Committee notes that broad agreement exists regarding the area of operation to be assigned to banks at the time of the issue of licence indicated below :

Place of registration	Area of operation
Banks registred in metropolitan city/town etc.	Contiguous with limit of metropolitan area/town limits etc. including the urban agglomeration thereof
Banks registered in urban/ semi-urban centres	Co-extensive with the boundaries of the district of registration

The Committee further notes that the aforesaid consensus is in keeping with the existing policy on the subject that the initial area of operation of a urban cooperative bank organised in metropolitan centres or cities should extend to the limits of the said city/town including the urban agglomeration thereof and defined peripheral areas appertaining thereto while banks organised in urban/semi-urban centres should be allowed to cover all the urban and semi-urban centres in the district of registration. The Committee recommends that the abovesaid policy may be continued with an added relaxation of permitting urban cooperative banks also to finance non-agricultural credit requirements in the

peripheral rural areas as explained in paragraph 6.22 below.

6.22 The Committee takes cognisance of the near unanimous demand from urban cooperative banks for being permitted to finance non agricultural credit requirements in adjoining rural areas falling within their respective areas of jurisdiction. It has been argued sometimes that the rural sector has a distinctive credit delivery system and that there is a possibility of its being affected adversely if urban cooperative banks are allowed free entry therein. The Committee, however, feels that this argument though historically relevant has lost much of its force in recent years. The Committee feels that the emerging economic situation calls for a maximisation of efforts towards the bridging of credit gaps - whether agricultural or otherwise. While agreeing with the submission that urban cooperative banks have neither the reach nor the expertise to finance seasonal agricultural operations, the Committee is of the view that the time is now opportune to accord them permission to finance non-agricultural credit requirements in the rural areas falling within their respective areas of operation. The Committee, therefore, recommends that newly organised and existing urban cooperative banks may be allowed to cover urban, semi-urban centres and peripheral rural areas appertaining thereto in the entire district of registration subject to the stipulation that the finance extended in rural areas will only be for non-agricultural productive purposes.

6.23 It has been submitted to the Committee that requests for extension of area of operation even within the existing policy guidelines (i.e. for covering the entire town/city or all the urban and semi-urban centres within the district of registration) are dealt with by the Reserve Bank with undue stringency and turned down either for the reason that other urban cooperative banks are functioning in the proposed area or on the so called ground of the merits of the case. The Committee feels that the Reserve Bank should deal with such requests within a sympathetic frame of disposal without placing any fetters thereon either of policy or a procedural nature.

6.24 No clear picture has emerged regarding the somewhat vexed issue of inter-district and inter state extension of operational jurisdictions of existing urban cooperative banks. The Committee notes the aspirations of banks from the cooperatively developed states as also the views expressed by officials and non-officials connected with the movement from other parts of the country. The Committee feels that there is some

force in the argument that banks which show drive, zeal and initiative to mobilise deposits and expand their business should be shown some mark of recognition and that one way of doing so would be to permit them extension of operational jurisdiction beyond the district of registration to one or more geographically contiguous districts. The Committee also concedes that if this approach is to be accepted, the process of expansion beyond the initial area of operation should be made contingent on the applicant bank achieving certain well defined financial and operational parameters. However, the Committee cannot overlook the views expressed by the Committee on Urban Cooperative Banks (1977) in this regard that "the various view points expressed in favour of relaxing the present operational limits of urban banks are based purely on considerations of expediency. They could perhaps marginally contribute to the betterment of urban banks, but they obscure the fundamental issue viz., that urban banks are basically cooperative form of organisations wherein it is very essential that mutual knowledge and cohesion should prevail among members and lack of this will, sooner or later, result in dilution of its cooperative character and ultimately the loss of identity of the institution itself".

6.25 Taking the totality of circumstances into account the Committee feels that while on the one hand it would be unrealistic to freeze the areas of operation of all existing urban cooperative banks on an "as is where is" basis, it would be equally undesirable to permit unrestrained expansion in this regard. The Committee feels that aspiration for growth is natural to man and institution. It is of the view that although the directional changes proposed by it in the policy relating to licensing of new urban cooperative banks will provide a meaningful opportunity for new and deserving players to enter the field, some scope for growth must also be allowed for existing urban cooperative banks. The Committee feels that this objective will be served if a separate playing field with equalised opportunities is provided to those urban cooperative banks which succeed in attaining scheduled status on account of their financial and operational performance. The Committee, therefore, recommends that the area of operation of urban cooperative banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 may be standardised and made coextensive with the territorial jurisdiction of the state of registration. In this connection, the Committee recommends the Reserve Bank may have a relook at the existing norms relating to the scheduling of urban cooperative banks and revise it upward in light of the external environment, the start up capital norms for organisation of

banks in the private sector and the standards of viability suggested in this report.

6.26 Urban cooperative banks registered under the Multi State Cooperative Societies Act, 1984 have submitted to the Committee that they should be freely permitted to extend their areas of operations to centres in other states not covered under their bye-laws. The Committee's views regarding the reasons underlying the bringing of certain urban cooperative banks under this Act have already been outlined in para 6.18 above. Suffice it to say that the registration of such banks under the Act ibid was largely on account of historical reasons and the operational extension sought will give them an unfair advantage over other urban cooperative banks resulting in an uneven playing field. The Committee is, therefore, not inclined to support the above submission.

6.27 It has been represented to the Committee that the urban cooperative banking movement in the less developed state could be energised by allowing banks from the developed states to open branches thereat and/or organise new units with own resources and local support/staff together with a commitment to pull out after the new institution had attained viability. The Committee appreciates the sentiment underlying the submission. It, however notes that the non-officials connected with the urban cooperative banking movement in the less developed states with whom the Committee inter-acted are near unanimous in their opposition to such an initiative. The Committee also notes that the Cooperation Departments of many states are disinclined to furnish no objection certificates allowing entry of banks from other states on the ground that it affects the interests of local bankers.

Taking the various views into account the Committee feels that there is a need for removing the impediments in the implementation of such initiatives subject to compliance with legal formalities and certificates of no objection from concerned State Government and the Reserve Bank of India.

6.28 It has been submitted that the North Eastern Region is spread over difficult terrain mostly comprising hill areas. The population is

spread thinly and except a few large towns in the valley regions, no large urban centres exist. Large parts of the region are characterised by tribal culture, poor infrastructure in terms of rail, road etc. and low levels of economic activity. It is, therefore, contented that the unit of area of operation evolved for other states cannot be made applicable here for the reason that it would not generate the potential required for ensuring viability. It is, therefore, submitted that for the North Eastern Region the unit of area of operation should be enlarged. The Committee feels that there is substance in this argument and recommends that for North Eastern etc. region, the unit area of operation may be taken at 3/4 districts extendable on grounds of viability to the whole state. The Committee is also of the view that the logic of this argument also applies with equal force to most of the hill and tribal areas irrespective of their location.

6.29 Certain specific issues in regard to the extension of the area of operation were also brought to the notice of the Committee. For instance, consequent upon the need to de-congest Greater Bombay by shifting certain wholesale markets to New Bombay (District Thane), a number of workers (mathadies) engaged in Bombay Port, fruit, vegetable, iron and steel, etc. markets have shifted their place of work to New Bombay. A number of ethnic banks, whose membership is confined mainly to such workers and reported to be hailing from a particular region of Maharashtra, are operating in Greater Bombay. There have been representations from these banks that they should be allowed to extend their area of operation to New Bombay to enable them to cater to the needs of their members, who incidentally, for historical and socio-economic reasons, would prefer to continue their membership with these banks. Similarly, these banks in the context of possible development of Konkan region arising on account of proposed Konkan Railway project, the availability of natural gas, development of minor ports, etc. would like to move to these areas to their local relatives and friends. The Committee feels that the requests made by these banks have some substance particularly in the context of social and economic compulsions under which these banks and their members function. Some of these special situations would be taken care of as a result of the recommendations of the Committee. However, where such special considerations are found to be relevant, on merits of the case, such requests should be considered by the Reserve Bank of India and the Cooperation Department of the State Government.

CHAPTER - 7

REHABILITATION OF WEAK URBAN COOPERATIVE BANKS

Evolution of Policy

7.01 As part of its responsibility to supervise, control and develop the urban banking movement along sound lines, the Reserve Bank has to ensure the existence of a strong and viable urban banking structure which will be in a position to render effective service to members and other clientele.

7.02 Primarily on account of a provision made in the banking Regulation Act which came into force from 1 March 1966,that all primary credit societies with owned funds of Rs. 1 lakh and above would become primary urban cooperative banks and that all such societies attaining this level thereafter would also acquire the status of such banks, a number of weak and uneconomic units came to be included in the list of primary cooperative banks. The entry of such marginal institutions whose working constituted a drag on the urban banking system prompted the Reserve Bank to examine the causes of such weaknesses and devise ways of putting them on a sound footing. This was done by evolving norms for identification of such units as 'weak', fixing time bound action programmes for their rehabilitation and making arrangements for a regular flow of information regarding their progress.

7.03 The first major initiative by the Reserve Bank in this regard was taken in November 1972. Specifying the criteria for considering urban cooperative banks as "weak", it was laid down that if more than 25% of a bank's net owned funds had been eroded by bad and doubtful debts, other bad assets and accumulated losses or if its overdues exceeded 50% of outstandings it would be brought under a programme of rehabilitation. Concurrently, comprehensive guidelines were circulated and Registrars of Cooperative Societies were advised to draw up individual programmes of rehabilitation in respect of weak banks and constitute Review Committees for implementing the same. It was clarified that such programmes should inter-alia cover various aspects such as investigation/coercive action for recovery of overdues, rationalisation of loan procedures, mobilisation and

management of resources, improvements in the managerial competence of the bank concerned and periodical review of the progress in its rehabilitation by the Review Committee consisting of Chairman and Secretary of the concerned bank and a representative each of the District Central Cooperative Bank of the area and the Cooperation Department. The Review Committee was required to meet atleast once in a quarter. It was clarified that the concerned Regional Office of the Reserve Bank would provide necessary guidance for implementation of the rehabilitation programme from time to time.

7.04 In February of the following year, an ongoing information system was put into place and Regional Offices of the Reserve Bank of India (Urban Banks Department) were advised to obtain quarterly reports from all primary urban cooperative banks under their jurisdiction with a view to keeping track of the progress in their rehabilitation. The Regional Offices were advised to carefully peruse the quarterly report and advise the concerned banks suitably regarding the shortfalls, if any, in the achievement of the targets and other lacunae noticed in the implementation of the rehabilitation programme.

7.05 In June 1973 State Cooperative Banks were advised to assume responsibility for rehabilitating primary urban cooperative banks so as to ensure effective and expeditious implementation of the rehabilitation programmes. In order to enable the said banks to discharge their responsibilities, instructions were issued on the points on which action was to be initiated by them. It was indicated that at the beginning of each cooperative year, specific programmes of rehabilitation should be drawn up in respect of weak banks under their jurisdiction and their performance carefully monitored by a separate rehabilitation cell constituted for the purpose. State Cooperative Banks were also advised to review the progress in the rehabilitation of primary cooperative banks at their own board meetings with a view to suggesting steps for speeding up the implementation of the rehabilitation programmes. It was also stipulated that the Reserve Bank should be kept apprised of the steps taken in this regard.

7.06 In October of the same year, norms which banks were expected to satisfy for being considered for deletion from the list of weak banks, were stipulated.

7.07 In pursuance of the recommendations of the Committee on Urban Cooperative Banks, Registrars of Cooperative Societies were advised in July 1981 that the Review Committees for weak urban cooperative banks brought under programmes of rehabilitation would inter-alia include representatives of the State Federation or Association of urban banks. The composition of the State Level Review Committee for weak urban cooperative banks was also spelt out and it was suggested that in states where there were three or more weak banks under rehabilitation, State Level Review Committees may be constituted comprising Registrar of Cooperative Societies, Managing Director, State Cooperative Bank and a representative each from the Reserve Bank of India, District Central Cooperative Bank and the State Federation/Association of urban cooperative banks.

7.08 In June 1984, Registrars of Cooperative Societies were advised that the healthy growth and development of urban banking movement was being impaired by the existence of a large number of weak and non-viable units. It was stressed that despite having been in existence for a number of years, several such banks had registered hardly any progress while others showed either stagnant positions or deteriorating trends. These banks were categorised into three groups —

(i) Banks classified as weak at the time of annual appraisal on account of heavy erosion and/or excessive overdues,

(ii) Banks not satisfying the provisions of Sections 11(1), 22(3)(a) of the Banking Regulation Act, 1949, and

(iii) Banks identified as weak with reference to the norms of viability.

Registrars were advised to initiate separate measures in respect of each of the aforesaid categories with a view to strengthening the urban cooperative banking movement and ensuring that only sound and viable units were allowed to operate therein.

Pursuing the question of constitution of State Level Review Committees, Registrars of Cooperative Societies were advised to

constitute the said Committees and to allocate to them the work relating to rehabilitation of weak banks including monitoring the functioning of District Level Review Committees, drawing up action programmes for non-viable institutions, keeping a watch over position of banks not satisfying the provisions of Section 11(1) etc. of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). It was specified that the Registrar of Cooperative Societies of the State concerned would be the Chairman of the Committee, and the State Cooperative Bank its convenor.

7.09 In July 1984, circular instructions were issued communicating the decision taken at the Second Meeting of the Standing Advisory Committee held on 19 January 1984 that systematic followup should be undertaken in respect of all weak etc. urban cooperative banks and that all such banks should be weeded out within next 3 years, so that the urban banking system as a whole could become a sound and effective instrument for fulfiling the objectives envisaged for it. Urban cooperative banks were classified into specified categories and separate category-wise action points were prescribed for enabling Regional Offices of Reserve Bank to take appropriate steps in the matter.

7.10 In January 1985, it was decided to reconstitute the bank level review committees by providing membership to the District/Regional Associations/Federations of Urban Cooperative Banks on the ground that they would be more familiar with the problems of weak bank in their jurisdiction and, therefore, able to guide them in implementing the rehabilitation programmes more effectively.

7.11 In addition to the initiatives taken by the Reserve Bank of India/Cooperation Department etc. the position of rehabilitation of weak banks has also been under constant review by the Standing Advisory Committee for Urban Cooperative Banks. Thus, the position of rehabilitation of weak primary cooperative banks was reviewed in the Standing Advisory Committee meeting held in 19 January 1984. The Committee observed that progress of rehabilitation was far from satisfactory and suggested that concerted efforts and time bound action programmes were required for rehabilitation of such banks and for their earlier attainment of viability. The Committee endorsed the proposal that in the event of failure of weak banks to achieve the time-bound

programmes drawn up for them, their merger with neighbourhood institutions/liquidation should be actively considered. The Fifth Standing Advisory Committee while reviewing the progress in the implementation of rehabilitation of weak urban cooperative banks remarked that "the primary responsibility of implementation of rehabilitation programme is that of the Cooperation Department. As per the law, the Reserve Bank of India has to initiate action against the cooperative bank through the Cooperation Department. The Reserve Bank has so far been drawing attention of the Department to the serious irregularities in the working of the banks and suggesting that they initiate action. There are, however, occasions when these efforts have not been of any avail. Despite repeated discussions and meetings the progress is not satisfactory in some states. If effective steps are not taken, the Reserve Bank of India,as a last resort, may have to take recourse to more drastic measures to see that the banks are taken out of the purview of the Banking Regulation Act".

The position has also been reviewed at other meetings of the Standing Advisory Committee (Sixth meeting 12 February 1987, Eighth meeting 30 September 1989) and the general consensus has been the voicing of a concern over the existence of a large number of weak banks coupled with a suggestion that their future course of action should be determined expeditiously.

Present norms for classification as weak banks

7.12 For the purpose of rehabilitation, the banks have been classified into 3 broad categories as follows :

(a) **Banks identified as weak due to heavy erosion and/ or high overdues**

This category includes banks whose owned funds (excluding provision for bad and doubtful debts and other bad assets) have been eroded to the extent of 25% or more by the unprovided for bad and doubtful debts, other bad assets and accumulated losses or where overdues as at the end of respective cooperative year exceed 50% of the loans outstanding.

The bank should, however, be either viable or potentially viable i.e. it should have reached two-thirds of the norms prescribed for viability and have reasonable prospects of becoming viable within a period of 3 to 5 years and should not have failed to comply with the provisions of Section 11 of the Banking Regulation Act, 1949. (As Applicable to Cooperative Societies).

(b) **Banks not complying with minimum share capital requirements**

Banks under this category are those which have failed to satisfy minimum share capital requirements as provided under Section 11(1) of the Banking Regulation Act and/or do not comply with Section 22(3)(a) of the Banking Regulation Act. (As Applicable to Cooperative Societies).

(c) **Non-viable**

This category includes banks which have failed to achieve the prescribed norms of viability.

As regards banks at (a) above : (i.e. banks classified as weak due to heavy erosion and high overdues)

7.13 The names of banks identified as weak on annual appraisal basis are conveyed to the State Cooperative Bank with a request to initiate necessary steps for their rehabilitation. A copy of the letter is also marked to the Registrar of Cooperative Societies for taking necessary action. In terms of the guidelines, the Registrar of Cooperative Societies is required to constitute Bank Level Review Committee with undernoted members for each weak bank.

i. Secretary/Manager of the concerned urban cooperative bank.

ii. Representative of Cooperation Department.

iii. Representative of the Central Cooperative Bank/Apex Bank of the area concerned.

iv. Representative of the District/Regional Level Federation/ Association of urban cooperative banks.

The Review Committee is required to draw up a time-bound programme specifically laying down targets for recovery of overdues, mobilisation and management of resources, increase in loan business etc. It is also required to meet periodically to assess the progress in the implementation of the rehabilitation programme and suggest further steps to be taken in this regard. Apex banks are required to involve themselves and initiate action for chalking out rehabilitation programme for each weak bank and convene meetings atleast once in a quarter.

After successful implementation of the rehabilitation programme, the bank's name is deleted from the list of weak banks if it satisfies the undernoted criteria :

(1) The unprovided for bad assets (i.e. bad debts and other intangible assets) constitute less than 25% of the owned funds (excluding the provisions for bad and doubtful debts and other assets).

(2) The paid-up share capital and reserves created out of profits exceed bad and doubtful debts, accumulated losses and other overdues over three years by at least Rs. 1 lakh.

(3) The percentage of overdues to the loans outstanding do not exceed 25% at the end of last two consecutive cooperative years.

As regards banks at (b) above (i.e. banks which do not satisfy Section 11(1) and Section 22(3)(a) of the Banking Regulation Act, 1949)

7.14 Banks which have failed to satisfy minimum share capital requirements as provided under Section 11(1) of the Banking Regu-

lation Act and/or do not comply with Section 22(3)(a) of the Banking Regulation Act are classified as weak. Since banks not complying with Section 11 cannot legally speaking carry on banking business they are advised to seek exemption from the above provisions under Section 53 of the Act ibid by submitting an application to the Government of India. While applying for exemption, such banks, are required to support the exemption application with a time bound programme of action to comply with Section 11 of the Act within a reasonable time of two to three years. The plan also provides for other financial improvements like growth of deposits, increase in advances, effective recovery of overdues and improvement in profits. In respect of banks which do not show any improvement in their affairs pursuant to the plan of action and fail to comply with the provisions of the Act ibid for periods extending beyond three to five years, serious consideration is given for either merger with other good working banks or their eventual liquidation.

As regards banks at (c) above (i.e. weak banks identified with reference to norms of viability)

7.15 This includes banks which have failed to achieve the norms of viability prescribed by the Committee on Urban Cooperative Banks (1977) and revised upwards by the Standing Advisory Committee at its meeting held in January 1986. The Committee on Urban Cooperative Banks had recommended that such banks may be allowed a period of three years or such extended period not exceeding two years to attain the prescribed norms of viability failing which they would have to be weeded out by a process of merger/liquidation. Accordingly, these banks were given requisite time and advised to draw up time-bound action programmes for increasing their share capital, deposits, loans and advances etc. Though the initiative taken for this category of banks bore some fruits, nevertheless a large number of non-viable banks continue to exist in the system. At present the position of such banks is being analysed from time to time with reference to their past performance. While reviewing the progress of these banks, if it is found that the chances of a bank functioning as an independent viable unit in the foreseeable future are bleak, it is advised to convert itself into a primary credit society and go out of the purview of the Banking Regulation Act, 1949(As Applicable to Cooperative Societies). Where

this is not possible, the Registrar of Cooperative Societies is requested to consider merging it or taking it into liquidation.

The Rehabilitation Mechanism- apex level (State Level Review Committee)

7.16 State Level Review Committee with the following members have been constituted in most of the States.

1. Registrar of Cooperative Societies
2. Managing Director of the State Cooperative Bank
3. Chairman/Chief Executive of the State Federation/Association of urban cooperative banks
4. Representative of the Regional Office of the Urban Banks Department of the Reserve Bank of India.

The Registrar of Cooperative Societies is the Chairman and the State Cooperative Bank is the convenor of the Committee. The Committee is required to meet atleast once in a half-year and attend to the entire work relating to rehabilitation of weak banks including the monitoring of the working of the Bank Level Review Committee set-up for rehabilitation of weak banks, drawing up the action programme for non-viable institutions, monitoring the position of banks which do not satisfy Section 11 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). The Committee reviews on a continuous basis the progress of rehabilitation of weak and non-viable banks and takes positive decisions regarding continuance of the units or their merger/liquidation. A proposal that Reserve Bank of India should take over the convenorship of the Committee is under examination.

Special Cell in Cooperation Department and State Cooperative Banks

7.17 It was felt that there is a need for greater attention to be bestowed by the Cooperation Department and the State Cooperative Banks in the

matters of urban banks. Accordingly, it has been suggested that each should form a special cell to monitor the work relating to rehabilitation of weak banks in particular and the working of the urban cooperative banks in general. This has been done in certain States.

Statistical Position

7.18 (i) On the basis of norms laid down for identification of banks as weak, there were 26 primary cooperative banks in seven States which were considered as weak with reference to their financial position as on 30 June 1971. The number of weak primary cooperative banks has gradually increased and as on 30 June 1990 as many as 158 banks (including 50 banks not complying Section 11 of the Banking Regulation Act) were classified as weak due to heavy erosion/high overdues. Apart from this there were 78 non-viable banks. Besides, 4 non-viable banks were not satisfying the minimum share capital requirements also and hence included in the figure of 158 banks mentioned above.

(ii) **Incidence of weakness**

The year wise position of weak banks from 1986 to 1990 is tabulated on next page.

As on 30th June	Total no.of UCBs	Not complying with Sec. 11(1)	Under rehabilitation	Under observation	Non-viable	Total weak banks (3+4+5+6)
1	2	3	4	5	6	7
1986	1345	30	74	36	188	328
1987	1358	31	72	42	143	288
1988	1370	24	93	28	122	267
1989	1377	25	86	28	118	257
1990	1389	25	96*	33*	82*	236

* Includes 21 banks under rehabilitation/ observation and 4 banks of non-viable category, which are also not complying with provisions of Section 11 (1) of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies)

(iii) The detailed break-up of such banks as on 30 June 1990 according to the category of weakness/status of the bank (viz. licensed/unlicensed)is indicated below :

Total weak banks : 236

Category		Licen-sed	Unlicen-sed	Total
1.		2.	3.	4.
1.	Banks under rehabilitation i.e. overdues 50% and above or erosion of ownd funds 25% and above.	51	57	108
2.	Not complying Section 11(1) only	6	19	25
3.	Non-viable only	35	43	78
4.	Not complying Section 11(1) and non-viable also.	1	3	4
5.	Not complying Section 11(1) and under rehabilitation	8	13	21
		101	135	236

(iv) The state-wise position of such banks for the last four years is at Annexure - XVI.

(v) The period-wise classification of weak banks in the five major states of Maharashtra, Gujarat, Karnataka, Andhra Pradesh and Kerala and other states collectively is at Annexure - XVII.

(vi) The progress/action taken by the supervisory authorities in regard to weak banks for the last six years (1986-1991) is at Annexure - XVIII.

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

7.19 (i) It has been submitted to the Committee that the main causes for "weakness" are defective loan policy and procedures of the bank concerned such as predominance of loans for unproductive purposes which do not generate income and necessary repaying capacity, sanction of the loans in excess of the repaying capacity, inadequate verification of the purpose for which the loan has been sanctioned, concentration of loans to a few directors/preferred borrowers, grant of fresh loans to borrowers already in default, delay in proceeding against the borrower and the security offered by him, delay in filing of arbitration cases/sending awards for execution, poor quality of service to customers, injudicious management of resources, lack of professional management and training staff, political interference, duality of control between Reserve Bank of India and the Cooperation Department inhibiting quick process of rehabilitation etc.

(ii) The Committee takes note of the existing position in respect of weak and non-viable banks. It concurs with the view that persistence of weak and non-viable units is contra indicated in a system which has to be dovetailed with an emerging economic scenario rooted in productivity, efficiency and competitiveness. While recognising the efforts made by the statutory authorities so far in determining the future set up of such banks, the Committee feels that the present method of identifying and monitoring such banks does not recognise the fact that sickness is not a sudden occurrence, but the end-point of a gradual process of economic decay. In the absence of early warning signals, the rehabilitation initiative probably takes place much later than it should have. This is indicated by the fact that a number of sick banks continue to be under rehabilitation for long periods of time and the number of successful 'turn-around cases' is not very significant (cf. Annexures - XVII and XVIII).

The Committee, therefore, recommends that the Reserve Bank should undertake a comprehensive study to (1) validate the existing criteria for defining sickness on the basis of a systematic comparison of healthy and sick banks (2) devise a quantitative model to predict incipient sickness and (3) scale all cooperative banks on a financial health scale so as to enable selective and timely intervention.

This recommendation of the Committee derives from its perception, that a controlled relaxation of the licensing policy requires the central banking authority to monitor the health of the urban cooperative banks with great sensitivity and use predictive devices for identifying incipient sickness and taking corrective action at the earliest signal. Such devices should also enable a categorical assessment of prospects for a turn-around in the case of banks which have moved into rehabilitation zone so that the future of such banks may be determined expeditiously.

The Committee, while taking cognizance of the availability of such models in India and elsewhere and development of sophisticated computerised software and statistical models, observes that findings of the Reserve Bank of India inspection and on-the-spot observations would also have to be taken into consideration and appropriate weightage given therefor. Mere reliance on published data of annual accounts and/or returns received in the Reserve Bank of India or Cooperation Department may not fully reflect the actual position or be indicator of a dependable health of a bank. It would be necessary for the Reserve Bank to dovetail and correlate these aspects and consider adoption of suitable techniques to assess the financial health/risk of banks. The Committee recommends that such a review should be undertaken as early as possible by soliciting the support of experts who have experience and background of developing such evaluation models.

(iii) As regards the initiatives for merger/amalgamation/

liquidation of weaker/non-viable urban cooperative banks the Committee feels that the legislative measures proposed by it elsewhere in the report will go a long way in clearing the bottle-necks for expeditious determination of the future set-up of such banks and recommends that the same may be acted upon quickly.

(iv) The Committee notes with concern the fact that almost 20% of the urban cooperative banking system has been identified as weak. It further notes that contrary to the expectation that rehabilitation programme should not be allowed to drag on indefinitely, there are quite a number of weak banks under rehabilitation for more than 3 years. The Committee is of the view that the Reserve Bank of India and the Cooperation Departments of the States concerned should act in unison and within the next two years determine the future set up at least of all banks in the weak category which have been under programmes of rehabilitation etc. for more than 5 years. This may be done by identifying suitable transferee banks having strong balance sheets/sound financial positions from the district/state of registration of the concerned weak transferor banks or in the event of such banks not being available with other eligible banks.

(v) The Committee notes that the most critical category in the weak list consists of banks not complying with capital and reserve requirements. In most cases, the unprovided for erosion in the value of assets of such banks is fairly high, wiping out not only the owned funds but also touching the banks' deposits. Banks in this category also tend to exhibit higher overdues, high level of borrowings. The Committee notes further that under the procedure in vogue such banks are required to apply to the Government of India through Reserve Bank of India for exemption from provisions of Section 11(1), since banks not complying with minimum capital requirements are legal anachronisms. The applications of such banks are required to be accompanied by an action programme detailing the steps which the bank wishes to take to comply with the statutory

requirements within the stipulated period - usually 2/ 3 years. The Committee recommends that all banks which have far exceeded the time frame initially submitted by them in the action plan say by 3-5 years - for compliance with statutory requirements, may be taken for review and subsequent merger/amalgamation, refusal of licence etc.

The remaining banks in this category may be asked to come forth with a fresh action plan and indicate a period not exceeding 2 years for requisite compliance. They may be advised that on their failure to do so, the Reserve Bank of India may have to invoke sterner alternatives.

(vi) The Committee notes that non-viable banks in the weak category are those which have not achieved the revised viability norms stipulated in 1986. At the time of stipulating these norms the understanding was that banks would achieve the same within 3-5 years. The outer limit for compliance expired in March 1991. The Committee recommends that a comprehensive review may be undertaken of all non-viable banks vis-a-vis the progress made by them in achieving the viability standards and that cases of those banks may be taken up for merger/amalgamation which have only shown poor or marginal progress. The remaining banks may be advised to achieve the norms as revised by the Committee.

(vii) The Committee understands that in so far as recovery mechanism is concerned the urban cooperative banks are better placed than nationalised/commercial banks for the reason that while the latter category of banks have to take recourse to court, the urban cooperative banks in many states can apply to the concerned Registrar for issue of recovery certificate through a summary procedure after which recoveries could be effected from the defaulting members by an execution procedure through recovery officers. The Committee recommends that the Reserve Bank of India should

verify if the Cooperative Laws of the State Governments have taken care of such recovery procedures. Wherever necessary, the concerned State Governments may be asked by the Reserve Bank of India to amend their Cooperative Acts to provide for easy recovery procedures.

(viii) The Committee wishes to reiterate in conclusion that the statutory authorities should firmly recognise the fact that rehabilitation is only a transit phenomena and that bank's continuing to languish in the weak category for long periods of time speak poorly of the efficacy of the rehabilitation mechanism. The Committee feels that the proposals relating to licensing of new banks made by it will give rise to new and strong units in the system and that, therefore, there should be no hesitation in ensuring that the old order yields place to the new.

CHAPTER - 8

SUPPORTIVE LEGISLATIVE AMENDMENTS

8.01 The Committee is of the view that the changes in policy suggested by it regarding the organisation of new urban cooperative banks and related matters require to be supported by certain enabling amendments to the statutes governing such banks. The Committee regards that these measures constitute a holistic package and must not be implemented in isolation of each other.

8.02 The Committee is aware that the urban banking system is based on the ideals of cooperation and democratic management. Such a system is a function of two variables, control and self regulation control which is imposed from outside and regulation which derives from within. The process of evolution demands that the system should continually seek to heighten its sense of individual and social responsibility and enlarge the areas of self governance. The Committee wishes to make it clear that in proposing certain enabling legal amendments it does not wish to set back the clock of evolutionary growth. The perception informing the Committee's initiative is to ensure that in critical areas affecting public interest or the interest of depositors, the statutory authorities should be equipped to deal expeditiously and painlessly with systematic aberrations so as to ensure the growth of the system on sound and viable lines.

8.03 The Committee recalls in this connection that the Committee on Urban Cooperative Banks (1977) had suggested certain amendments to the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) based on the recommendations made by it. These amendments, inter-alia, sought to ensure an upward revision in the capital adequacy requirements for urban cooperative banks and put a stop to the entry of primary credit societies into the mainstream of urban cooperative banking through back door methods and are relevant and valid even today. However, the process of ensuring their enactment into law has been delayed. The Committee desires that the said amendments duly modified as indicated in Annexures XIX and XX taken up for enactment without any further loss of time whatsoever.

8.04 The Committee has made certain additional recommendations

which derive from its findings and the experience gained in administering the system over the past decade and half. The context and rationale of these are discussed below :

8.05 The Committee notes that the Banking Regulation Act, 1949 was not originally extended to cooperative banks as they are in the nature of cooperative societies registered under the Cooperative Societies Act of the States concerned. However, in view of the growth in the volume and business of such banks it was deemed necessary to bring the banking aspects of their functioning within the ambit of the Reserve Bank's control. Accordingly, certain provisions of the Banking Regulation Act, 1949 as modified by Act 23 of 1965 (Application of the Act to Cooperative Banks) were made applicable to cooperative banks with effect from 1 March 1966.

8.06 With the extension of the Banking Regulation Act, 1949 to cooperative banks, the Reserve Bank acquired control over the functioning of primary cooperative banks with paid-up share capital and reserves of Rs. 1 lakh and above in matters such as maintenance of cash reserves and liquid assets, regulation of loans and advances, opening of new places of business and publication of audited balance sheet and profit and loss account. The statutory power of inspection of primary cooperative banks was also vested in the Reserve Bank. Further, every primary cooperative bank existing as on 1 March 1966 or a new bank organised thereafter was required to apply to the Reserve Bank for issue of a licence to carry on or commence and carry on banking business. Certain provisions of the Banking Regulation Act, 1949 were, however, not made applicable to primary cooperative banks. In omitting these provisions which deal with removal/supersession of the management of banks, liquidation of banks and the special procedure to be followed in the event of liquidation, the constitutional and legal positions as well as the special requirements of cooperative banks and other cooperative societies appear to have been taken into consideration. Powers in regard to incorporation, management and winding up of these institutions, therefore, continued to be governed by the respective Cooperative Societies Acts under which the institutions were registered.

8.07 One of the reasons given in support of the cooperative banks being brought under the purview of the Banking Regulation Act, 1949 was to enable the Deposit Insurance Scheme to be extended to the deposits mobilised by cooperative banks (as in the case of commercial

bank deposits). Accordingly, state governments were requested in 197 to carry out certain amendments to their respective Cooperativ Societies Acts and also provided with a set of model provisions to b incorporated as a separate chapter therein. These provisions whereve incorporated have enabled the extension of the Deposit Insuranc Scheme to cooperative banks in the concerned state/union territory anc also conferred on the Reserve Bank indirect powers relating to merger/ amalgamation, supersession of the Board of Management and appoint- ment of an Administrator etc., in respect of such insured cooperative banks. These powers are, however, required to be exercised through the Registrar of Cooperative Societies of the state concerned. It is also provided that there shall be no appeal, revision or review of orders issued with the previous sanction in writing or on the requisition of the Reserve Bank. Thus, in respect of states and union territories where provision has been made in the respective Cooperative Societies Acts on the lines suggested, the Reserve Bank has been empowered to merge/amalgamate, liquidate an insured urban cooperative bank or supersede the Board of Management thereof through the Registrar of Cooperative Societies.

8.08 Although on the face of it such powers appear adequate, serious deficiencies have been observed in the implementation thereof. The Committee notes that either there are long delays in the execution of merger/amalgamation/liquidation initiatives proposed by the Reserve Bank or where appropriate action is taken by the concerned Registrars of Cooperative Societies but matters are embroiled in litigation on account of being challenged in a court of law, the response of the State Governments in getting the stay etc. vacated and filing counter petitions is extremely slow. Resultantly the very objective of the initiative viz. safeguarding the interest of depositors and securing expeditious justice for them is frustrated. Further, in states where the Scheme of Deposit Insurance has not been extended on account of the suggested provisions not having been incorporated in the respective Cooperative Societies Act, the Reserve Bank does not even have an indirect authority as above but has to satisfy itself by advising the Registrars of Cooperative Societies concerned to initiate requisite action. Over the years these deficiencies and lacunae have let to a severe criticism of the Reserve Bank of India and the Deposit Insurance and Credit Guarantee Corporation regarding their inability to secure expeditious relief to the depositors of vulnerable institutions.

8.09 The Committee notes further that at present 236 banks have been identified as weak on account of (a) overdues exceeding 50% of loans outstanding or the erosion in owned funds exceeding 25% or (b) the real or exchangeable value of the paid up capital and reserves being less than the statutory minimum of Rs. 1 lakh, or (c) failure to achieve the prescribed standards of viability. It has been brought to the Committee's notice that despite some such banks having been under programmes of rehabilitation for more than 10 years, they still continue to languish in weakness. The Committee feels that the directional change proposed by it in the matters of entry of new banks in the system postulates that the future set-up of units which have a demonstrated record of non-performance must be determined expeditiously so as to enable the Reserve Bank to consolidate the system on sound lines.

8.10 The Committee has gone into this question in great deal. It has noted the sentiment of affected parties that justice delayed is justice denied and also deliberated over the submissions made by the statutory authorities. Considering the overall position, it is of the view that there can be no compromise as far as the interests of depositors are concerned and that, therefore, in place of the present legal arrangement in terms of which the Reserve Bank exercises certain powers relating to amalgamation/merger/liquidation of the bank and supersession of Board of Management etc. indirectly through the Registrar of Cooperative Societies, (and that too only in case of insured banks), it should be empowered to exercise the same directly in respect of all primary cooperative banks.

8.11 In making the above recommendations, the Committee has taken into account the difficulties involved in so empowering the Reserve Bank and incorporating the aforesaid provisions in the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). It has, however, been brought to the notice of the Committee that in view of the obervations made in the judgement delivered by the Nagpur Bench of the Bombay High Court in the case of Nagpur District Central Cooperative Bank Ltd., Vs. Divisional Joint Registrar of Cooperative Societies, Nagpur and the doctrine of 'pith and substance' put forth by the Supreme Court as the touch stone to ascertain the list to which an entry having overlapping overtones belongs, competent legal opinion has confirmed that the provisions relating to management/winding up etc. of cooperative banks could be incorporated in the Banking Regulation Act, 1949.

8.12 Taking the totality of circumstances into account, the Committee recommends that the existing provisions of Sub-sections (4) to (6) of Section 45, of the Banking Regulation Act, 1949, details whereof are indicated in Annexure XXI, be made applicable to primary urban cooperative banks and that necessary steps in this regard to promote the amendments may be taken by the Reserve Bank of India.

8.13 The Committee also suggests certain changes in the Cooperative Societies Act which are expected to reduce the level of external interference in the working of such banks. The common thread running through the Committee's interaction/interface with officials and non officials connected with urban cooperative banking movement is that there are signs of the movement becoming increasingly politicised and that some measures should be taken to set right the position.

The Committee realises that in the final analysis the only way of dealing with corrosive or manipulative pressures-political or otherwise, is by developing strength in terms of men and systems. However, within the parameters of its limitations, it has deemed it fit to make certain recommendations which will reduce the areas of manipulation and make it difficult to subvert the system for personal ends. These are indicated in Annexure - XXII.

8.14 The Committee is aware that there are various types of societies in the cooperative sector which are governed under a common State Cooperative law, including the urban cooperative banks also. However, the Committee would like to emphasise that urban cooperative banks have certain unique features and have special characteristics deriving from the applicability of a Central Act viz. Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) in respect of banking operations and State Cooperative law in respect of other matters. The Committee, therefore, feels that the special features as are applicable to urban cooperative banks, including the amendments suggested in the State Laws in this Chapter, should be reflected through the enactment of a separate chapter on urban cooperative banks in the Cooperative Societies Act of each State. The Committee, therefore, recommends that the Reserve Bank of India may take up with the State Governments the enactment of a separate chapter on urban cooperative banks in their respective Cooperative Societies Act.

CHAPTER - 9

BRANCH LICENSING POLICY OF URBAN COOPERATIVE BANKS

9.01 In terms of Section 23 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), an urban cooperative bank is required to obtain prior permission of the Reserve Bank of India before opening a new place of business or changing the location of the existing place of business otherwise than within the same city, town or village. A place of business has been defined as any sub-office, pay office, sub-pay office, and any place of business at which deposits are received, cheques cashed or moneys lent. An exception has, however, been made for opening of a branch for a period not exceeding one month in a temporary place of business within a city, town or village or environs thereof within which the cooperative bank has a place of business for the purpose of affording banking facilities to the member of public on the occasion of an exhibition, a conference or a mela or any other like occasion.

Before granting any permission under this Section, the Reserve Bank of India may require to be satisfied by an inspection under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) or otherwise as to the financial condition and history of the cooperative bank, the general character of its management, the adequacy of its capital structure and earning prospects and that public interest will be served by the opening or, as the case may be, change of location of the place of business.

The Reserve Bank of India may grant permission referred to above subject to such conditions as it may deem fit to impose either generally or with reference to any particular case.

9.02 Under the system in vogue, the branch licensing policy is formulated for the banking system as a whole. The policy in this regard for the Seventh Plan period (1985-1990) came to an end in March 1990 giving way to the current branch expansion programme for the years 1991-92 to 1993-94.

During the Seventh Plan period, proposals were received from 421

urban cooperative banks for opening branches at 2424 centres of which 1027 were in respect of semi-urban, 730 in respect of metropolitan and 667 in respect of urban centres respectively. As against these, allotments for 437 centres were made to 382 eligible urban cooperative banks as per details given in Annexure XXIII.

As at the end of June 1991, there were 3172 offices of 1305 urban cooperative banks excluding Salary Earners' Societies in the country. The state-wise dispersion of branches is indicated in Annexure XXIV. It will be seen therefrom that the concentration of branches follows the concentration of the urban cooperative banks and is mainly confined to the States of Maharashtra (1346), Gujarat (599) and Karnataka (398) which account for 74% of the total branches in the country.

9.03 The present branch licensing policy is for the years 1991-92 to 1993-94 and is based on the criteria of the established need for an office, its financial viability and the adequacy of the business potentials at the centre. The policy takes into account the suggestions received from the National/State Federations, Registrars of Cooperative Societies, etc. in the Eighth Standing Advisory Committee of urban cooperative banks held on 30.9.1989. Under the present policy, urban cooperative banks were advised to submit proposals for opening of offices at metropolitan/ urban and semi-urban centres in their respective areas of operation for the three year period indicated above. The guidelines issued to urban cooperative banks in this regard stipulated, inter-alia, that the applicant bank should be licensed, comply with important statutory requirements such as Sections 11, 18, 22(3) and 24 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) and Section 42 of the Reserve Bank of India Act, 1934 in case of scheduled urban cooperative banks, be viable as per standards prescribed for the purpose, have overdues not exceeding 15% of outstanding loans and advances, have achieved priority sector and weaker section targets for deployment of credit, have submitted satisfactory compliance to the Reserve Bank of India inspection report and the performance of whose existing branches should be satisfactory. Additionally, banks were required to adhere to certain procedural norms in this regard also.

Observations of the Committee

9.04 It has been represented to the Committee that urban cooperative banks should be permitted to open offices anywhere within their area

of operation without seeking permission from the Reserve Bank as is allowed to District Central Cooperative Banks. It has also been argued that the Committee on Financial System (1991) was in favour of abolishing the system of licensing for new branches.

A large section of the respondents have represented that there is an inordinate delay not only in the announcement of policy but also in allocation of centres/issue of licences. It has been submitted that this causes inconvenience to the applicant banks and delays their expansion programmes. Respondents have opined that the comprehensive data which is called for with the proposals for allocation of centres and once again asked for with the licence applications covers more or less the same ground and can be dispensed with if the two stage procedure can be telescoped into a single stage scrutiny.

RECOMMENDATIONS OF THE COMMITTEE

9.05 In light of the submissions made, the Committee has carefully considered the issue of dispensing with the branch licensing mechanism. As regards the argument that urban cooperative banks should be placed on par with District Central Cooperative Banks in the matter of opening of branches, the Committee concurs with the view expressed by the Committee on Urban Cooperative Banks (1977) that "Central Banks are specifically given this facility keeping in view the responsibility devolving on them for the disbursement of agricultural loans and their obligation for serving the affiliated primary societies" and that, therefore, the present stipulation of obtaining a licence for the opening of a branch by urban banks should continue.

Regarding the argument which proceeds from the report of the Committee on Financial System (1991), the present Committee feels that urban cooperative banks are more heterogeneous than the commercial banks. The various constituents of this system are at different stages of development and in view thereof, it would be difficult for the Committee to recommend dispensation of licensing of new branches of urban banks. The Committee, however, would suggest that unless there are overwhelming reasons to the contrary, an application for licence for opening a branch need not be rejected.

In order to understand the reasons underlying the delay in the announcement of policy/allocation of centres, etc. the Committee went into the procedure for issue of branch licences. In this connection it has been submitted to the Committee by the Reserve Bank that under the present policy most of the allocations made to banks have been in accordance with the preferences indicated by them and that the feed back received, so far, has been generally satisfactory. It has also been submitted that the general complaint regarding delay is largely due to the fact that the decentralised system introduced recently for the scrutiny etc. of proposals has not "settled" as yet. The Committee has been assured that in future the time lag between submission of proposal/ allocation of centres and issue of licences will be considerably reduced. While noting the submission made, the Committee feels that any system which is contingent on a two-tier scrutiny mechanism involving flow of data covering more or less the same ground - first for allocation of a centre and subsequently for conversion of the centre allotted into a licence - is likely to cause needless delay. The Committee, therefore, suggests that the Reserve Bank may review the extant procedure in this regard with a view to expediting the issue of licences including the possibility of having a one stage scrutiny mechanism.

9.06 The Committee notes that no clear picture has emerged regarding the question of filling up of a banking need by branch expansion vis-a-vis organisation of a new bank. While cooperators from the developed states have favoured branch expansion, those from the less developed states have favoured organisation of new units. The Committee feels that no hard and fast rule can be laid down in this regard and that each case would have to be considered on its own merits. However, as a general rule, the Committee would like to suggest that while branch expansion may be permitted for sustaining growth of existing banks, it should not be allowed to become an instrument for curbing emerging cooperative initiative.

CHAPTER - 10

REGULATORY MECHANISM

10.01 The supervisory and monitoring functions of Reserve Bank of India are defined by public interest and designed to ensure that the banking system as a whole works within the parameters of prudence, commercial viability and national priorities. Basically, the system aims to ensure that urban cooperative banks do not function in a manner detrimental to the interest of the depositors and have, at all times, the ability to honour their claims when due. A secondary objective of the system is to ensure that the deployment of working funds - specifically to the directed sectors - is in consonance with the guidelines issued by the Reserve Bank of India from time to time.

10.02 The mechanism regulating the affairs of urban cooperative banks is operated by three agencies viz., Reserve Bank of India, Cooperation Department of the State concerned and the financing bank. Control is broadly exercised through a system of returns, inspection and audit. While inspections are carried out by all the three agencies, audit is conducted by the Cooperation Department and in certain States by Chartered Accountants approved by the Registars of Cooperative Societies.

Regulation and Control - Reserve Bank of India

10.03 The supervision over the working of urban cooperative banks is exercised by the Urban Banks Department of the Reserve Bank of India through a system of -

a. Statutory and other returns,

b. Periodical inspections, including compliance and post-inspection compliance, discussions with Chairman and few Directors of the concerned bank and

c. Special investigations/visits/follow-upof frauds, complaints, etc.

10.04 In order to monitor the functions of urban cooperative banks in general and to keep an ongoing track of their financial affairs, the following important returns are received by the Reserve Bank of India -

Particulars of returns		Periodicity	Return
(i)	Statement showing the position of cash reserves and liquid assets	Monthly	Form I
(ii)	Statement showing assets and liabilities of urban cooperative banks and salary earners' type of banks	Monthly	Form IX
(iii)	Statement showing details of branches opened/closed during a quarter	Quarterly	Form VI
(iv)	Priority Sector Advances	Halfyearly/Annual depending on the working capital of the bank	
(v)	Health Code Report	Half yearly	
(vi)	Statement showing details of unclaimed deposits for 10 years or more	Annual	Form VIII
(vii)	Trend and progress of banks	Annual	Annual Accounts

(Note : There is, for scheduled urban banks only, a fortnightly report in Form B which is a statement showing the demand and time libilities of such banks.)

Although not referred to the Committee specifically, it was felt necessary to go into the whole question of utilisation of information flows into the Urban Banks Department. Under the present sytem, the main contours of which have been indicated above, information is received through statutory and other returns of varying periodicities. The Committee takes cognizance of the fact that over the years analysis and follow-up of these returns has not been given the importance due

to it. While in part, this is due to delay in the submission of returns, there is evidence to show that even information which had been received in the department was not organised in the form of a systematic data-base. Consequently, the Department was not able to make any diagnostic or predictive use of the data available with it.

The Committee also takes cognizance of the fact that in 1991, the department initiated steps towards computerisation of data received. The Committee feels that although this work is still in a nascent stage, the setting up of this information, compilation and analysis network can now form the nucleus of an on-going monitoring system. The Committee is of the view that an efficient monitoring system will give a cutting edge to the Reserve Bank's supervisory mechanism. The Committee, therefore, recommends that the existing information, compilation and analysis system be reviewed immediately and revised,if necessary, in consultation with experts in the field to deliver outputs which will enable operational decision making at the department level, generate incisive outputs for the inspectorate and provide inputs for a diagnostic and predictive initiative for the detection of incipient sickness.

10.05 The Reserve Bank inspects urban cooperative banks statutorily under the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) to ensure their sound financial position and satisfactory conduct of affairs. The more important items examined during inspection are -

a. All items of liabilities and assets as on the date of inspection; success in the mobilisation of deposits and resources; nature and quality of service rendered to deposit account holders; compliance with conditions stipulated by higher financing agencies.

b. Detailed scrutiny of the assets of the bank to evaluate the extent of their realisability and to assess the erosion in the value of assets so as to ascertain whether the bank complies with the provisions of Section 11(1) and Section 22(3)(a) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) relating to minimum share capital requirements and ability to meet the claims of its depositors respectively.

c. Critical examination of the loan policies and procedures to ascertain whether the bank is following sound policies in the matter of extending finance, taking adequate precautions and safeguards and effecting prompt recovery. Assessment of the bank's performance vis-a-vis national priorities and socio-economic objectives particularly the financing of priority sectors/weaker sections.

d. Overview of the ambit and quality of the bank's control over its branches, efficacy of the system of internal controls and proper maintenance of records.

e. Assessment of the interest evinced by the Board of Management/Directors in the bank's working, general adequacy of staff in terms of competence.

f. Compliance with statutory requirements relating to the maintenance of cash reserve and liquid assets and management of funds as also compliance with other statutory provisions and directives issued by the Reserve Bank of India from time to time.

At the conclusion of the inspection,an assessment is made as to whether the bank has the capacity to pay its present and future depositors as and when their claims accrue and also whether its methods of operations are or are not detrimental to the interest of the depositors. This assessment also covers the performance of the bank in its developmental and promotional role in financing productive enterprises.

10.06 Consequent on completion of the inspection, a report containing critical observation and overall assessment of the bank's performance is forwarded to the banks calling upon them to submit compliance reports indicating the action taken/proposed to be taken to remove the defects and deficiencies in their working and to implement the suggestions pointed out therein within a period of 3 months from the date of issue. The compliance report furnished by the bank is carefully scrutinised and where deemed necessary, pursued further by calling for additional information/special compliance as part of an on-going process.

In order to sharpen the follow-up mechanism and ensure that the Board of Management takes effective and purposeful action for rectifying the defects pointed out/implementing the suggestions made, post-inspection discussions are held with Chairman and few Directors of the bank with officials of the Reserve Bank. The level at which these discussions are held depend upon the loan business of the bank concerned.

In addition to the financial inspection of the bank under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), the department also carries out quick inspections for specific purposes including scrutiny for purposes of scheduling or (in case of bank's facing liquidity problems) for determining the imposition of directions under Section 35-A of the Act ibid or for following up complaints/reports of frauds, etc. of a serious nature in respect of specific banks.

10.07 **Observations of the Committee**

In the replies received to the questionnaire issued by the Committee, respondents have been near-unanimous in indicating that the statutory inspections of the Reserve Bank of India are comprehensive and serve a useful purpose. They have, however, opined that inspections should be conducted on an annual basis instead of once in two years as at present. On the negative side, it has been submitted that inspections,sometimes, tend to become fault finding missions focussed more on the listing and highlighting of routine defects rather than helping the management in identifying areas of weakness/concern and evolving suitable strategies to remove the same. The respondents have also been critical of the long time lag between the conduct of inspections and issue of reports arguing that such delays make inspection a purely academic exercise. The urban cooperative banks continue to see Reserve Bank of India as a friend, philosopher and guide and expect that the officers deputed by it for inspections should fulfil these roles.

It has been brought to the Committee's notice that under the existing system, banks are required to be inspected every two years. Taking the existing banks at 1401, this would entail an annual inspection target of 700 banks. It is understood that at present banks

in Maharashtra and Gujarat are not being inspected at the prescribed periodicity (c.f. Annexure - XXV). In fact in certain cases, delays have exceeded three to four years. Delays have also been observed in the issue of inspection reports (c.f. Annexure XXVI). It has been explained to the Committee that these delays were on account of various factors such as inadequate staff strength, non-availability of officers having requisite inspection experience, increase in the number and volume of the business of banks, etc. The Department addressed itself to this problem in 1987 and took several measures to curtail the time taken for inspection and issue of report by introducing a questionnaire type of Records of Findings, revising the pattern of inspection report and prescribing a PERT chart for inspections of larger banks. Notwithstanding the measures taken, there has been no significant improvement in the position.

RECOMMENDATIONS OF THE COMMITTEE

10.08 The Committee notes that the periodicity of inspections by Reserve Bank of India which was originally 18 months has been increased to 24 months. The Committee is aware that the majority of the urban banks are small institutions working in mofussil areas with relatively low working capitals and are extremely vulnerable to manipulative lending by unscrupulous managements. Instances of banks having come to grief on such grounds within short periods of time have been brought to the notice of the Committee. The Committee recommends that in course of time, say two years, the earlier periodicity of 18 months should be restored.

It has also been suggested to the Committee that the present system of mechanically taking up banks for inspection every two years should be replaced by a need based system. On the face of it,the suggestion is attractive,but it is contingent on prompt and accurate flow of information to the Reserve Bank of India enabling it to prioritise the banks to be taken up for inspection. However, returns from banks are often not received on time and are very often incorrectly compiled. The machinery available at the Reserve Bank of India for a meaningful analysis of the returns is also insufficient. In view of these considerations, the Committee suggests that the Reserve Bank of India may conduct statutory inspection at an interval of 2 years (to be reduced to 18 months in due course) and at more frequent intervals in respect of other banks which do not have satisfactory track record of perfor-

mance and with still greater frequency in respect of banks which are under rehabilitation programme and/or are "problem", non-viable banks, etc.

The Committee is also of the view that the audit report of the Cooperation Department cannot be used for assessing the bank's financial performance, operational efficiency, etc. in the interregnum between two inspections since the focus of such audit is not on the banking aspects of the institutions but on vouchering and ensuring that the expenditures incurred are backed by appropriate administrative sanctions. In the circumstances, the Committee feels that there is no alternative, at present, to the continuance of the system of periodic inspection by the Reserve Bank of India. The Committee is also of the view that there should be no delay either in taking up of inspections or in the issue of reports. The Committee suggests that Reserve Bank of India (Urban Banks Department) should carry out a review of the aggregate staff available to it at various centres vis-a-vis the operational and inspection responsibilities devolving on them and after adjusting the surpluses, if any, against deficits at other centres,take suitable steps for augmenting the staff strength, if necessary, consistent with its present and future responsibilities.

Supervision - State Government - Audit

10.09 Besides inspection, annual audit of urban cooperative banks is carried out by the Cooperation Department to ensure that proper accounts are maintained to disclose their true financial position.

Observations of the Committee

10.10 It has been submitted to the Committee that the annual statutory audit of the urban cooperative banks is often delayed as a result of which such banks are required to approach the Reserve Bank of India for extension of time for submission of the audited balance sheet and profit and loss account. Officials from the Cooperation Department have explained that delay in audit is mainly due to the shortage of staff in the Department.

It has also been submitted to the Committee that cooperative auditors though generally conversant with their spheres of work, are

not some times well-versed in banking procedures and resultantly ar not able to guide the banks' staff in these matters.

Non-officials connected with the urban cooperative banking movement specially from the developed states have opined that the work of audit should be entrusted to Chartered Accountants so as to eliminate the delay that often takes place in audit work by the Cooperation Department.

RECOMMENDATIONS OF THE COMMITTEE

10.11 The Committee feels that there should not be any delay in the conduct of audit and that the said audit should be completed within the prescribed time schedules so as to enable the bank to discuss the audited balance sheets in their general body meetings and to submit the statutory return to the Reserve Bank of India in time. Wherever Government Departmental Auditors have already been provided for the audit of urban cooperative banks by the State Cooperation Department, it is recommended that they should be imparted specific knowledge and skills by suitable training so that they can attain high proficiency in the specialised audit work of urban banks. In view of inadequate strength of Government Auditors, urban cooperative banks should be, to the required extent, permitted by the State Cooperation Department to get their audit done by Chartered Accountants. The deployment for audit work of a mix of Government Auditors already in place and outside Chartered Accountants can ensure that the present delays are avoided and the audit of all urban cooperative banks completed in a timely manner. The Committee also feels that it should be a good idea to rotate the audit of a bank between Government Auditors and Chartered Accountants from year to year. Such rotations would make a bank more vigilant and would also bring in a meausre of competitiveness amidst the two audit agencies.

Inspections by Financing Banks

10.12 Inspection by financing banks, that is, those banks that do lendings to urban cooperative banks to supplement their resources are limited in scope and are conducted mainly to ensure the safety of funds lent and fulfilment of the terms and conditions attached to the sanction of credit limits including the proper utilisation of funds. The Committee does not deem it necessary to make any prescription/recommendation in this area.

CHAPTER - 11

OTHER RELATED MATTERS

11.01 In this chapter, the Committee has addressed itself to treating various matters which have strictly speaking not fallen within the classified chapters, hereinbefore, but are considered no less important.

11.02 The Committee has in Chapter 1 referred to the sweeping changes now taking place in the Indian economic scenario particularly through the mechanism of liberalisation, deregulation and privatisation. Such changes are designed to stimulate economic activity and also excellence in performance by encouraging healthy competition amongst the players in the production and service sectors. The Committee has, therefore, suitably viewed the future of the urban banking system in the background and context of these new developments. However, the Committee wishes to observe that the urban banking sector is just one amongst the various kinds of cooperative societies, and feels that the new wind of change should be allowed to permeate into the whole of the cooperative sector. The cooperative legislations in the states are many decades old. They have suffered from rigidities and inflexibilities reflecting the character of over centralisation and lack of true federalism in the affairs of the states and the nation as a whole. The Committee, therefore, strongly recommends that the State Governments should review the Cooperative Acts at this point of time and bring in necessary changes in the law which will impart true democracy and autonomy in the functioning of the cooperatives coupled with self-regulation and responsible actions.

In the matter of holding of office by a director of the bank or member of a committee, there is no uniformity in the various state cooperative laws. For instance, while in Maharashtra, tenure is restricted to 10 years, in U.P. it is two terms of three years each, and no restriction has been provided for in Gujarat.

The restriction on the period of tenure, are presumably based on the desirability of encouraging new and often younger leadership in the democratic set up. On the other hand, it was also urged before the Committee that in the context of the democratic set-up of the cooperative

bank, no specific bar should be placed on holding of such offices, provided the said cooperative bank has been generally working satisfactorily. The Committee sees some merit in this view and would, therefore, suggest that even if there are limits placed in the period of tenure, these need not be in the nature of a blanket ban.

It has been further submitted before the Committee that in the event of fresh elections on the expiry of term of appointment of administrators, wherever boards have been superseded by the Cooperation Department according to the provisions of the law, no restrictions are currently placed regarding re-election of same members on the board. The Committee recommends that such of the directors as were found to have acted negligently or with malafide motives need to be debarred from contesting elections and be disqualified for a specified period, so that the cooperative bank does not become a "prey" in their hands once again.

11.03 The Committee also feels that another anachronism that has to be attended to, are the wasteful practice, inefficient procedures, manual practices and unproductive expenditure that has remained a feature in banking system in India for want of measures taken in conformity with the progress in technology the world over, particularly in the areas of computers and communication. There is a resistance to change in this area in our society due to a fear that the employed will become jobless or the unemployed would increase in number. The Committee believes that through an aggresive process of education combined with practical action such false notion would have to be driven away from our midst. The use of modern technology including computers and sophisticated communication system can create surplus through efficiency, which can be deployed to create new job opportunities. The Committee would, therefore, consider that the urban cooperative banks should as early as possible appropriate computer and other modern equipments in their functions, to render better service to their clients and to improve their profitability and performance.

11.04 Another point which was brought up before the Committee relates to the demand for setting up of a separate apex bank for urban cooperative banks at state level. It is stated that the urban cooperative banks enable the State Apex Cooperative Bank and the District Central Cooperative Banks to secure considerable deposits of funds since the

urban cooperative banks have to provide for minimum SLR and CRR by parking the required amount in these banks. It is alleged that in return the urban banks get very little attention or benefits from the District Central Cooperative Banks/State Apex Cooperative Banks. In some states, the urban cooperative banks are not even represented in the board of District Central Cooperative Banks/State Apex Cooperative Banks. It has been pleaded before the Committee that the formation of an apex bank at State level for the urban cooperative banks will further strengthen the urban banking system and would eliminate the present imbalances in their linkages with District Central Cooperative Banks/ State Apex Cooperative Banks which are essentially meant for rural short term finance. While the Committee has taken note of this situation, it feels that the matter is complex and has several other dimensions of monetary policy and would have to be looked into in detail with a view to finding an equitable solution. This will involve multilateral discussions amongst concerned agencies including National Bank for Agriculture and Rural Development. For the time being, the Committee would like to state that in the interests of the cooperative movement as a whole it will be in fitness of things if the State Governments and the State Apex Cooperative Banks look into various aspects relating to representations of urban cooperative banks and better service to them in order to remove the existing feelings of alienation amongst the urban cooperative banks.

The Committee would also suggest that both State Cooperative Banks and District Central Cooperative Banks should seek to ensure reservation of appropriate number of seats for representatives of urban cooperative banks on the respective Board of Directors. The other point which needs to be looked into is that District/State Cooperative banks should favourably consider the applications for grant of refinance facilities to urban cooperative banks and make available expert advice of technical services to these banks. The State Cooperative Banks should also consider establishment of seperate cells/divisions in their respective banks to exclusively look after the urban cooperative banks. The Committee feels that inadequate attention being given by some of the State Cooperative Banks to the problems of the Urban Cooperative Banks is not in the longterm interests of the cooperative movement. This is because the urban sector is a fast growing segment of the economy; and also the distinction between semi-urban and rural areas is getting blurred. It is, therefore, necessary that district and state cooperative

banks should play their respective roles in the development and promotion of urban cooperative banking.

11.05 Another related issue brought to the attention of the Committee is the use of nomenclature 'Primary' to the urban cooperative banks. It was represented to the Committee that very many cooperative banks cover whole district or whole state and, therefore, deserved to be atleast given the status of 'Central' bank. It was also represented that the urban cooperative banks should be permitted to give membership to any other cooperative institution (apart from individuals) which could, therefore, be financially serviced by the urban cooperative banks. While noting these arguments, Committee feels that the basic philosophy behind urban cooperative banking operation is local feel. Therefore, the Committee feels that the 'Bigness' of an urban cooperative bank should not be a plea to take away its primary character. The Committee is, therefore, not in a position to pass any verdict at variance with the present dispensation.

11.06 Another point brought up before the Committee was the use of the word 'Urban' in the nomenclature of the primary cooperative banks. It was stated that although the word 'Urban' does not figure anywhere in the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), it has come into vogue for historical reason since such banks were usually located in urban centres. The Primary Cooperative banks essentially do non-farm lending and there is a view that they should cover the peripheral rural area also. It was, therefore, argued before the Committee that the use of the word 'Urban' should be discouraged. The Committee has noted the factual position in the matter but would like to refrain from giving any sort of fresh dispensation. The Committee observes that in recent decades many banks have come up without the use of word 'Urban' in their names and that the public has by now generally reached an awareness that enables them to easily recognise a primary cooperative bank in terms of its service and functions.

11.07 Another point brought up before the Committee was that under the existing procedures, there is considerable delay in settlement of claims by the Deposit Insurance and Credit Guarantee Corporation (DICGC). Such delays are particularly irksome as the majority of the depositors of urban cooperative banks are persons of limited means. The Committee was informed that the operations of the DICGC are likely to be reviewed. In any event, the Committee considers it important that the claims of

the smaller depositors in the Deposit Insurance and Credit Guarantee Corporation are settled with the minimum delay. This will involve a reassessment of the legal and procedural aspects of deposit insurance. The purpose of such a review should be to find ways and means by which an on-account payment not exceeding 50% of the deposit amount or Rs. 30,000, whichever is lower, can be effected without having to wait for inevitable delays involved in the legal procedures for liquidation or recoveries. Apart from restoring the faith of small depositors in urban cooperative banking system, a system of on-account payments will mitigate the hardship of the small depositors. Necessary steps to examine the issue may be taken at an early date.

11.08 In the context of the cooperative movement, various entities e.g. Central and State Governments, District and State Cooperative banks, the National Federations etc. are active and have important roles to perform. In respect of cooperative banks, the Reserve Bank of India has necessarily an important role to play. In view of the extensive and complex activities covered by the cooperative sector, a constructive inter-action between the regulatory authorities and representative bodies would be in the interest of both the cooperative movement as well as those responsible for its regulation. The Committee, therefore, feels that it would be useful to explore the ways and means of improving this inter-action. The creation of suitable forums for discussion, redressal of grievances, and above all, exchange of views would go a long way in achieving this. Bodies like the National or State Federation could also help in developing the urban cooperative banking by organising training programmes for the staff, development of managerial staff, Chief executive and Directors etc. National Federation could also collect, compile and publish relevant data on the working of urban cooperative banks at periodical intervals and act as the data bank.

SUMMARY OF THE MAIN RECOMMENDATIONS

Registration and licensing of new urban cooperative banks

1. Adequate scope exists for the organisation of new urban cooperative banks in towns and semi-urban centres in the country. Scope for organisation of new urban cooperative banks in 225 districts devoid of urban banking facilities does not need any elaboration. In the remaining districts also scope exists and is closely linked to emerging growth centres in the said areas. Freedom of entry and operation of new urban cooperative banks coupled with suitable safeguards will not dilute the objective of promoting a sound and viable urban banking system. The thrust of future policy should, therefore, be (i) to actively promote the growth of urban cooperative banking movement in the regions where it has not taken strong roots and (ii) to give further impetus to its growth in the cooperatively advanced states by removing the impediments thereto.

[Paragraph 2.25 to 2.27]

2. The "one district one bank" approach may be given up and organisation of new urban cooperative bank may be permitted on the criteria of need for the institution and the potentials in the proposed centre/area for the mobilisation of deposits and the purveying of credit in order to enable the bank to satisfy the standards of viability within a stipulated period.

[Paragraph 2.28(i) to 2.28(iii)]

3. The policy of covering unbanked and underbanked areas in districts having urban banking facilities under the branch expansion programme only may be replaced by one under which proposals for organisation of new urban cooperative banks are considered together with those for expansion of branch cover on the basis of the criteria of need, potential and the aggregate credit gap.

[Paragraph 2.28(iv)]

4. The existing policy regarding Mahila Banks and proposals for organisation of new urban cooperative banks from areas having

predominant concentration of Scheduled Castes/Scheduled Tribes/ Weaker sections may be continued. However, no bank should be allowed to be organised for the exclusive benefit of a particular caste, creed, avocation, profession or a specific section of population or society.

[Paragraph 2.28(v)]

5. Consequent upon the upward revision of the operational cost and also the emerging economic system which will be characterised by increased competitiveness, the viability and entry point norms may be refixed for urban cooperative banks classified in 4 population strata.

[Paragrap 2.28(vi)]

6. Banks organised in metropolitan centres/towns should be allowed to cover the urban agglomeration thereof and banks organised in urban/semi-urban centres may be allowed to cover urban, semi-urban and peripheral rural areas in the district of registration for financing non-agricultural credit requirements.

[Paragraph 2.28(vii)]

7. In order to energising the growth of urban cooperative banking movement in less developed States and least developed States like North Eastern States, to begin with, a few district/select centres may be identified in such States where organisation of urban cooperative banks is feasible in terms of level of economic activity, existence of local leadership and potential for mobilisation of deposit and purveying of credit. For the purpose of identification of such centres, survey may be carried out by National Federation of Urban Cooperative Banks/ State Federation of Urban Cooperative Banks and the Cooperation Department of the State concerned. Thereafter, the programme for organisation of urban cooperative banks in such centres may be taken up in phased manner.

[Paragraph 2.30]

8. In order to give impetus to urban cooperative banking movement in areas where there is absence of local leadership, strong urban cooperative banks from nearby areas/outside the district or even outside the State may be permitted, subject to clearance by the concerned State Government and the Reserve Bank of India, to organise

new urban cooperative banks by combining their own expertise/initial funds with local initiative with a commitment to pull out after the new bank has achieved the stipulated levels of viability.

[Paragraph 2.31]

9. In order to encourage organisation of new urban cooperative banks in less developed and least developed states, certain relaxations in the form of reduced entry point norms, elongated period for achievement of viability may be allowed. The entry point norms for less developed States may be pegged at 50 percent of the share capital prescribed under the viability norms and for least developed states and tribal areas at 33.1/3 percent thereof. Similarly period for attaining viability norms in these states may be extended by 2/3 years. Again in view of the fact that population in the least developed states like North Eastern States etc. is thinly spread, the minimum initial area of operation for banks organised in such regions can, on viability grounds, be extended to 3 to 4 districts or even the whole state depending upon the facts of each case.

[Paragraph 2.32 and 2.33]

10. The licensing policy pertaining to organisation of urban cooperative banks should be reviewed periodically say once in every five years.

[Paragraph 2.36]

Primary Credit Societies - Inclusion in the list of Primary Urban Cooperative Banks

11. The primary credit societies which attain the revised entry point norms prescribed under standards of viability for urban cooperative banks, in this report, before 30 June 1993 may be considered for inclusion in the list of Primary Cooperative Banks and issue of licence after completing necessary formalities.

[Paragraph 3.16]

12. In cases where applications for issue of licence are rejected, the concerned primary cooperative society should itself discontinue the banking business. If such initiative is not forthcoming the Cooperation

Department of the States concerned may invoke the powers vested in them and expedite the process.

[Paragraph - 3.16]

13. The primary credit societies which do not satisfy the revised entry point norms of standards of viability prescribed in this report within the cut off date of 30 June 1993, may discontinue the banking business and the Cooperation Department of the State Government concerned may invoke the powers vested in them and expedite the process.

[Paragraph - 3.17]

Viability of Urban Cooperative Banks

14. The urban cooperative banks classified in 4 population strata should achieve the following viability norms :

(Rupees in lakhs)

	Centre A Metropolitan Large-Population 50 lakhs and above	Centre B Metropolitan Others-Population 10 lakhs and above but less than 50 lakhs	Centre C Urban Population 1 lakh and above but less than 10 lakhs	Centre D Semi-urban Population 10,000 and above but less than 1 lakh
Share Capital	50.00	30.00	18.00	8.00
Reserves	20.00	12.00	7.20	3.20
Deposits	430.00	258.00	154.80	68.80
Advances	350.00	210.00	126.00	56.00
Working Capital	500.00	300.00	180.00	80.00

The above standards of viability will have to be normally achieved within a period of 3 years from the date of issue of instructions by the Reserve Bank of India or from the date of issue of licence, as the case may be. In the deserving cases, the period may be extended

suitably but in any case not exceeding 2 years in the aggregate; th overall period being 5 years.

[Paragraph 4.09]

15. Norms relating to minimum share capital and initial membershi at the entry point for new urban cooperative banks should be revise as under :

Type of centre	Initial Share Capital (Rs.lakhs)	Initial Membership (Nos.)	Membership after two years(Nos.)
A	30	2000	5000
B	18	1500	3000
C	12	1000	2000
D	5	500	1000

[Paragraph - 4.09]

16. In order to encourage organisation of new urban cooperative banks in less developed, least developed states and tribal areas declared by the specified authority of the concerned State Government, certain relaxations in the form of reduced entry point norms, elongated period for achievement of viability may be allowed as indicated below.

	Recommended Entry Point Norms		Period for attaining viability norms
	Share Capital	Membership	
Less Developed States	50% of the share capital prescribed under viability norms	Reduction on a pro-rata basis	5 years subject to such extension not exceeding two years
Least Developed States and the tribal areas	33.1/3% of the share capital prescribed under viability	Reduction on a pro-rata basis	5 years subject to such extension not exceeding 3 years norms

[Paragraph - 4.11]

17. Viability and entry point norms should be reviewed periodically once in five years.

[Paragraph - 4.14]

Licensing of Existing Urban Cooperative Banks

18. Continuance of large number of unlicensed banks on an indefinite basis is against the accepted policy of sound and viable banking system. Reserve Bank of India should start issue of licence to existing urban cooperative banks and initiate actions as indicated below for the purpose :-

i) Weak unlicensed banks which have been placed under rehabilitation may be given specified time limit to come out of weakness to be eligible for licence failing which they may be taken up for amalgamation/merger/liquidation.

[Paragraph 5.11(i)]

ii) Banks whose applications for issue of licence have been held up on account of non-compliance with the provisions of Section 11(1) (minimum paid up share capital and reserves of Rs.1.00 lakh) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) may be given specified time limit to comply with the requirements to be eligible for licence. In the event of the failure of the bank to attain above norms within the specified time limit, the Reserve Bank of India and the Cooperation Department of the State concerned may jointly determine the future set up of these banks either by way of merger or liquidation.

[Paragraph 5.11(ii)]

iii) Banks whose applications for issue of licence have been held up only for non-compliance with the prescribed standards of viability may be granted licence subject to the concerned bank's having achieved potential viability i.e. 75 percent of norms prescribed and working on a profit for the last 5 years.

[Paragraph 5.11(iii)]

iv) Banks whose applications for issue of licence have been held up only for non-compliance of priority sector targets fixed at 60 percent

of total loans and advances may be cleared if the level of such advances is not less than 40 percent.

[Paragraph 5.11(iv)]

v) Banks whose applications have been held up on account of overdues exceeding 25 percent of total loans and advances may be given a period of one year for bringing the level of overdues within the stipulated level of 20 percent to be eligible for licence. If the banks are unable to bring down the level of overdues to the stipulated level within the extended period of one year, their future set up may be determined either by way of merger or liquidation.

[Paragraph 5.11(v)]

vi) Banks whose applications have been held up for non-compliance of statutory provisions (e.g.Sections 6,8,14,18,20-A and 24) may be advised to initiate action to ensure compliance of the provisions of the Sections to be eligible for licence.

[Paragraph 5.11(vi)]

19. The "Salary Earners' Societies" presently classified as primary cooperative banks should go out of the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). In future no licence should be given to salary earners' societies and existing licensed salary earners' societies (classified as primary cooperative banks) may be persuaded to go out of the purview of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).

[Paragraph 5.13]

Area of Operation

20. Urban cooperative banks registered in metropolitan city/town may be allowed area of operation contiguous with the limit of metropolitan area/town limits including the urban agglomeration thereof and banks registered in urban/semi-urban centres may be permitted to operate throughout the district of registration.

[Paragraph - 6.21]

21. Urban cooperative banks organised in urban/semi-urban centres

may be permitted to finance non-agricultural credit requirements in the peripheral rural areas falling within their respective area of operation.

[Paragraph 6.22]

22. Area of operation of urban cooperative banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 may be standardised and made co-extensive with the territorial jurisdiction of the state of registration.

[Paragraph 6.25]

23. The Reserve Bank of India may have a relook at the existing norms relating to the scheduling of urban cooperative banks and review it upward.

[Paragraph 6.25]

24. In North Eastern and other hill and tribal areas where population is spread thinly, the area of operation may be taken at 3/4 districts, extendable on grounds of viability to the whole state.

[Paragraph 6.28]

25. Keeping in view the social and economic compulsions under which some of the banks and their members function, their requests for extension of area of operation may be considered by the Reserve Bank of India and the Cooperation Department on individual merits.

[Paragraph 6.29]

Rehabilitation of weak urban cooperative banks

26. The Reserve Bank of India should undertake a comprehensive study to (i) validate the existing criteria for defining sickness on the basis of a systematic comparison of healthy and sick banks (ii) devise a quantitative model to predict incipient sickness and (iii) scale all cooperative banks on a financial health scale so as to enable selective and timely intervention.

[Paragraph 7.19(ii)]

27. Legislative measures proposed in this report should be acted upon quickly for expeditious determination of the future set up of weak urban cooperative banks by way of merger/amalgamation/liquidation etc.

[Paragraph 7.19(iii)]

28. The Reserve Bank of India and the Cooperation Department of the State Governments, should act in unison and determine the future set up of those urban cooperative banks in the weak category which have been under programme of rehabilitation etc. for more than 5 years.

[Paragraph 7.19(iv)]

29. The weak urban cooperative banks which have exceeded the time frame initially submitted by them in the action plan by 3 to 5 years for compliance with statutory requirements under Section 11(1) of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies)may be taken up for review and subsequent merger/amalgamation, refusal of licence etc. The remaining banks which do not satisfy the capital and reserve requirements under the section 11(1) of the Act ibid may be allowed a further period not exceeding 2 years for requisite compliance and may be advised that on their failure to do so, the Reserve Bank of India may have to invoke sterner alternatives.

[Paragraph 7.19(v)]

30. All non-viable urban cooperative banks which have shown only poor or marginal progress in achieving the viability standards consequent on its revision in 1986 may be taken up for merger/amalgamation. The remaining banks may be advised to achieve the revised viability criteria prescribed in this report.

[Paragraph 7.19(vi)]

31. The Reserve Bank of India should verify if the cooperative laws of the State Governments have provision for issue of recovery certificate through a summary procedure after which recoveries could be effected from the defaulting members by an executive procedure through recovery officers and wherever necessary, may advise the State Governments to amend their Cooperative Acts to provide for easy recovery procedure.

[Paragraph 7.19(vii)]

Supportive Legislative Amendments

32. Amendments to Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) as recommended by the Committee on Urban Cooperative Banks, 1977, duly modified on the basis of actual experience, should be taken up for enactment without any further delay.

[Paragraph 8.03]

33. Reserve Bank of India should be empowered to exercise certain powers relating to amalgamation/merger/liquidation/ supersession of Board of Management etc. directly in respect of primary urban cooperative banks by suitably amending the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).

[Paragraph 8.10 and 8.12]

34. Certain changes may be made in the State Cooperative Societies Act to reduce the level of manipulation and external interference in the working of urban cooperative banks.

[Paragraph 8.13]

35. Reserve Bank of India may take up with the State Governments the enactment of a separate chapter on urban cooperative banks in their respective Cooperative Societies Act.

[Paragraph 8.14]

Branch Licensing Policy of Urban Cooperative Banks

36. It is difficult to dispense with licensing of new branches of urban cooperative banks. However, unless there are overwhelming reasons to the contrary, an application for issue of a branch licence need not be rejected.

[Paragraph 9.05]

37. In order to expedite the issue of licence, Reserve Bank of India may consider having a one stage scrutiny mechanism.

[Paragraph 9.05]

38. While branch expansion may be permitted for sustaining growth of existing banks it should not be allowed to become instrument for curbing emerging cooperative initiative.

[Paragraph 9.06]

Regulatary Mechanism

39. Reserve Bank of India may conduct statutory inspection at an interval of 2 years and at more frequent intervals in respect of the other banks which do not have satisfactory track record of performance and at still more frequent level in respect of banks which are under rehabilitation programme and/or are "problem", non-viable etc. banks.

[Paragraph 10.08]

40. There should be no delay either in taking up of inspections or in the issue of reports. The Reserve Bank of India should carry out a review of the aggregate staff available at all the Regional Offices vis-a-vis operational and inspection responsibilities devolving on them and after adjusting the surpluses, if any, against deficits at other centres, take suitable steps for augmenting the staff strength, if necessary, consistent with its present and future requirements.

[Paragraph 10.08]

41. Wherever Government Departmental Auditors have been provided for the audit work of urban cooperative banks, they should be imparted specific knowledge and skills by suitable training so that they can attain high proficiency in the specialised audit work of urban banks.

[Paragraph 10.11]

42. In view of inadequate strength of Government Auditors, urban cooperative banks may be permitted by the State Governments to get their audit done by approved Chartered Accountants in a timely manner. The deployment for audit work of a mix of Government Auditors and outside Chartered Accountants by rotation would not only avoid delay but would make a bank more vigilant and would also bring in a measure of competitiveness amongst the two audit agencies.

[Paragraph 10.11]

Other related matters

43. The State Governments should review the Cooperative Acts and bring in necessary changes in the Law which will impart true democracy and autonomy in the functioning of the cooperatives coupled with self-regulation and responsible action.

[Paragraph 11.02]

44. The State Governments should review the existing provisions in the Cooperative Acts as to restrictions on the period of tenure of the Directors of the Board of the urban cooperative banks.

[Paragraph 11.02]

45. Such of the Directors of the Board of Directors as were found to have acted negligently and malafide need to be debarred from contesting elections and disqualified for a specified period, so that the co-operative bank does not become a "prey" in their hands once again.

[Paragraph 11.02]

46. Urban cooperative banks should as early as possible appropriate computer and other modern equipments in their functions in order to render better services to their clientele and improve their profitability and performance.

[Paragraph 11.03]

47. In order to remove the existing feelings of alienation amongst the urban cooperative banks against the State/District Central Cooperative Banks and consequently demanding separate apex bank for them, the State Governments and State Apex Cooperative Banks should look into various aspects relating to facilities/services such as reservation of appropriate number of seats for representatives of urban cooperative banks on the Board of Directors of the Apex/Central Cooperative Banks, providing refinance facilities, rendering technical services/advice, opening of seperate cells/divisions in their respective banks etc. to assist and improve the urban cooperative banking system.

[Paragraph 11.04]

48. The legal and procedural aspects of the Deposit Insurance and Credit Guarantee Corporation scheme may be reviewed to find out ways and

means by which an on-account payment not exceeding fifty per cent of the deposit amount or Rs. 30,000, whichever is lower, may be paid towards depositors' claims without having to wait for inevitable delays involved in the legal procedures for liquidation or recoveries.

[Paragraph 11.07]

49. In view of the extensive and complex activities covered by the cooperative sector including the urban cooperative banking system, a constructive inter-action between the regulatory authorities and representative bodies would be in the interest of both the cooperative movement as well as those responsibile for its regulation. The creation of suitable useful forums for discussions, redressal of grievances and above all exchange of views between regulatory authorities and representative bodies would go a long way in achieving this.

[Paragraph 11.08]

The recommendations of the Committee which cover a fairly wide field, represent a major directional change in regard to policies for the growth of urban cooperative banking system. The Committee would like to stress the importance of its recommendations to be treated as a package and also the need for expeditious processing of its recommendations.

Chairman	S.S.Marathe
Members	Anna Saheb Shinde
	Sujit Banerjee
	V.S. Gopalakrishnan
	Smt. Meera Pande *
	H.K. Patil
	Hiralal Bhagwati
	A.K. Bakhshy
	C.V. Nair *
Member Secretary	Y.S.P. Thorat

Pune
May 18, 1992

* Signed on

ANNEXURE - I

(Reference Paragraph No. 1.06)

Questionnaire (North East and North Eastern States)

Organisation of new banks :

1.1 In your opinion what are the reasons for non-development of urban cooperative banks in your state? Is it on account of general lack of cooperative environment in the state?

1.2 Are the economic conditions prevailing in major parts of your state attributable to the non-development of the urban cooperative banks?

1.3 Are there vested interests like money lenders discouraging the organisation of the urban cooperative banks in your state?

1.4 Is the state government and local cooperative leaders not envincing adequate interest in the organisation of urban cooperative banks?

1.5 In the absence of urban cooperative banks what are the agencies that have been able to mobilise savings from low and middle income people and serve to their needs in these states?

1.6 Do you consider it more feasible if the State Cooperative Union/State Urban Cooperative Banks Federation/National Cooperative Banks Federation coordinate in this effort.

1.7 Would it be possible to identify the places where it would be possible to organise the urban cooperative banks and then draw phased programme for extending the movement?

1.8 If in your opinion there is no proper local cooperative leardership, would it be desirable to allow well organised cooperative banks in other states to open branches in these states?

1.9 Do you consider that a new urban cooperative banks if organised in the state would become viable unit within 3 to 5 years?

ANNEXURE - II

(Reference Paragraph No. 1.06)

Questionnaire - Background Material

PART -I

A. Statistical & Financial Indicators

(a) The general and financial indicators relating to Ur Cooperative Banks as on 30 June 1990 are tabulated below :

	General Indicators	Position as 30.6.1990
i.	No. of Banks	1392
ii.	No. of reporting banks	1307
iii.	Of (i) above those which have been issued licence under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).	1013
iv.	Of (i) above those which have been included in 2nd Schedule to the Reserve Bank of India Act.	14
v.	Of (i) above those which have been designated as Authorised Dealers in Foreign Exchange.	2
vi.	Of (i) above those which have been permitted to open NRO/NRE Accounts.	59
vii.	Of (i) above those which are classified as weak (i.e. not complying with the provisions of Section 11(1), prescribed viability norms, those classified as weak on account of other reasons)	237
viii.	No. of branches	3356
xi.	Of (i) above those which are unit banks	807

B. Financial Indicators (Rs. in crores)

Owned funds	1256.30
Deposits	8660.08
Loans and advances	6802.46
Working capital	11400.29

B. Geographical/Spatial spread

1(a) As at the end of 30 June 1990 there were 1392 urban coop. banks with 3356 branches spread over 230 districts in 25 states and 6 Union Territories. The country was additionally covered by 59896 offices of nationalised banks, commercial banks and regional rural banks thus achieving the objective of having a bank office each for a population not exceeding 17000 (even taking into account the anticipated increase in population on account of the 1991 census).

(b) The State-wise spread of the urban cooperative banks is indicated below :

State	No.of banks			Total	Total No. of branches including H.O.
	PUCBs	Ses	Under liquidation		
Maharashtra	351	29	7	387	1494
Gujarat	287	4	7	295	581
Karnataka	191	15	12	218	415
Kerala	53	4	2	59	172
Tamil Nadu	12	9	4	137	190
Andhra Pradesh	57	3	6	66	106
Others	194	26	10	230	441
	1254	90	48	1392	3399

(c) Out of 464 districts in the country 232 districts were not served by urban cooperative banks. The state-wise position in this regard is indicated below :

(Position as on 30.6.199

State (1)	No. of districts (2)	Districts NOT covere by urban coop. ban (3)
Andhra Pradesh	23	7
Arunachal Pradesh	11	11
Assam	20	16
Bihar	41	38
Goa	2	-
Gujarat	19	1
Haryana	16	11
Himachal Pradesh	12	8
Jammu & Kashmir	14	11
Karnataka	20	1
Kerala	14	-
Madhya Pradesh	45	22
Maharashtra	30	1
Manipur	8	5
Meghalaya	5	3
Mizoram	3	2
Nagaland	7	7
Orissa	13	6
Punjab	12	9

State (1)	No. of districts (2)	Districts NOT covered by urban coop. bank (3)
Rajasthan	27	11
Sikkim	4	4
Tamil Nadu	21	-
Tripura	3	2
Uttar Pradesh	65	39
West Bengal	17	7

Union Territor	No. of district	Districts not covered by urban coop.banks.
(1)	(2)	(3)
1. Andaman Nicobar	2	2
2. Chandigarh	1	1
3. Dadra & Nagar Haveli	1	1
4. Daman and Diu	2	2
5. Delhi	1	-
6. Lakshadweep	1	1
7. Pondicherry	4	3

(d) Even in states where the urban cooperative banking movement has developed along satisfactory lines, there is a concentration of such banks in certain districts and uneven development in others. Representative samples from Maharashtra and Gujarat are given below :-

State	Region/ District	No.of urban coop.banks (including SEBs & excluding banks under liquidation).	Remarks
(1)	(2)	(3)	(4)
Maharashtra	4 districts (Western Maharashtra)	117	Kolhapur Pune Sangli Satara
	Bombay	91	Raigad
	4 districts (Konkan)	31 (Thane 18 UCBs)	Ratnagiri Sindhudurg Thane
	9 district (Vidarbha)	37	Akola Amravati Bhandara Buldhana Chandrapur Gadchiroli Nagpur Wardha Yeotmal
	7 districts (Maharashtra)	19	Aurangabad
	Beed		
	Jalna		
	Latur		
	Nanded		
	Osmanabad		
	Parbhani		
	5 districts	85	Ahmednagar Dhule Jalgaon Nasik Solapur
		380	

(1)	(2)	(3)	(4)
Gujarat	7 districts	221	Ahmedabad(60) Kheda (46) Vadodara(34) Mehsana (31) Panch Mahals (20) Sabarkanta (17) Surat (13)
	12 districts (Others)	39	

(e) Concentration of UCBs is also noticed in certain metropolitan/ large urban centres. Representative samples from Maharashtra and Gujarat are tabulated below :

State	Metropolitan/urban centre	
Maharashtra	Bombay	91
	Pune	31
	Kolhapur	15
Gujarat	Ahmedabad	44
	Baroda	14

(C) Licensing of new UCBs

The spread of urban cooperative banking movement in the country has not been even but limited to the States of Maharashtra, Gujarat, Tamil Nadu, Karnataka and Kerala. With a view to rectifying the regional imbalances in the growth of UCBs the current policy followed by the RBI allows organisation of new UCBs only in districts devoid of such facilities. Thus, while UCBs are allowed to be organised in districts where such facilities do not exist, proliferation in areas which are already overbanked is discouraged. The thrust of the policy is to promote a sound and viable system inter alia by consolidating the weak units therein and unbanked or underbanked areas are sought to be covered under the branch expansion programme.

Proposals for organisation of first Mahila bank in a district are shown consideration provided it is established that the non-agricultural business potential from women clientele in the area is adequate to start a bank and make it viable within a stipulated time schedule. A similar view is taken in respect of proposals emanating from areas having concentration of weaker sections of the society.

Branch Licensing Policy

The branch licensing policy for the VIIth Plan period (1985-90) for the banking system as a whole came to an end on 31 March 1990. With the opening of offices at the centres allotted under this policy, the country will be served by a network of 60,000 branches of commercial banks and 3400 branches of PUCBs thus achieving the objective of having a bank office each for a population not exceeding 17,000 (even taking into account the anticipated increase in population which may be disclosed by 1991 census). The current branch expansion programme has a duration of 3 years (1991-94). Under this programme the over-riding criteria for growth will be the need for opening of a branch and the availability of adequate business for it to achieve the viability norms stipulated in this regard. The main features of the current branch licensing policy include locality-wise allocation of branches so as to achieve a better spatial distribution, consideration of residential/industrial areas on the periphery of towns not falling within the municipal limits of the concerned urban and metropolitan centres, selective allocation of branches in industrial areas/estates promoted by the state governments as also health resorts and hill stations. Generally banks will not be allowed to open branches outside the districts in which they are registered. However, depending upon the merits of the case, scheduled urban cooperative banks may be allowed to open branches in other districts provided the centre is covered in their respective areas of operation. Similarly urban cooperative banks registered under the Multi State Cooperative Societies Act, 1984 may be allowed to open offices in such centres outside the state of their registration where local initiative for establishment of such banks is not forthcoming. However, this will be subject to various requirements including obtention of No Objection Certificate from the Registrar of Cooperative Societies of the State in which the office is proposed to be opened.

To be eligible under the Branch Licensing programme banks should have been licensed under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), achieved viability as per the extant norms in this regard, deployed not less than 60% of their credit to the priority etc. sector, have a level of overdues not exceeding 15% of outstanding loans and advances and should have submitted satisfactory compliance in respect of directive violations/other deficiencies pointed out in the Reserve Bank of India's inspection report.

Area of operation

Urban Cooperative Banks function within compact areas of operation in metropolitan, urban and semi-urban centres. This ensures mutual knowledge and cohesion among its members which is essential for maintaining the cooperative character of the institution. Since rural areas have a separate credit structure and credit delivery system, urban cooperative banks are not allowed to operate there. Upto 1987 the area of operation of urban banks was confined to the municipal limits of town/city in which they were registered. In the 4th All India Conference of National Federation of Urban Cooperative Banks and Credit Societies, it was represented that in order to achieve geographical cohesion consistent with reasonable expansion, the minimum area of operation should be a metropolitan city or the whole of a district in mofussil areas. This request was reviewed by the RBI and since June 1987 urban cooperative banks working on sound lines are allowed to extend their area to the entire metropolitan city or urban and semi-urban centres of the districts in which they are registered. This is the general position. However, the area of operation of certain urban cooperative banks registered under the Cooperative Societies Act of certain States extends for historical reasons to more than one district. Similarly banks registered under the Multi State Cooperative Societies Act, 1984 have jurisdiction extending to more than one state.

Viability

Under the existing dispensation urban cooperative banks are required to achieve the undernoted standards of viability.

(Rs. in lakhs)

Items		Metropolitan centres with population of		Urban centres with population of		Semi-urban centres with population of more than 10000 but less than 1 lakh.
		25 lakhs and above	10 lakhs & above but less than 25 lakhs	5 lakhs to 10 lakhs	1 lakh to 5 lakhs	
A.	Norms of viability for a bank (to be achieved over a period of 5 years)					
1.	Share capital	20	12	8	6	3
2.	Reserves	4	2	2	1	1
3.	Deposits	156	94	62	47	24
4.	Borrowings	20	12	8	6	2
5.	Loans & advances	140	84	56	42	21
6.	Working capital	200	120	80	60	30
B.	Norms of viability for a branch (to be achieved over a period of 3 years)					
1.	Deposits	70	35	25	19	11
2.	Advances	63	31	23	17	10

These norms have been prescribed to ensure that concerned banks are able to generate incomes sufficient to cover their expenditures leaving a surplus to pay a reasonable return on capital.

The capacity to earn profit is, however, not the sole criteria for deciding the viability of an institution. It is also necessary that the institution should be able to discharge the role assigned to it effectively and efficiently. An urban cooperative bank is expected to mobilise surplus resources in the hands of the community which it serves and to purvey credit particularly to small borrowers. A viable unit is, therefore, one which is able to tap and cater to the potential in its area of operation whether by way of collection of deposits or grant of loans and advances. To achieve this the bank must have an efficient organisational set-up, sound systems and procedures and be manned by sufficient staff both quantitatively and also from a qualitative point of view. Viability is, therefore, closely linked to efficiency of operation and management also.

Generally speaking viability norms are worked out on the basis of the margin available on raising and deployment of resources, taking into account staff requirements, cost of management and establishment and the relationship between variable expenditure and loan business.

The aforesaid norms were formulated in 1986. During the last 5 years there have been significant developments in the functioning of cooperative bank viz. revision/rationalisation in the interest rate policy, streamlining of policies relating to the grant of advances, systematisation of procedures, provisions of additional facilities to clientele such as safe custody lockers, issue of drafts, collection of cheques/drafts etc., and a general increase in operational and establishment expenditures. These changes have a specific bearing on the viability norms stipulated in 1986 and point towards an upward revision. Accordingly, proposals for further revising the standards of viability for urban cooperative banks have been placed before the Xth standing Advisory Committee meeting.

Weak and Non-Viable Banks

The Reserve Bank of India as part of its responsibility to supervise, control and develop the urban banking system has to ensure the existence of sound, strong and viable banking structure for rendering effective service to the small urban clientele by closely monitoring the working of the system. Primarily owing to the provisions in the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) which came into effect from 1 March 1966, that all the primary credit societies

with owned funds of Rs. 1 lakh would become primary cooperative banks and that all societies attaining this level would acquire the status of primary cooperative banks, a number of weak and uneconomic units came to be included in the list of primary cooperative banks. The emergence of such marginal and substandard units became a drag on the urban banking system. Confronted with this problem, the Reserve Bank had to create a system to constantly examine the cause of such weaknesses and devise ways and means to put such weak units on a sound footing. This could be done only by evolving norms for identification of such units, classifying them as weak and rehabilitating them by way of fixing a time bound action programme and their periodical monitoring. As on date urban banks whose owned funds (excluding provisions for bad and doubtful debts and other bad assets) are eroded to the extent of 25% or more by the unprovided for bad and doubtful debts, other bad assets and accumulated losses or whose over dues as at the end of respective cooperative year exceed 50% of loans outstanding are identified as weak and brought under a programme of rehabilitation, guidelines in respect of which are issued by the Reserve Bank. In addition to such weak units under rehabilitation, the banks whose owned funds have been eroded and who do not comply with Section 11(1) and 22(3)(a) of the Act, ibid, are also identified as weak requiring rehabilitation. Besides, banks which failed to achieve the norms of viability prescribed by Reserve Bank from time to time are categorised as non-viable.

The Standing Advisory Committee for Urban Cooperative Banks has been reviewing the position relating to weak urban cooperative banks on an ongoing basis. The Committee has observed that progress made in this regard is far from satisfactory. It has suggested that concerted efforts should be made and time bound action programmes drawn up to help weak banks to come out of rehabilitation and attain viability. The Committee has also expressed a view that if considered necessary such units may be amalgamated with some strong neighbouring units or as a last resort taken under liquidation. Please see Statement attached detailing state-wise position of weak banks as on 30 June 1990.

Licensing of existing banks

New Urban Cooperative Banks which have come into existence

after the extension of the Banking Regulation Act, 1949 to cooperative societies on 1 March 1966 have to obtain a licence from RBI before they commence banking business. However, urban cooperative banks which existed at the time of the aforesaid extension and primary cooperative societies which have subsequently become urban banks and who have since submitted applications in terms of Section 22(2) of the Act ibid for carrying on banking business, can carry on the said business until refused licence on ground's specified in the Act ibid.

As on 30 June 1991 there were 1397 urban cooperative banks in the country. Of these 320 banks have not yet been issued licences under Section 22 for the reasons indicated below :

i.	Weak/not complying with Section 11 (1) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies)	92
ii.	Non-viable banks	50
iii.	Banks having overdues exceeding 25% of the total loans and advances outstanding	61
iv.	Not complying with other important statutory provisions of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) Sections 6,8,14,18,20A and 24	41
v.	Not complying with priority sector targets	76

The main criteria for licensing of existing UCBs are financial soundness, adequate deployment for priority/weaker sections,operational efficiency, reasonably good methods of working and disciplined management.

Scheduling

In the year 1988 a decision was taken to accord scheduled status to selected primary cooperative banks. In pursuance of the aforesaid decision 11 PUCBs satisfying the undernoted norms were included in the Second Schedule to the Reserve Bank of India Act,1934. The main criteria in this regard are :

1. Demand & Time Liability (DTL) of Rs. 50.00 crores and above

2. Compliance with the requirement of Section 42(6) of the R.B.I. Act.

3. Satisfactory methods of working.

Since then, 3 more banks have been accorded scheduled status from 1st December 1990 as per details indicated below :-

State	No.of scheduled banks
Maharashtra	11
Gujarat	3

Attainment of Status of Primary Urban Cooperative Banks by Primary Credit Societies

Please see questionnaire Part 'C'.

State-wise position of weak Urban cooperative banks as on 30.6.1990

Sr. No.	Regional Office	State	No.of dists. in which Weak Banks situated/ placed	Not complying with section 11(1)	Already under Reh.
1.	2.	3.	4.	5.	6.
1.	Ahmedabad	Gujarat	11	1 (3)	23 (19)
2.	Bangalore	Karnataka	17	4(4)	12 (9)
3.	Bhopal	Madhya	14	1(4)	10(5)
		Pradesh			
4.	Calcutta	West Bengal	6	1(1)	4(5)
5.	Gauhati	Manipur	3	-(1)	3(3)
		Meghalaya	1	-(1)	1(1)
		Assam	1	-	-
6.	Bombay	Maharashtra	15	6(4)	17(16)
7.	Bhubaneswar	Orissa	2	-	3(2)
8.	Trivandrum	Kerala	6	3(2)	3(5)
9.	Patna	Bihar	1	-	1
10.	Jaipur	Rajasthan	8	-(1)	1(2)
11.	Delhi	Jammu &	1	-	-
		Kashmir			
		New Delhi	1	-	-
12.	Chandigarh	Punjab	2	1	-
		H.P.	1	-	-
		Haryana	1	-	1(1)
13.	Lucknow	Uttar Pradesh	4	3(2)	-
14.	Madras	Tamilnadu	8	1(1)	-(1)
15.	Hyderabad	A.P.	7	4(7)	-(3)
			TOTAL	25(31)	79(72)

Sr. No.	New bank brought under rehab.during the year	Under observation	Total (7+8+9)	Non-viable banks	Remarks
	7.	8.	9.	10.	11.
1.	1	4(6)	28(25)	9(7)	
2	1	4(6)	17(15)	26(54)	
3.	1	-	11(5)	8(16)	
4.	-	-	4(5)	7(15)	
5.	-	-	3(3)	2(1)	
	-	-	1(1)	1(-)	
	-	-	-	1	
6.	10	9(11)	36(27)	6(11)	
7.	-	-	3(2)	1(1)	
8.	3	2(4)	8(9)	-	
9.	-	-	1	-(4)	
10.	1	4(2)	6(4)	3(6)	
11.	-	-	-	1	
	-	-	-	5	
12.	-	1	1	1	
	-	-	-	1(1)	
	-	-	1(1)	-	
13	-	-(2)	-(2)	2(8)	
14	-	7(11)	7(1)	4(6)	
15	-	2	2(3)	5(11)	
	17(-)	33(42)	129(114)	83(141)	

Figures in bracket pertained to year 1987.

QUESTIONNAIRE

PART II - A

TERMS OF REFERANCE

To review the present policy of Reserve Bank of India in regard to licensing of new primary urban cooperative banks taking note of factors such as the efficacy of the present regulatory mechanism, proper geographical and spatial spread and the need to discourage mushroom growth of weak urban cooperative banks and ensure orderly growth of an efficient and viable urban banking structure.

Questions:

1.1. What are your comments on the existing criteria adopted by the RBI for licensing of new urban cooperative banks as given in the background information?

1.2 What do you think should be the specific role of urban cooperative banks to support and given impetus to priority sectors including small scale, tiny and cottage industries, small entrepreneurs, retail traders, professionals, self-employed etc.?

1.3 Which of the following do you think should be the criteria for allowing organisation of new urban cooperative banks?

(You may mark more than one)

a. Inadequacy of banking facilities (commercial banks, RRBs an urbancooperative banks) in the area/centre.

b. Non-availability of urban banking facilities in the area/centre.

c. Preponderance of persons belonging to a homegeneous group not having access to banking facilities in the area/centre.

d. Scope for achieving viability within a reasonable period.

e. Any other (Please indicate).

1.4 How should adequacy of urban banking facilities be judged?

(You may mark more than one)

a. Population coverage by commercial banks,RRBs and urban coopera tive banks.

b. Population coverage of urban cooperative banks alone. If so, what should be the optimum population coverage?

c. Distance to nearest office/branch of commercial bank/ urban cooperative bank. If so, what would be the optimum distance?

d. Distance to nearest urban cooperative bank. If so, what should be the optimum distance?

e. Scope for banking business in the light of the business (deposits + loans and advances) of existing commercial and urban cooperative banks in the area/centre.
If so, what could be the extent of deposits/advances of existing banks which could be considered as justifying the establishment of a new urban cooperative bank in the area?

f. Scope for banking business in the light of business of existing urban cooperative banks alone. If so, what could be the extent of deposits/advances of existing urban cooperative banks which could be considered as justifying the establishment of a new urban cooperative bank?

g. Any other criterion (Please specify).

1.5 What should be the unit of area for consideration of adequacy or otherwise of existing banks?

Should it be -

a. A radius of 10 km./Any other distance.

b. Tahsil/Taluka

c. Sub-division/District

d. Area covered by population of 15,000 to 20,000 (or if any other, please indicate).

e. Any other (Please indicate).

1.6 Having determined that an area/centre is underbanked or devoid of banking facilities and that there is a scope for establishment of a new urban cooperative bank thereat, what criteria should be used for determining whether

a. a branch of an existing urban coop. bank should be opened or

b. a new urban cooperative bank be established.

1.7 What should be the area of operation of urban cooperative banks? Should they

a. be restricted to town/municipal limits

b. be allowed to expand upto taluka/district level

c. be allowed to expand upto state level

d. not be restricted at all in the matter of extension of area of operation

1.8 What should be the criteria for allowing banks to extend their area of operation? Should it be related to

a. Financial position/progress

b. Achievement of viability norms

c. Methods of operation

d. Any other (Please specify)

(You may mark more than one)

1.9 Should requests for new branches from existing urban cooperative banks be considered together with those from other segments of the banking system as part of overall branch expansion policy?

a. Yes

b. No

If the answer is 'NO', why not ?

1.10 Should there be a special dispensation for 'Mahila' banks? Should the existing policy be changed? If so, what should be the policy that should be adopted?

1.11 Having established the need for starting an urban cooperative bank in a given area which according to you are the most important factors that should weight with RBI while allowing new bank?

a. Antecedents/status/banking/cooperative experience of the promoters

b. Initial capital of the proposed bank

c. Initial membership - quantum and spread

d. Any other (Please specify).

1.12 Do you agree with the existing criteria for classifying urban cooperative banks as 'weak'?

a. Yes

b. No

1.13 What according to you are the reasons for the incidence of sickness amongst urban cooperative banks? What steps are deemed necessary for avoiding weakness? Please specify.

1.14 Whether State Governments should take initiative in promoting urban cooperative banks? If so, what sort of participation is suggested?

a. Only promotional

b. Capital contribution

c. Management support

d Any other

1.15 How do you view, the role of the State Governments (Cooperation Department) vis-a-vis urban cooperative banks in the State?

a. Supportive

b. One of interference

1.16 If the answer to 1.15 is (b), please delineate the areas where the State Government (Cooperation Department) is perceived to be so 'interfering' -e.g.

a. Conduct of elections

b. Supersession of board of directors

c. Administrative sanction for various expenditures

d. Any other (Please specify).

1.17 What role do you envisage for Apex Cooperative Banks in this regard?

1.18 Is the audit of urban cooperative banks by the RCS adequate or do you consider that the audit should be conducted by independent agencies such as Chartered Accountants?

Please enumerate the reasons for your choice. If not,wl suggestions can you make to improve the efficacy of audi inspection machinery of the supervisory institution.

1.19 Do you consider that the present mechanism of statutoı inspection by RBI is adequate? If not, what suggestions ca you make to improve the efficacy of inspection machiner of the RBI.

1.20 While forwarding applications for establishment of new urban cooperative banks what aspects should the RCS independently verify / comment upon?

PART II - B

TERM OF REFERENCE

To examine whether different criteria need to be laid down for, organisation of banks in States which are advanced in urban cooperative banking as compared with States where the facilities have not yet developed.

Questions:

States well developed in terms of urban banking structure

1.1 What should be the criteria for establishment of new urban coop. banks in States already having large number of such banks?

1.2 What should be the criteria for establishment of new urban coop. banks in the less banked areas of States which are already well developed in terms of urban banking structure?

1.3 Which is more preferable

a. allowing new urban cooperative banks to be organised in areas mentioned at 1.1 and 1.2 above or

b. permitting existing urban cooperative banks to open branches.

1.4 Should the criteria for establishment of new urban cooperative banks in areas 'not adequately banked' in terms of urban banking facilities within the 'developed' states be the same as in Question No.1.11 - Section A.

1.5 Should the quantitative norms for initial share capital and membership specified for developed states be the same for those states which are not well developed in terms of urban banking structure? If not how should they be modified?

Underbanked States

1.6 What, according to you, are the reasons for the urban cooperative banking movement not having taken roots in the North, Eastern and North-Eastern States?

1.7 What should be the policy to encourage establishment of urban cooperative banks in such areas?

1.8 What, if any, should be the initiatives that can be taken by State Government/RBI/State Federation of Urban Cooperative Banks/National Federation of Urban Coop. banks and Credit Societies in this regard?

1.9 Should the criteria for establishment of new urban cooperative banks in 'under developed states' be more flexible/ more relaxed than in the other States? If so, what are the specific relaxations that you can suggest?

a. Population criteria

b. Spatial criteria

c. Viability criteria

d. Any other

PART II - C

TERM OF REFERENCE

To consider whether primary credit societies which have attaine viability norms should be recognised as urban cooperative bank and, if so, the conditions which should govern such recognition.

Following the extension of certain provisions of B.R.Act, 1949 t Cooperative Societies with effect from 1.3.1966, Primary Credi Societies whose aggregate paid up capital and reserves was Rs. 1.0 lakh and above, were recognised as primary cooperative banks. I was further provided that such societies subsequently attaining th stipulated level of share capital and reserves would also be deemec as Primary Cooperative Banks. Following discussions held wit Registrars of Cooperative Societies of select States it was decided no to register any primary credit society having share capital of less thar Rs. 1.00 lakh. Over a period of time a number of such societies registered prior to 1966 or subsequent thereto attained the stipulated levels of share capital and reserves and were recognised as Primary Cooperative Banks.

It has, however, been noticed that some of these Societies recognised as primary cooperative banks became weak, while others failed to achieve the viability standards.

In view of the above, the requests for recognition of some such societies which had not reached the level of viability standards laid down or which are operating in rural areas or which are functioning in areas having already adequate banking facilities, etc. were not being considered favourably by the Bank. Such societies were being persuaded to convert themselves as non-banking institutions and function as credit societies catering to the needs of their members.

Questions:

1.1 In view of the minimum share capital norms stipulated for organisations of a new urban cooperative bank in different centres (semiurban, urban and metropolitan), do you think that the share capital and reserve requirements for a

primary credit society becoming a primary cooperative bank Rs. 1 lakh at present, should be raised and brought in alignment with the minimum share capital norms for a new urban cooperative bank?

1.2 With a view to preventing mushroom growth of urban cooperative banks, the RBI has exhorted RCS not to register primary credit societies with share capital of less than Rs. 1 lakh with proviso to accept deposits from non-members. Notwithsanding such an advice, instances of registration of primary credit societies have come to the notice of RBI and these societies are now clamouring for issue of licence by the RBI. To obviate such a situation in future, do you suggest any amendment to Cooperative Societies Act, making it compulsory for the RCS to seek prior approval of the RBI for registration of such societies?

PART II - D

TERM OF REFERENCE

To examine whether the viability norms presently prescribed particularly in regard to capital adequacy need upward revision. Viability norms are worked out on the basis of the margin available on raising and deployment of resources and the assumptions regarding staff requirements, cost of management and establishment and the relationship between variable expenditure and loan business.

Questions:

1.1 Do you think that these criteria need any modifications?

1.2 If so, please specify, under various factors given below.

a. Financial
- **Reserves**
- **Deposits**
- **Borrowings**
- **Loans and advances**
- **Working Capital**

b. Qualitative

c. Any other

1.3 Do you consider that different viability norms should be prescribed for different centres (Semi-urban, urban, metropolitan) as of now or would you advocate a further sub-classification of centres or do you feel that uniform norms should be evolved irrespective of the centre of location of the bank?

1.4 Should there be different viability norms for states where urban cooperative movement has not developed sufficiently as compared to the norms in respect of 'developed states'? Do you feel that the viability norms should be uniform for the country as a whole within a built-in mechanism for an elongated time frame for achievement by urban cooperative banks in the 'less developed states'?

1.5 In the case of banks not attaining viability within the prescribed period or weak banks not attaining sound health within a reasonable

time (duration may be specified), what steps should be taken? Do you suggest

i. Compulsory amalgamation

ii. Voluntary amalgamation

iii. Liquidation

1.6 If the answer to the above question is in favour of amalgamation, what should be the policy and criteria for effecting mergers between transferor and transferee banks?

1.7 What legislative support should be given to the RBI for ensuring expeditious action in the matter of determining the future set up of weak/non viable banks?

1.8 In view of the important role played by urban cooperative banks, do you favour incorporation of separate chapter in the Cooperative Societies Acts dealing with urban coopeative banks?

1.9 Do you consider that the present arrangements for payment to depositors of urban cooperative banks under liquidation by DICGC are adequate? If not, please specify.

PART II - E

TERM OF REFERENCE

Any other related items

1.1 In addition to the questions enumerated in Part A, B, C and D do you consider any other changes necessary in the policies pursued by RBI/State Governments (Cooperation Departments) in respect of Urban Cooperative Banks?

1.2 Please give a note on any related issue which you consider important and which you feel that the Committee should take into consideration while making recommendations. (Please give reasons for your views).

ANNEXURE - III

(Reference Paragraph No.1.06)

Persons and Institutions from whom replies to the Main Questionnaire were received

I. Registrar of Cooperative Societies of States of :

1. Gujarat
2. Haryana
3. Himachal Pradesh
4. Karnataka
5. Kérala
6. Manipur
7. Punjab
8. Rajasthan
9. Tamil Nadu
10. Tripura

II. State Cooperative Banks :

11. Karnataka State Cooperative Apex Bank Ltd., Bangalore.
12. Tamil Nadu State Apex Cooperative Bank Ltd., Madras.

III. Urban Cooperative Banks :

Gujarat

13. Cooperative Bank of Ahmedabad Ltd., Ahmedabad.
14. Himatnagar Nagrik Sahakari Bank Ltd., Himatnagar.

15. Surat Nagrik Sahakari Bank Ltd., Surat.
16. Surat People's Cooperative Bank Ltd., Surat.

Himachal Pradesh

17. Shimla Urban Cooperative Bank Ltd., Shimla.

Karnataka

18. Amanath Cooperative Bank Ltd., Bangalore.
19. Bellad Bagewadi Urban Cooperative Bank Ltd., Belgaum.
20. Sirsi Urban Cooperative Bank Ltd., Sirsi.

Kerala

21. People's Urban Cooperative Bank Ltd., Tripunithura.

Madhya Pradesh

22. Citizen Cooperative Bank Ltd., Burhanpur.
23. Indore Paraspar Sahakari Bank Ltd., Indore.
24. M.P. Urban Cooperative Bank Ltd., Indore.
25 Transport Cooperative Bank Ltd., Indore.
26. Ujjain Paraspar Sahakari Bank Ltd., Ujjain.

Maharashtra

27. Abhyudaya Cooperative Bank Ltd., Bombay.
28. Amravati People's Cooperative Bank Ltd., Amravati.
29. Bombay Mercantile Cooperative Bank Ltd., Bombay.
30. Citizen Cooperative Bank Ltd., Bombay.
31. Cosmos Cooperative Bank Ltd., Pune.
32. Hindustan Cooperative Bank Ltd., Bombay.

33. Jalgaon Janata Sahakari Bank Ltd., Jalgaon.
34. Janata Commercial Cooperative Bank Ltd., Akola.
35. Janata Sahakari Bank Ltd., Pune.
36. Kokan Mercantile Cooperative Bank Ltd., Bombay.
37. Nagar Urban Cooperative Bank Ltd., Ahmednagar.
38. Nandura Urban Cooperative Bank Ltd., Buldana.
39. Nasik Merchants' Cooperative Bank Ltd., Nasik.
40. New India Cooperative Bank Ltd., Bombay.
41. North Kanara G.S.B. Cooperative Bank Ltd., Bombay.
42. Pavana Sahakari Bank Ltd., Chinchwad, Pune.
43. Sangli Urban Cooperative Bank Ltd., Sangli
44. Saraswat Cooperative Bank Ltd., Bombay.
45. Shamrao Vithal Cooperative Bank Ltd., Bombay.

Manipur

46. Imphal Urban Cooperative Bank Ltd., Imphal.

Meghalaya

47. Shillong Cooperative Urban Bank Ltd., Shillong.

Punjab

48. Citizen Urban Cooperative Bank Ltd., Jalandhar.
49. Hindu Cooperative Bank Ltd., Pathankot.

Tamil Nadu

50. Coimbatore City Cooperative Bank Ltd., Coimbatore.
51. Salem Urban Cooperative Bank Ltd., Salem

52. Shevapet Urban Cooperative Bank Ltd., Salem.

53. Tiruchirapalli City Urban Cooperative Bank Ltd., Tirucharapalli.

Uttar Pradesh

54. Ghazipur Urban Cooperative Bank Ltd., Ghazipur.

55. Kurmanchal Nagar Sahakari Bank Ltd., Nainital.

56. Mansarovar Urban Cooperative Bank Ltd., Lucknow.

57. Radhasoami Urban Cooperative Bank Ltd., Agra.

58. Rajdhani Nagar Sahakari Bank Ltd., Lucknow.

59. Urban Cooperative Bank Ltd., Lakhimpurkheri.

West BengaL

60. Bally Cooperative Bank Ltd., Howrah.

61. Bantra Cooperative Bank Ltd., Howrah.

62. Contai Cooperative Bank Ltd., Midnapore.

63. Dhakuria Cooperative Bank Ltd., Calcutta.

64. Liluah Cooperative Bank Ltd., Howrah.

65. Shibpur Cooperative Bank Ltd., Howrah.

Banks Federations/Associations

Andhra Pradesh

66. A.P.Urban & Town Cooperative Banks Association, Bhimavaram.

Gujarat

67. Ahmedabad City Cooperative Banks Association, Ahmedabad.

68. Gujarat Urban Cooperative Banks Federation, Ahmedabad.

Maharashtra

69. Brihan Mumbai Nagari Sahakari BanksAssociation Ltd., Bombay.

70. Konkan Nagari Sahakari Banks Association Ltd., Dombivli, District Thane.

71. Maharashtra Urban Cooperative Banks Federation Ltd., Bombay.

72. Vidarbha Urban Banks' Cooperative Association Ltd., Nagpur.

Uttar Pradesh

73. U.P. Urban Cooperative Bank Federation Ltd., Lucknow.

West Bengal

74. Federation of Urban Cooperative Societies Ltd., Calcutta.

V. Government of India Officials

75. Director, Department of Cooperation, Ministry of Agriculture, New Delhi.

VI. Non-official Cooperators

New Delhi

76. Shri S. K. R. Zaidi, New Delhi.

Gujarat

77. Shri C.R.Patel, Baroda.

78. Dr. M. R. Kotdawala, Ahmedabad.

79. Shri Rakhavdas J. Shah, Mehsana.

Maharashtra

80. Shri Anil Bhat, Nasik.

81. " C. B. Ranbhir, Pune.

82. " G. K. Udeshi, Bombay.

83. " Harish N.P.Zantye, Member of Parliament.

84. " P. D. Oka, Bombay.

85. " S.V.Chalapati Rao, Bombay.

Orissa

86. Shri F. C. Panda, Cuttack.

87. Dr. Jogesh Chandra Raut, Cuttack.

Tamil Nadu

88. Shri B. S. Vijaygopal, Madras.

89. Shri R. Sengootavelan, Coimbatore.

90. Shri K. Ramasamy Pillai, Salem.

II. Other Institutions

91. National Centre for Management Development in Agriculture and Rural Development Banking, Bangalore.

92. Office of the Maharashtra State Caderisation Cooperative Society Ltd., Pune.

93. Sangamner Bhag Sahakari Sakhar Karkhana Ltd., Ahmednagar.

94. Shaikh Mohamedally Allabux Urban Banking Development Institute, New Bombay.

ANNEXURE - IV

(Reference Paragraph No.1.06)

Details of meetings held by Sub-Groups to interact with officials/non-officials connected with urban cooperative banking movement and also the particulars of the meetings of the Committee

Sub-Group	Convenor	Meeting	
		Venue	Date
North/East and North-Eastern Region	Shri H.K.Patil, MLC	Calcutta	12.11.1991
		Bhubaneswar	16.11.1991
		Lucknow	19.11.1991
		Jaipur	22.11.1991
		Bhopal	25.11.1991
		Gauhati	21/22.1.1992
West	Shri Annasaheb Shinde	Bombay	26.12.1991 & 9.03.1992
		Ahmedabad	17.01.1992
		Bangalore	31.01.1992
South	Shri H.K.Patil, MLC	Hyderabad	6.01.1992
		Madras	10.01.1992
		Trivandrum	14.02.1992

Meetings of the Committee

The Committee held in all six meetings in Bombay and Pune as indicated below :

Meeting No.	Place of Meeting	Date
First	Bombay	20.9.1991
Second	- do -	25.10.1991
Third	- do -	30 & 31.12.1991
Fourth	- do -	25.3.1992
Fifth	- do -	27,28 & 29.4.1992
Sixth	Pune	17 & 18.5.1992

ANNEXURE - V

(Reference Paragraph No.1.06)

List of persons who participated in the discussions held by the Sub-Groups

Andhra Pradesh

1. . Minister for Cooperation, Government of Andhra Pradesh.
2. Shri L. Narasimha Reddy, General Manager, Andhra Pradesh State Cooperative Bank Ltd., Hyderabad.
3. Shri N. Vishnuvaradhan Rao, Deputy General Manager, Andhr Pradesh State Cooperative Bank Ltd., Hyderabad.
4. Shri T. Ramasubba Reddy, Managing Director, Andhra Pradesh State Cooperative Union, Hyderabad.
5. Shri L. Lakshminarayana, General Manager, Andhra Pradesh Mahesh Urban Cooperative Bank Ltd., Hyderabad.
6. Shri B. Pullaiah, General Manager, Prudential Urban Cooperative Bank Ltd., Hyderabad.
7. Shri K. Venkateswara Rao, Secretary, Bheemavaram Urban Cooperative Bank Ltd., Bhimavaram.
8. Shri A. S. Bhaskara Rao, Secretary, Gudivada Urban Cooperative Bank Ltd., Gudiwada.
9. Shri M. Anjaneyulu, Secretary, Andhra Pradesh Urban Cooperative Banks' Association, Hyderabad.
10. Shri G. Venkateswara Rao, President, Andhra Pradesh Urban Cooperative Banks' Association, Hyderabad.
11. Shri Jawaharlal Rathi, Chairman, Andhra Pradesh Mahesh Urban Cooperative Bank Ltd., Hyderabad.

12. Shri P. Vithal Rao, Director, Prudential Urban Cooperative Bank Ltd., Hyderabad.

13. Shri K. Jayaprakash Rao, Chairman, Vasavi Urban Cooperative Bank Ltd., Hyderabad.

14. Shri V. Rohini Kumar, Managing Director Vasavi Urban Cooperative Bank Ltd., Hyderabad.

15. Shri S. Prabhakar, Chairman, Chittoor Cooperative Town, Bank Ltd., Chittor.

16. Shri K.V. Ramanaiah, President, Nellore Urban Cooperative Bank Ltd., Nellore.

17. Shri L.N. Reddy, Additional Registrar of Cooperative Societies, Hyderabad.

18. Shri K. Venkateswara Rao, Joint Registrar of Cooperative Societies, Hyderabad.

19. Shri K. Ramanujachari, Superintendent, Office of the Registrar of Cooperative Societies, Hyderabad.

Gujarat

1. Minister for Public Works Department, Government of Gujarat.

2. Shri Lalitbhai Mehta, Managing Director, Rajkot Nagrik Sahakari Bank Ltd., Rajkot.

3. Shri Atmarambhai Patel, President, Gujarat Urban Banks' Federation, Ahmedabad.

4. Shri Jayantilal J. Shah, Chairman, Himatnagar Nagrik Sahakari Bank Ltd., Himatnagar.

5. Shri Dinesh C. Mehta, Managing Director, Himatnagar Nagrik Sahakari Bank Ltd., Himatnagar.

6. Shri Shantilal M. Thakkar, Ahmedabad City Cooperative Banks' Association, Ahmedabad.

7. Shri Baldevbhai Patel, Vice President, Ahmedabad City Cooperative Banks' Association, Ahmedabad.

8. Shri Manubhai D. Patel, General Manager, Kalupur Commercial
Cooperative Bank Ltd., Ahmedabad.

9. Shri Rikhavdas J. Shah, Mehsana.

10. Shri Ramesh N. Shah, Shree Vardhaman Sahakari Bank Ltd., Baroda.

11. Shri V. C. Patel, RCS,Gujarat State.

12. Shri R. N. Joshi, Joint Registrar (Credit), Gandhinagar.

13. Shri Rajesh A. Shah, Vardhaman Sahakari Bank Ltd., Baroda.

14. Dr. M.R.Kotdawala, Ex-Chief Officer, Reserve Bank of India, Bombay.

Karnataka

1. Minister for Cooperation, Government of Karnataka.

2. Shri Dhanashekaran T., Registrar of Cooperative Societies, Bangalore.

3. Shri Hanumaiah M., President, Bangalore City CooperativeBank Ltd., Bangalore.

4. Shri Rahaman Khan K.,Executive Director, Amanath Cooperative
Bank Ltd., Bangalore.

5. Shri M. S. Prabhu, General Manager, Sirsi Urban Cooperative Bank Ltd., Sirsi.

6. Shri Vishwaradhya I.P., Managing Director, Bapuji Cooperative Bank Ltd., Davangere.

7. Shri Govinda Rao Kurdekar, Joint Registar of Cooperative Societies, Bangalore.

8. Shri Shiralkar R.T., General Manager, Bellad-Bagewadi Urban Cooperative Bank Ltd., District Belgaum.

9. Shri Sundaravardan R., Director, National Centre for Management Development in Agriculture and Rural Development Banking, Bangalore.

10. Shri Shantharam, President, Sri Kanyaka Parameshwari Cooperative Bank Ltd., Mysore.

11. Shri Karoshi S.R., Advocate, Hukkeri.

12. Shri Sorgavi C.R.K., Director, Raddy Cooperative Bank Ltd., Dharwad.

13. Shri Sen Gupta A., Managing Director, Karnataka State Cooperative Apex Bank Ltd., Bangalore.

Kerala

1. Minister for Cooperation, Government of Kerala.

2. Shri B. Vijayakumar, M.L.A., General Secretary, Kerala Urban Coop. Banks' Federation, Trivandrum.

3. Shri Radhakrishnan Nair, Representative of the RCS, Trivandrum.

4. Shri George Pulicken, President, Meenachil East Urban Coop. Bank Ltd., Poonjar.

5. Shri E. P. Sreekumar, Secretary, People's Urban Coop. Bank Ltd.,Tripunithura.

6. Shri R. Sankara Menon, Chairman, Kodungallur Town Coop. Bank Ltd., Kodungallur.

7. Shri T. R. Gopalakrishnan, Managing Director, Kerala State Cooperative Bank Ltd., Trivandrum.

Madhya Pradesh

1. Minister for Cooperation, Government of Madhya Pradesh.

2. Minister of State for Cooperation, Government of Madhya Pradesh.

3. Smt. Alka Sirohi, Secretary to Government Cooperation Department, Bhopal.

4. Shri Manoj Kumar, Commissioner and Registrar of Cooperative Societies, Madhya Pradesh, Bhopal.

5. Shri P.D.Mishra, Additional Registrar of Cooperative Societies, Madhya Pradesh, Bhopal.

6. Dr. M.P.Saxena, Managing Director, M.P.Rajya Sahakari Bank Ltd., Bhopal.

7. Shri K.R.Sahu, Chief General Manager, M.P. Rajya Sahakari Bank Ltd., Bhopal.

8. Shri Bhagwati Prasad Mishra, President Nagrik Sahakari Bank Ltd., Indore.

9. Shri Sher Singh, Director, Transport Cooperative Bank Ltd., Indore

10. Shri M.B.Vipat, General Manager, Indore Paraspar Sahakari Bank Ltd., Indore.

11. Shri A.B.Kibey, Secretary, Indore Paraspar Sahakari Bank Ltd., Indore.

9. Shri D. K. Majgaonkar

10. Shri G. H. Deo

11. Shri L. H. Gajare

North East

1. Chief Minister,In-charge of Cooperation, Government of Assam.

2. Shri Thaneswar Barooah, Chairman, Cooperative City Bank Ltd., Guwahati, (Assam).

3. Shri Haredhar Chakraborty, Manager (Administration), Industrial Cooperative Bank Ltd., Guwahati (Assam).

4. Shri Harihar Talukdar, Manager (Development), Industrial Cooperative Bank Ltd., Guwahati (Assam).

5. Shri Raj Kumar Mani Singh, General Manager, Imphal Urban Cooperative Bank Ltd., Imphal, (Manipur).

6. Shri P.K.Borpatra Gohain, Retired Principal, Regional Cooperative Training College, Guwahati (Assam)

7. Shri B. Sharma, Manager, State Cooperative Bank Ltd., Guwahati (Assam).

8. Shri H. Goswami, Vice Chairman, Urban Industrial Cooperative Bank Ltd., Dibrugarh (Assam).,

9. Shri T. S. Bhattacharya, Additional Registrar of Cooperative Societies, Guwahati (Assam).

10. Shri U. Venkateswarlu, IAS, Registrar of Cooperative Societies, Agartala (Tripura)

11. Shri H. Darthuama, Branch Manager, Mizoram Urban Development Cooperative Bank Ltd., Aizwal (Mizoram).

12. Shri J. Dhar, Registrar of Cooperative Societies, Dimapur, Nagaland.

13. Shri A. Longkumar, Deputy General Manager, Nagaland State Cooperative Bank Ltd., Dimapur (Nagaland).

14. Shri D. S. Nair, Senior Manager, Nagaland State Cooperative Bank Ltd., Dimapur (Nagaland).

15. Shri Nityananda Borgohain, Managing Director, Industrial Cooperative Bank Ltd., Guwahati (Assam).

Orissa

1. Dr. Jogesh Chandra Rout, Ex-President, Orissa State Cooperative Bank Ltd., Bhubaneshwar.

2. Shri F. C. Panda, Ex-Managing Director, Orissa State Cooperative Bank Ltd., Bhubaneshwar.

3. Shri D. N. Mohanty, Ex-President, Cuttack Urban Cooperative Bank, Cuttack.

4. Dr. J. Patnaik, President, Urban Cooperative Bank Ltd., Cuttack.

5. Shri Md. Taufiqueddin, Secretary, Urban Cooperative Bank Ltd., Cuttack.

6. Shri A.B. Goswami, Managing Director, Orissa State Cooperative Bank Ltd., Bhubaneshwar.

7. Shri Jogendra Patra, Registrar of Cooperative Societies Orissa, Bhubaneshwar.

8. Shri Raam Behra, Secretary to Government, Cooperation Department, Bhubaneshwar, Orissa.

9. Shri C. Narayanaswamy, Commissioner, Agriculture and Rural Development, Government of Orissa, Bhubaneshwar.

12. Shri B.C. Chiplunkar, President, Indore Paraspar Sahakari Bank Ltd., Indore.

13. Shri G.M. Karandikar, Assistant Secretary, Indore Paraspar Sahakari Bank Ltd., Indore.

14. Shri R.K.Nagar, General Manager, Ujjain Paraspar Sahakari Bank Ltd., Ujjain.

15 Shri Chhotu Shukal, Director, Paraspar Sahayak Cooperative Bank Ltd., Indore.

16. Shri Purushottam Joshi, Economic Secretary, Paraspar Sahayak Cooperative Bank Ltd., Indore.

17. Shri N. S. Chandwaskar, President, Paraspar Sahayak Cooperative Bank Ltd., Indore

18. Shri Tejpal Bhatt, President, Citizen Cooperative Bank Ltd., Burhanpur.

19. Shri Hargobind Yadav, Manager, Citizen Cooperative Bank Ltd., Burhanpur.

20. Shri K. R. Sahu, Chief General Manager, Madhya Pradesh State Cooperative Bank Ltd., Bhopal.

Maharashtra

1. Shri R. L. Ahire, Chief Administrative Officer, Nandura Urban Cooperative Bank Ltd., District B;uldana.

2. Shri G. K. Udeshi, Ex-Chief Officer, Reserved Bank of India Bombay.

3. Shri V. V. Desai, Manager, Jalgaon Janata Sahakari Bank Ltd., Jalgaon.

4. Shri A. Hasib, Director, Shaikh Mohamedally Allabux Urban Banking Development Institute, New Bombay.

5. Shri Ghulam Ghouse, Chairman, Bombay MercantileCooperative Bank Ltd., Bombay.

6. Shri U.D. Mokashi, Chairman, Konkan Nagari Sahakari Banks Association Ltd., Thane.

7. Shri J. V. Deshpande, General Manager, North Canara G.S.B. Cooperative Bank Ltd., Bombay.

8. Shri Dwarkabhau Pathrikar, Cooperator, Aurangabad.

9. Shri John D'Silva, Managing Director, Abhudaya Cooperative Bank Ltd., Bombay.

10. Shri B.B.Pujari, Chairman, Sangli District Urban Banks Association, Sangli.

11. Shri S. K. Murdeshwar, General Manager, Shamrao Vithal Cooperative Bank Ltd., Bombay.

12. Shri Babasaheb Dhabekar, Chairman, Shri Balaji Sahakari Sakhar Karkhana Ltd., Akola.

List of persons who represented Maharashtra Urban Cooperative Banks Federation Ltd., Bombay in the discussions held by the Sub-Group(West)

1. Shri S. G. Shinde

2. Shri Suresh Prabhu

3. Shri John D'Silva

4. Shri S. R. Deshmukh

5. Shri G. S. Shelke

6. Shri S. B. Adsul

7. Shri S. A. Gundecha

Rajasthan

1. Minister for Cooperation, Government of Rajasthan.
2. Shri T. Shrinivasan, R.C.S. Rajasthan, Jaipur.
3. Shri R.K. Meena, Deputy Registrar (Banking), Rajasthan, Jaipur.
4. Shri M.L.Parihar, Managing Director, Rajasthan State Cooperative Bank Ltd., Jaipur.
5. Shri M.K.Sharma, Secretary, State Urban Banks' Federation, Jaipur.
6. Shri G.L.Jaiswal, Assistant Secretary, Urban Cooperative Bank Ltd., Jaipur.
7. Shri K.S.Sood, Ex-Director, Urban Cooperative Bank Ltd.,Jaipur
8. Shri S.L.Lakhani, General Manager, Jodhpur Nagrik Sahakari Bank Ltd., Jodhpur.
9. Shri P.L.Gautam, General Manager, Nagrik Sahakari Bank Ltd., Kota.
10. Shri D.S.Kothari, Chief Executive Officer, Udaipur Urban Cooperative Bank Ltd., Udaipur.
11. Shri M. G. Arora, Managing Director, Pali Urban Cooperative Bank Ltd., Pali.
12. Shri O.P. Mohnot, Accountant, Jodhpur Nagrik Sahakari Bank Ltd., Jodhpur.

Tamil Nadu

1. Minister for Cooperation, Government of Tamil Nadu.

2. Shri M. Krishnaswamy, Special Officer, Cooperative Union and Vice President Federation of Urban Cooperative Banks, Tamil Nadu, Madras.

3. Shri T. Venkatachalam, General Manager, Tamil Nadu State Apex Cooperative Bank Ltd., Madras.

4. Shri B.S.Vijayagopal, Former Chief Officer, Agricultural Credit Department, Central Office, Bombay.

5. Shri A. Sengootavelan, Former President, Coimbatore City Cooperative Bank Ltd., Coimbatore.

6. Shri A. Venkatasubramanian, Sepcial Officer, Salem Urban Cooperative Bank Ltd., Salem.

7. Shri K. Umapathy, Secretary, Shevapet Urban Cooperative Bank Ltd., Salem.

8. Shri O. Loganathan, Secretary, Coimbatore City Cooperative Bank Ltd., Coimbatore.

9. Shri S.A.Balasubramanian, Secretary, Sri Lakshminarayana Cooperative Urban Bank Ltd., Tiruvarur.

10. Shri M. Sugumaran, Secretary, Little Conjeevaram Cooperative Urban Bank Ltd., Kancheepuram.

11. Shri N. Palani, Additional Registrar of Cooperative Soicieties (Credit) Tamil Nadu, Madras.

Uttar Pradesh

1. Minister for Cooperation, Government of Uttar Pradesh.

2. Shri Mudit Verma, Chairman, Mansarovar Urban Cooperative Bank Ltd., Lucknow

3. Shri R.B.Shandilya, Chairman, Urban Cooperative Bank Ltd., Ghazipur.

4. Shri D.L.Shah, Chairman, Kurmanchal Nagar Sahakari Bank Ltd., Nainital.

5. Smt. Savita Bhargava, Chairperson, Rajdhani Nagar Sahakari Bank Ltd., Lucknow.

6. Shri F.H.Khan, Vice Chairman, United Mercantile Urban Cooperative Bank Ltd., Kanpur.

7. Shri S.L.Trivedi, Secretary, Urban Cooperative Bank Ltd., Lakhimpur Kheri.

8. Shri Upendra Lal Shah, Secretary, Kurmanchal Nagar Sahakari Bank Ltd., Nainital.

9. Shri B.S. Misra, Secretary, Brahmavart Commercial Cooperative Bank Ltd., Kanpur.

10. Smt. S.K.Sandhu,Additional Registrar, Cooperative Societies, U.P., Lucknow.

11. Shri O.P.Rakesh, Deputy Registrar, Cooperative Societies, U.P., Lucknow.

12. Shri Bhagwati Prasad, Officer on Special Duty, U.P. Cooperative Bank Ltd., Lucknow

13. Shri C.P.Panda, Deputy General Manager, U.P.Cooperative Bank Ltd., Lucknow.

14. Shri J.L.Kesarvani, Managing Director, Uttar Pradesh Cooperative Bank Ltd., Lucknow.

West Bengal

1. Minister for Cooperation, Government of West Bengal.

2. Shri H.P.Ghosh, Former Secretary, Bantra Cooperative Bank Ltd., Howrah.

3. Shri Subrata Biswas, Secretary, Bally Cooperative Bank Ltd., Howrah.

4. Shri S.K. Bardhan, Chairman, Liluah Cooperative Bank Ltd., Howrah.

5. Shri Biswanath Ghosh,Chief Executive Officer, Kasurdia Cooperative Bank Ltd., Kasurdia, Howrah.

6. Shri Rajen Mishra, Ex-Chief Excutive Officer, Contai Cooperative Bank Ltd., Contai.

7. Shri Jyotirmoy Kar, Chairman, Contai Cooperative Bank Ltd., Contai.

8. Shri Biswanath Moitra, Secretary, Baidyabati Sheoraphuli Cooperative Bank Ltd., Hooghly.

9. Shri P.K.Banerjee, Chairman, Dhakurai Cooperative Bank Ltd. Dhakuria, Calcutta.

10. Shri Basudeo Bhattacharya, Chairman, Konnagar Samabaya Bank Ltd., Hooghly.

11. Shri P.K.Das Gupta, The Nabapalli Cooperative Bank Ltd., Barasat, 24-Parganas (N).

12. Shri R.K.Chakraborty, Chairman, Nanghi Cooperative Bank Ltd., Budge Budge, 24-Parganas.

13. Shri N.C.Pal, Secretary, Liluah Cooperative Bank Ltd., Liluah.

14. Shri N.G.Goswami, Secretary, West Bengal State Coop. Banks Federation, Calcutta.

15. Shri S.N.Chatterjee, Secretary, Buxarah Cooperative Bank Ltd., Buxarah.

16. Shri R.K.Bose, Chairman, Boral Union Cooperative Bank Ltd., Boral.

17. Shri P.K. Mukherjee, Chairman, Bantra Cooperative Bank Ltd., Howrah.

18. Shri Nemai Sinha, Secretary, Tamluk Town Cooperative Bank Ltd., Tamluk, Dist. Midnapore.

19. Shri A.C.Sarkar, Secretary, The Nabapalli Cooperative Bank Ltd., Barasat.

20. Shri K.N.Bhaduri, Member, West Bengal State Cooperative Banks Federation, Calcutta.

21. Shri Sisir Sen, Hon. Adviser, Shibpur Cooperative Bank Ltd. Shibpur, Howrah.

List of persons who represented National Federation of Urban Cooperative Banks and Credit Societies Ltd. in the discussions held by the Committee

1. Shri H.K.Patil

2. Shri M. Hanumaiah

3. Shri R. K. Dhami

4. Shri R. B. Shandilya

5. Shri A. M. Patel

6. Prof. M.A.Deshmukh

7. Shri John D'Silva

8. Mrs. Geetaben N. Dalal

9. Dr. M. S. Pradhan

10. Shri Bhagavati Prasad Mishra

11. Shri B. B. Pujari
12. Shri S.V. Karaveerashetter
13. Shri C.K.Chatterjee
14. Shri P.K.Mukherjee
15. Shri N. G. Goswami
16. Shri B. Vijaya Kumar
17. Shri M. Anjaneyulu
18. Shri L.H. Gajare
19. Shri R.K. Bhatt
20. Shri Suvalal A. Gundecha
21. Shri B. P. Shaligram

List of persons who represented Cooperative Bankers Forum in the discussions held by the Committee

1. Shri Sadanand G. Bhatkal
2. Shri H. N. Kunden
3. Shri S. K. Patki
4. Shri Lalitbhai Mehta
5. Shri N. I. Padamsee
6. Shri H. S. Kahina
7. Shri John D'Silva

8. Shri Ghulam Ghouse

9. Shri B. N. Patel

10. Shri M. D. Patel

11. Shri V. N. Shah

12. Shri S. V. Bugde

13. Shri A. Y. Shaligram

ANNEXURE - VI

(Reference Paragraph No. 2.17)

State-wise/district-wise statement showing the number of proposals for organisation of new urban cooperative banks cleared for registration between October 1986 and December 1991

	State-district-centre	No. of proposals cleared
1.	**ANDHRA PRADESH**	
	Hyderabad*	1
2.	**ASSAM**	
	Mangaldoi-Darrang	1
	Nalbari	1
	Sibsagar	1
3.	**HARYANA**	
	Bhiwani	1
4.	**MADHYA PRADESH**	
	Bhopal	1
	Chhindwara	1
	Durg	1
	Indore*	1
	Raipur	1
5.	MAHARASHTRA	
	Ahmednagar *	1
	Aurangabad	1
	Akola *	1
	Buldhana *	1

State-district-centre	No. of proposals cleared
Desaiganj-Gadchiroli	1
Dombivli-Thane *	1
Kalamnuri-Parbhani *	1
Kurla-Bombay *	1
Latur *	1
Pune	1
Satara *	1
6. **MIZORAM**	
Aizwal	1
7. **NAGALAND**	
Dimapur	1
8. **ORISSA**	
Rourkela-Sundergarh	1
9. **NEW DELHI** $	1
10. **RAJASTHAN**	
Balotra-Barmer	1
Beawar-Ajmer	1
Bhawanimandi-Jhalawar	1
Bundi	1
Dholpur	1
Jalore	1
Jhunujhunu	1

State-district-centre	No. of proposals cleared
Sawaimadhopur	1
11. **UTTAR PRADESH**	
Almora	1
Aligarh	1
Balrampur-Gonda	1
Badaun	1
Banda	1
Bahrich	1
Etawah	1
Etah	1
Fatehpur	1
Farrukabad	1
Ghazipur	1
Jalaun	1
Jhansi	1
Kashipur-Nainital	1
Lucknow	2
Mannathbhanjan	1
Moradabad	1
Muzzafarnagar	1
Pilibhit	1
Rampur	1

State-district-centre	No. of proposals cleared
Rai-Barreilly	1
Sitapur	1
Shahajahanpur	1
Saharanpur	1
Sultanpur	1
Tehri-Garhwal	1
TOTAL	60

* Mahila Urban Cooperative Banks

$ Mahila bank - clearance subsequently withdrawn as Promoters could not comply with our conditions/norms.

ANNEXURE - VII

(Reference Paragraph No.2.17)

State-wise/district-wise statement showing the number of proposals for organisation of new urban cooperative banks rejected between October 1986 and December 1991

	State-district-centre	No. of proposals rejected
1.	**ANDHRA PRADESH**	
	Chandragiri-Chittoor	1
	Hyderabad	3
	Kodur-Guddapah	1
	Ongole	1
	Prakasam	1
		7
2.	**ASSAM**	
	Dibrugarh	1
		1
3.	**GOA**	
	Ponda-North Goa	1
		1
4.	**GUJARAT**	
	Amjar-Kutch	1
	Banaskantha	1
	Bharuch	1
	Jamnagar	1
	Junagadh	3

State-district-centre	No. of proposals rejected
Kadi-Mehsana	1
Kodinar-Amreli	1
Mehsana	2
Visnagar-Mehsana	1
Unava-Mehsana	1
	13
5. **KARNATAKA**	
Amkeli-Belgaum	1
Basavakalyan-Bidar	1
Bangalore	2
Gadg-Dharwar	1
Harpanahalli-Bellari	1
Karkala-Dakshma Kannada	1
Kamatgi-Bijapur	1
Kendrapara-Dakshma Kannada	1
Nilamangala-Bangalore-Rural	1
Saundatti	1
	11
6. **KERALA**	
Mallapuram	1

State-district-centre		No. of proposals rejected
	Kozikode	1
		2
7.	**MADHYA PRADESH**	
	Vidisha	1
	Indore	1
		2
8.	**MAHARASHTRA**	
	Airoli-Thane	1
	Akola	1
	Aurangabad	5
	Atpadi-Sangli	1
	Amravati	1
	Ahmedpur-Latur	1
	Ambejogai-Beed	1
	Beed	2
	Bhokar-Nanded	1
	Bhandara	1
	Basmathnagar-Parbhani	1
	Chandrapur	1
	Gangakhed-Parbhani	1
	Hingne-Pune	1
	Ichalkaranji-Kolhapur	1

State-district-centre	No. of proposals rejected
Jalna	1
Kalyan-Thane	1
Kalas-Pune	1
Latur	8
Mahapad-Raigad	1
Malegaon-Nasik	1
Nanded	3
Nagpur	3
Nilanga-Latur	1
Pandarkawada-Yeotmal	1
Pune	1
Parbhani	2
Pathardi-Ahmednagar	1
Sangli	1
Solapur	1
Satara	1
Thane	3
Udgir-Latur	1
Ulhasnagar-Thane	1
Wani-Yeotmal	1
Wardha	1

. State-district-centre		No. of proposals rejected
	Yawal-Jalgaon	1
		56
9.	**PUNJAB**	
	Ropar	1
		1
10.	**RAJASTHAN**	
	Chittorgarh	1
	Hinduan-Sawaimadhopur	1
		2
11.	**TAMIL NADU**	
	Madras	1
		1
12.	**UTTAR PRADESH**	
	Ballia	1
	Chamoli(Gopeshwar)	1
	Katra-Allahabad	1
	Kanpur	1
	Lalitpur	1
	Lucknow	1
	Meerut	1
	Pittorgarh	1

State-district-centre	No. of proposals rejected
Uttar Kashi	1
	9
13. **WEST BENGAL**	
Burdwan	1
	1
Grand Total	107

ANNEXURE - VIII

(Reference Paragraph No.2.17)

State-wise statement showing the number of proposals for organisation of new urban cooperative banks under consideration as on 31.12.1991

State-district-centre		State-district-centre	
1. **ANDHRA PRADESH**		9. **TRIPURA**	
Ranga Reddi	2	Paschim Tripura	1
Nalgonda	1		
		10. **UTTAR PRADESH**	
2. **ASSAM**		Azamgarh	1
Dhubri	1	Bareilly	1
Jorhat	1	Barabanki	1
Tinsukia	1	Fatehpur	1
		Faizabad	1
3. **BIHAR**		Hardwar	2
		Hardoi	1
Birsa - Ranchi	1	Kanpur Dehat	1
Begusarai	1	Jaunpur	1
Madhopura	1	Lucknow	1
		Mahoba-Hamirpur	1
4. **GUJARAT**		Maharajganj	1
		Mathura	1
Kutch	1	Pouri-Garhwal	1
		Noida-Gaziabad	1
5. **MADHYA PRADESH**		Unnao	1
Durg	1	11. U.T. of Pondicherry	1
Gwalior	1		
Rajgarh	1	Total	40
6. **MAHARASHTRA**			
Bhandara	1		
Chandrapur	2		
Yavatmal	1		
7. ORISSA			
Dhenkanal	1		
Sambalpur	1		
8. RAJASTHAN			
Tonk	1		
Chittorgarh	1		

ANNEXURE - IX

(Reference Paragraph No. 2.17)

State-wise/district-wise statement of licences issued between October 1986 and December 1991 for organisation of new urban cooperative banks

	State-district	No.of licences issued
1.	**ANDHRA PRADESH**	
	Hyderabad	3
	Nizamabad	1
2.	**ASSAM**	
	Dibrugarh	1
	Gauhati	1
	Mangaldoi	1
	Nalbari	1
3.	**BIHAR**	
	Muzzafarnagar	1
	Patna	1
4.	**GOA**	
	Bicholim	1
5.	**GUJARAT**	
	Bhavnagar	1
	Sabarkanta	1
6.	**HARYANA**	
	Kurukshetra	1
	JAMMU & KASHMIR	
	Anantnag	1
	Baramulla	1

State-district		No.of licences issued
8.	**KARNATAKA**	
	Bangalore	1
9.	**KERALA**	
	Mallapuram	1
10.	**MADHYA PRADESH**	
	Bilaspur	1
	Durg	1
	Indore	1
	Raipur	1
11.	**MAHARASHTRA**	
	Ahmednagar	1
	Akola	1
	Aurangabad	1
	Bombay	1
	Chandrapur	1
	Latur	1
	Nagpur	2
	Parbhani	1
	Pune	1
	Satara	1
	Solapur	2
12.	**MIZORAM**	
	Aizwal	1
13.	**NEW DELHI**	1
14.	**ORISSA**	
	Bhubaneswar	1
	Kendrapara	1
	Sundergarh	1

State-district	No.of licences issued
15. PUNJAB	
Jalundhar	1
16. RAJASTHAN	
Barmer	1
Bhilwara	1
Bharatpur	1
Bhopal	1
Bundi	1
Jalore	1
Jhalawar	1
17. UTTAR PRADESH	
Almora	1
Allahabad	1
Badaun	1
Basti	1
Bijnor	1
Ghazipur	1
Etah	1
Jhansi	1
Itawah	1
Lucknow	3
Maunath Bihanjan	1
Meerut	1
Mirzapur	1
Muzzafarnagar	1
Nainital	1
Pratapgarh	1
Rampur	1
Saharanpur	1
Sitapur	1
Tehri Garhwal	1
Total	70

ANNEXURE - X

(Reference Paragraph No. 2.21)

Statement showing state-wise spread of urban cooperative banks as on 31 December, 1991

State	No.of banks			Total	Total No.of branches including H.O.
	PUCBs	SEs	Under liquida-tion		
Maharashtra	351	29	7	378	1494
Gujarat	284	4	7	295	581
Karnataka	191	15	12	218	415
Kerala	53	4	2	59	172
Tamil Nadu	124	9	4	137	190
Andhra Pradesh	57	36	6	6	106
Others	194	26	10	230	441
Total	125	490	48	1392	3399

ANNEXURE - XI

(Reference Paragraph No.2.21)

Statement showingState-wise/district-wise coverage of urban co-operative banks as on 31 December 1991

Sr. No.	Name of the State	Total No.of dist. (Source: Quarterly Hand-out banking Stats. & Census Report)	No.of dists. having co-op. banks	Of which no.of districts having			
				1 urban bank	1-5 urban banks	6-10 urban banks	More than 10 urban banks
1.	2.	3.	4.	5.	6.	7.	8.
1.	Andhra Pradesh	23	16	2	12	2	-
2.	Arunachal Pradesh	11	-	-	-	-	-
3.	Assam	23	5	4	1	-	-
4.	Bihar	42	3	3	-	-	-
5.	Goa	2	2	-	2	-	-
6.	Gujarat	19	18	-	5	5	8
7.	Haryana	16	7	5	2	-	-
8.	Himachal Pradesh	12	4	4	-	-	-
9.	Jammu and Kashmir	14	3	3	-	-	-
10.	Karnataka	20	19	3	7	4	5
11.	Kerala	14	14	3	8	3	-
12.	Madhya Pradesh	45	23	15	7	-	1
13.	Maharashtra	30	29	2	13	3	11

1.	2.	3.	4.	5.	6.	7.	8.
14.	Manipur	8	3	2	1	-	-
15.	Meghalaya	5	2	2	-	-	-
16.	Mizoram	3	1	1	-	-	-
17.	Nagaland	7	-	-	-	-	-
18.	Orissa	13	7	4	3	-	-
19.	Punjab	12	3	2	1	-	-
20.	Rajasthan	27	20	19	1	-	-
21.	Sikkim	4	-	-	-	-	-
22.	Tamil Nadu	20	20	1	8	8	3
23.	Tripura	3	1	1	-	-	-
24.	Uttar Pradesh63	28	26		1	1	- -
25.	West Bengal	17	10	1	7	2	-
26.	U.T.Andaman & Nicobar	2	-	-	-	-	-
27.	U.T. Chandigarh	1	-	-	-	-	-
28.	U.T.Dadra & Nagar Haveli	1	-	-	-	-	-
29.	U.T.Daman & Diu	2	-	-	-	-	-
30.	U.T.Delhi	1	1	1	-	-	-
31.	U.T. Lakshadweep	1	-	-	-	-	-
32.	U.T. Pondicherry	4	1	1	-	-	-
		465	240	105	79	28	28

ANNEXURE - XII

(Reference Paragraph No.2.21)

State-wiselist of districts devoid of urban cooperative banks as on 31 December 1991

Sr.No.	Names of districts presently devoid of urban cooperative banks including those from where proposals are received
1.	2.
1.	**ANDHRA PRADESH**
	1. Adilabad 2. Medak 3. Mehabubnagar 4. Nalgonda $ 5. Ranga Reddy $ 6. Srika Kulam 7. Warangal
2.	**ARUNACHAL PRADESH**
	1. Chung Laung 2. Dibang Valley 3. East Saing 4. East Kamang 5. Lohit 6. Lower Subansiri 7. Tewang 8. Tirap 9. Uppa Subasiri 10. West Kamong 11. West Saing
3.	**ASSAM**
	1. Barpeta 2. Dhubri $ 3. Goalpara

1.	2.

4. Golaghat
5. Hailakandi
6. Jorhat $
7. Kakrajhar
8. Karbi Anglong
9. Karim Ganj
10. Lakhimpur
11. Nowgong
12. North Cachar Hills (Haflong)
13. Sibsagar *
14. Sonitpur
15. Tinsukia $
16. Dhemaji
17. Morigaon
18. Bangaingaon

4. **BIHAR**

1. Araria
2. Aurangabad
3. Begusarai $
4. Bhagalpur
5. Bhojpur
6. Darbanga
7. Deogarh
8. Dhanbad
9. Dumka
10. East Singhbhum
11. Gaya
12. Giridih
13. Godda
14. Gopalganj
15. Gumla
16. Hazaribagh
17. Jehanabad
18. Katihar
19. Khagaria

1.	2.
	20. Kisanganj
	21. Lohardagga
	22. Madhepura $
	23. Madhubani
	24. Monghyr
	25. Nawadah
	26. Palaman
	27. Paschim Champaran
	28. Purva Champaran
	29. Purnia
	30. Ranchi $
	31. Rohtas
	32. Saharsa
	33. Sahebganj
	34. Samastipur
	35. Saran
	36. Sitamarhi
	37. Siwan
	38. Vaishali
	39. West Singhbhum
5.	**GOA**
	- N I L -
6.	**GUJARAT**
	1. Dangs
7.	**HARYANA**
	1. Bhiwani *
	2. Faridabad
	3. Gurgaon
	4. Jind
	5. Kaithal
	6. Mahendragarh

1.	2.
	7. Rewari
	8. Rohtak
	9. Sirsa
8.	**HIMACHAL PRADESH**
	1. Bilaspur
	2. Hamirpur
	3. Kengra
	4. Kulu
	5. Kinnaur
	6. Lahul & Spiti
	7. Sirmaur
	8. Una
9.	**JAMMU & KASHMIR**
	1. Badgam
	2. Doda
	3. Kargil
	4. Kathwa
	5. Kumpwara
	6. Ladakh
	7. Poonch
	8. Palwama
	9. Rajouri
	10. Srinagar
	11. Udhempur
10.	**KARNATAKA**
	1. Chikmagalur (Having a branch of U.C.B.)
11.	**KERALA**
	- N I L -

1.	2.
12.	MADHYA PRADESH
	1. Balaghat
	2. Bastar
	3. Bhind
	4. Chhatrapur
	5. Dhar
	6. Guna
	7. Hoshangabad
	8. Jhabua
	9. Narsinghpur
	10. Panna
	11. Raigarh
	12. Raisen
	13. Rajgarh $
	14. Rajnandgaon
	15. Reva
	16. Satna
	17. Seoni
	18. Shahdol
	19. Shajpur
	20. Sidhi
	21. Surguja
	22. Tikamgarh
13.	MAHARASHTRA
	1. Gadchiroli *
14.	MANIPUR
	1. Manipur East
	2. Manipur North
	3. Manipur West
	4. Tengnoupal
	5. Thoubal

1.	2.
15.	**MEGHALAYA**
	1. Jaintia Hills
	2. West Garo Hills
	3. West Khasi Hills
16.	**NAGALAND**
	1. Kohima *
	2. Mokakchung
	3. Mon
	4. Phek
	5. Tuensang
	6. Wokhe
	7. Zunheboto
17.	**MIZORAM**
	1. Chhimtui Pui
	2. Lunglei
18.	**ORISSA**
	1. Bolangir
	2. Dhankanal $
	3. Khalchandi
	4. Keonjhar
	5. Phulbani
	6. Sambalpur $
19.	**PUNJAB**
	1. Amritsar
	2. Bhatinda
	3. Faridkot
	4. Ferozpur
	5. Hoshiarpur
	6. Kapurthala

1.	2.

7. Ludhiana
8. Patiala
9. Sangrur

20. **RAJASTHAN**

1. Chittargarh $
2. Dholpur *
3. Dungarpur
4. Jaisalmer
5. Jhunujhunu *
6. Sawai Madhopur *
7. Tonk $

21. **SIKKIM**

1. East Sikkim
2. North Sikkim
3. South Sikkim
4. West Sikkim

22. **TAMIL NADU**

- N I L -

23. **TRIPURA**

1. North Tripura
2. South Tripura

24. **UTTAR PRADESH**

1. Aligarh
2. Azamgarh$
3. Bahraich*
4. Ballia
5. Banda
6. Barabanki $

1.	2.
	7. Bareilly $.
	8. Bulandshahr
	9. Chamoli
	10. Deoria *
	11. Faizabad $
	12. Farrukabad
	13. Fatehpur $
	14. Powri Garhwal $
	15. Gonda *
	16. Hamirpur $
	17. Hardoi $
	18. Hardwar $
	19. Jalaun *
	20. Jaunpur $
	21. Kanpur Dehat $
	22. Lalitpur
	23. Mainpuri
	24. Mathura $
	25. Maharajganj
	26. Moradabad *
	27. Pilbhit
	28. Pithorgarh
	29. Rai Barelly *
	30. Shahajahanpur *
	31. Sidharthnagar
	32. Sonbhadra
	33. Sultanpur *
	34. Unnao $
	35. Uttar Kashi
25.	**WEST BENGAL**
	1. Darjeeling
	2. Jalpaiguri
	3. Cooch Behar
	4. Malda
	5. Murshidabad
	6. Purnlia

1.	2.
	7. East Dinajpur
26.	U.T. OF ANDAMAN NICOBAR
	1. Andaman 2. Nicobar
27.	U.T.OF CHANDIGARH
	1. Chandigarh
28.	U.T. OF DADAR NAGAR HAVELI
	1. Dadra & Nagar Haveli (Silvasa)
29.	U.T. OF DAMAN AND DIU
	1. Daman 2. Diu
30.	U.T. OF DELHI
	- N I L -
31.	U.T. OF LAKSHADWEEP
	1. Lakshdweep
32.	U.T.OF PONDICHERRY
	1. Karaikal (Existing bank under liquidation) 2. Mahe $ 3. Yanam

* Proposals for new urban banks cleared for registration/licence applications awaited.

$ Proposals received and under consideration.

ANNEXURE - XIII

(Reference Paragraph No.2.21)

Statement showing representative samples from Maharashtra and Gujarat indicating concentration of urban cooperative banks in certain districts only.

State	Region/ District	No.of urban cooperative banks (including SEBs & excluding banks under liquidation)	Remarks
1	2	3	4
Maharashtra	4 districts (Western Maharashtra)	117	Kolhapur Pune Sangli Satara
	Bombay	91	Raigad
	4 districts (Konkan)	31 (Thane 18 UCBs)	Ratnagiri Sindhudurg Thane
	9 districts (Vidarbha)	37	Akola Amravati Bhandara Buldhana Chandrapur Gadchiroli Nagpur Wardha Yeotmal
	7 districts (Marathawada)	19	Aurangabad Beed Jalna Latur Nanded Osmanabad Parbhani

1	2	3	4
	5 districts	85	Ahmednagar Dhule Jalgaon Nasik Solapur
		380	
Gujarat	7 districts	221	Ahmedabad (60) Kheda (46) Vadodara (34) Mehsana (31) Panch Mahalas (20) Sabarkanta(17) Surat (13)
	12 districts	39	
		260	

Annexure - XIV

(Referemce P;aragraph No. 2.35)

Proforma of the report to be submitted by the Registrar of Cooperative Societies in connection with organisation of new urban cooperative banks

1. (a) Name of the proposed urban bank :
   (b) Name of the district :

2. Proposed area of operation	Name/sof	Population* Metropolitan/ Urban/Semi-Urban Area/s

3. Particulars of proposed registered/head office	Place	Population*

4. Occupation-wise classification of population at Headquarters Town
   (i) Household Industry, Manufacturing, Processing, Servicing and Repairing
   (ii) Other workers
   (iii) Marginal workers
   (iv) Non-workers
   (v) Salary Earners

* As per census report.

5. @ Classification of expected membership & share capital

Initial		At the end of					
No.of members	Share Capital	1st year		3rd year		5th year	
		No.of members	Share Capital	No.of members	Share Capital	No.of members	Share Capital
	Rs.		Rs.		Rs.		Rs.
		(i) Artisans and small industrial units					
		(ii) Small traders and businessmen					
		(iii) Small road and water transport operators					
		(iv) Professionals					
		(v) Dairy and Poultry units					
		(vi) Salary earners					
		(vii) Other (Specify)					

@ Please note that actual enrolment of members and collection of share capital is not to be done until the proposal is approved by the Reserve Bank.

6. Give details of any proposed development in the above place, such as establishment of industrial estate/projects, organisation of factory/ies, construction of housing colonies, etc.

7. Details of offices, deposits and advances of existing banks at the headquarters town as on :

(Rs. lakhs)

Urban Banks			Commercial Banks			State Cooperative			Regional Rural Banks Bank		
No. of offi-ces	Depo-sits	Adva-nces	No. of offi-ces	Depo-sits	Adva-nces	No. of offi-ces	Depo-sits	Adva-nces	No. of offi-ces	Depo-sits	Adva-nces
(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)

8. Estimate of Deposits: (Rs. lakhs)

	At the end of		
	1st year	3rd year	5th yea
Type of deposits			
(1) Current			
(2) Savings			
(3) Term deposits			
TOTAL :			

9. Estimate of Advances :

Category	At the end of 1st year	3rd year	5th year
i) Artisans and industrial units			
ii) Small traders and businessmen			
iii) Small road and water transport operators			
iv) Professionals			
v) Salary earners			
vi) Dairy and poultry units			
vii) Other (Specify)			
TOTAL :			

10. Considering the existing banking facilities, trade, commerce, industry and other economic activities in the area,
(a)what is the jurisdiction for one more bank in the area ?
(b) why you feel that the credit gap cannot be met by the existing banks or by opening of a branch/es ?

11. Do you think that there are reasonable chances of the proposed bank becoming viable within five years as per Reserve Bank's norms ?

12. Particulars of important promoters (likely to be nominated/elected to the Committee of Management)
(Not more than 15)

Name Address Occupation	Name of the banks from whom banking facilities, if any, are availed of presently	Experience if any, in cooperation, banking etc.	Connection if any, with any other co-op./social organisation etc.

13. Please attach a copy of the bye-laws proposed to be adopted.

Place :

Date :

Signature :

Name :

Designation of Coop. Deptt. Official :

Signature :

Name :

Chief Promoter.

Proforma for bio-data of promoters

i) Full Name :

ii) Date of Birth and Age :

iii) Address :

(a) Office

(b) Residence :

iv) Educational Qualifications :

v) Business/Occupation :

vi) Particulars of banking and/or other professional experience/ connection with any cooperative and commercial banks :

vii) Give particulars of socio-economic activities in the cooperative and other fields :

viii) Are you a defaulter, in repayment of dues either as a borrower or as a surety to another borrower member of another cooperative society/bank ?

I hereby declare that particulars given above are true to the best of my knowledge and belief. I further declare that I do not possess any of the disqualifications* specified in the Societies Act and Rules framed thereunder (or in the proposed bye-laws) debarring me from becoming a member of Managing Committee of a cooperative society.

Signature————————

Place :———————— Date————————

* person will be deemed to be disqualified if -

i) he either does not reside or is not gainfully engaged in any occupation in the area of operation of the proposed bank,

ii) he is convicted or any criminal offence involving moral turpitude, etc.,

iii) he is engaged in a business competing with or conflicting with the business of the proposed bank,

iv) he is adjudged an insolvent or legally disabled from becoming/continuing as a member of the proposed bank.

v) he is a member of another urban cooperative banks or primary credit society,

vi) he is in active service in any Government Department/ statutory body or in a bank or primary credit society.

ANNEXURE - XV

(Reference Paragraph No.3.13)

Statement showing the number of primary credit societies as on 30.6.91 which had attained the status of primary cooperative banks but had not been included in the list thereof.

Sr. No.	Name of the Regional Office	State	No.of Societies		
(1)	(2)	(3)	(4)		
			Urban	S.E.Type of banks	Total
1	Ahmedabad	Gujarat	-	-	-
2.	Bangalore	Karnataka	18	6	24
3.	Bhopal	Madhya Pradesh	-	-	-
4.	Bhubaneshwar	Orissa	1	-	1
5.	Bombay	Maharashtra	3	-	3
	Goa (30.9.85)		2	2	
	Nagpur	2	1	3	
6.	Chandigarh	Haryana	-	3	3
		Himachal Pradesh	-	-	-
		Punjab	-	-	-
7.	Calcutta	West Bengal	3	-	3
		Sikkim	-	-	-

(1)	(2)	(3)	(4)		
8.	Guwahati	Assam	2	-	2
		Manipur	-	-	-
			Urban	S.E.Type of banks	Total
		Meghalaya	1	-	1
9.	Hyderabad	Andhra Pradesh	2	-	2
10.	Jaipur	Rajasthan	1		1
11.	Lucknow	Uttar Pradesh	2	-	2
12.	Madras	Tamil Nadu	2	-	2
		Pondicherry	-	-	-
13.	New Delhi	Delhi	-	1	1
		Jammu & Kashmir	-	-	-
14.	Trivandrum	Kerala	15	54	69
15.	Patna	Bihar	-	6	6
			52	73	125

S.E. : Salary Earners

ANNEXURE - XVI

(Reference paragraph no. 7.18)

Statement showing state-wise position of weak banks

Name of the State		1987		1988		1989		1990	
		Total No.of banks	No.of weak banks	Total No.of banks	No.of weak banks	Total No.of banks	No.of weak banks	Total No.of banks	No.of weak banks
1.		2.	3.	4.	5.	6.	7.	8.	9.
1.	Andhra Pradesh	63	21	64	14	65	12	66	11
2.	Assam	5	-	5	-	5	1	6	1
3.	Manipur	5	5	5	5	5	5	5	5
4.	Meghalaya	2	2	2	2	2	2	2	2
5.	Tripura	-	-		-	-	-	-	-
6.	Nagaland	-	-	-	-	-	-	-	-
7.	Mizoram	-	-	-	-	-	-	-	-
8.	Gujarat	295	35	295	35	295	44	295	38
9.	Karnataka	216	73	216	68	217	54	216	46
10.	Madhya Pradesh	37	25	39	23	39	21	42	19
11.	Orissa	10	3	12	4	12	5	13	4
12.	Maharashtra	385	42	385	36	385	37	387	48
13.	Goa	6	-	6	-	6	-	6	-

1.		2.	3.	4.	5.	6.	7.	8.	9.
14.	West Bengal	48	21	48	17	48	12	48	12
15.	Chandigarh	-	-	-	-	-	-	-	-
16.	Haryana	9	1	8	1	8	2	8	1
17.	Himachal Pradesh	4	1	4	1	4	1	4	1
18.	Punjab	5	-	5	3	5	3	6	3
19.	Rajasthan	20	11	20	8	21	8	22	10
20.	Uttar Pradesh	27	12	31	14	36	21	38	5
21.	Tamil Nadu	138	19	138	14	137	11	137	12
22.	Pondicherry	2	-	2	-	2	-	2	-
23.	New Delhi	17	4	18	8	18	6	18	5
24.	Jammu & Kashmir	3	2	3	3	3	1	3	1
25.	Bihar	3	-	4	1	4	1	5	1
26.	Kerala	58	11	59	10	59	10	59	11
									236

ANNEXURE - XVII

(Reference Paragraph No. 7.18(V)

Statement showing position of weak urban cooperative banks - period-wise

Sr. No.	Regional Office/ State	1 year to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 6 years
1.		2.	3.	4.	7. 5.	6.
1.	Ahmedabad (Gujarat)	5	4	3	5	4
2.	Bangalore (Karnataka)	1	-	7	5	-
3.	Hyderabad (Andhra Pradesh)	-	1	4	1	2
4.	Trivandrum (Kerala)	1	2	-	1	-
5.	Bombay (Maharashtra)	16	-	2	-	3
	Other Regional Offices @*	8	4	3	1	5
	TOTAL	31	11	19	13	14

@ * Bhopal
Bhubaneshwar
Nagpur
Chandigarh
Jaipur
Lucknow
Madras

@ * ExcludingCalcutta,Gauhati,NewDelhi Jaipur(partially)and Nagpur(partially) as information with reference to Non-viable banks (mostly) was not available readily.

Sr.No.		6 to 7 years 8.	7 to 8 years 9.	8 to 9 years 10.	9 to 10 years 11.	more than 10 years 12.
1.		2	2	2	2	4
2.		1	11	3	1	3
3.		-	-	-	-	3
4.		1	-	-	3	3
5.		4	1	-	-	3
	Other Regional Offices @*	3	3	11	2	2
		11	17	16	8	18

@* Bhopal
Bhubaneshwar
Nagpur
Chandigarh
Jaipur
Lucknow
Madras

@* Excluding Calcutta, Gauhati, New Delhi, Jaipur (partially) and Nagpur (partially) as information with reference to Non-viable banks (mostly) was not available readily.

Out of total 236 weak banks, position available in respect of 158 banks.

ANNEXURE XVIII

(Reference Paragraph No. 7.18(vi))

Statement indicating action taken by Supervisory Authority in regard to weak banks for the year ended March 1986 to March 1991.

	Category	1986	1987	1988	1989	1990	1991
1.	Directions issued to banks	1	-	3	5	2	3
2.	Order of moratorium	-	-	-	1	-	-
3.	Banks taken into liquidation	2	-	-	-	2	-
4.	Amalgamation	1	-	1	-	2	-
5.	Refusal of licence	-	-	-	-	-	1
	TOTAL	4	-	4	6	6	4

ANNEXURE - XIX

(Reference Paragraph No.8.03)

Statement indicating draft amendments proposed to certain Sections of the Banking Regulation Act,1949(As Applicable to Cooperative Societies) with reference to recommendations made by the Committee on Urban CooperativeBanks, 1977

Sr. No.	Number of the Section in the relevant Act	Existing provision	Amendment drafted on the basis of suggestions made by Committee on Urban Cooperative Banks (1977)
1.	2.	3.	4.
1.	Section 56-Clause `C' sub-clause(ccv)-Para 2-Section 5(ccv)-Item (2)of the B.R.Act,1949	(2)"The paid-up share capital and reserves of which are not less than one lakh of rupees; and"	(2) The paid up share capital and reserves of which are not less than; (a) one lakh and fifty thousand rupes in a semi-urban centre with a population of less than one lakh; (b) three lakhs rupees in an urban centre with a population of one lakh to ten lakhs; or (c) four lakhs rupees in a metropolitan centre with a population exceeding ten lakhs.
2.	Section 56 Clause (f) - Sub Section 2 of Section 7-Clause (a) of the B.R.Act,1949	(a)"a primary creditr socity	-(shall be omitted).

1.	2.	3.	4.
3.	Section 56-Clause (h) - - Section 11 of the B.R. Act, 1949	11(1) - Notwithstanding any law relating to cooperative societies for the time being in force, no cooperative bank shall commence or carry on the business of banking in India unless the aggregate value	Notwithstanding any law relaing to cooperative societies for the time being in force, no cooperative bank shall commence or carry on the business of banking in India unless the aggregate value of its paid-up capital and reserves is not less than of its paid up capital and reserve is not less than one lakh rupees; (a) one lakh and fifty thousand rupees in a semi-urban centre with a population of less than one lakh; or (b) three lakhs rupees in an urban centre with a population of one lakh to ten lakhs; or (c) four lakh rupees in a metropolitan centre with a population exceeding ten lakhs.
4.	Section 56 - Clause (O) Sub-Clause (1) Section 22(1) (a)of B.R.Act, 1949.	(a) Primary credit society	- (Omitted)

1.	2.	3.	4.
5.	Section 56 - Clause (zp) Section 49(A)	In Section 49 for the following provison shall be substituted, namely "provided that nothing contained in this Section shall apply to (a) a primary credit society (b) any other Cooperative society accepting such deposits at the commencement of the Banking Laws (Applicable to Cooperative Scieties) Act, 1965 for a period of one year from the date of such commencement and (c) any savings bank scheme run by the Government."	In the provision to Section 49 (a) Clause (a) shall be omitted, (b) in Clause (b) the word "and" shall be deleted and (c) after clause (c) the word "and" shall be inserted, and the following clause shall be inserted viz. (d) any primary creeit society carrying on banking business at the commencement of the Banking Laws (Applicable to Cooperative Societies) Amendment Act, 1991 for a period of two years from such commencement.

Sr.No.	Modifications suggested now
1.	5.

1. The focus of the proposed amendments are the levels of paid up share capital and reserves. The Committee on Urban Cooperative Banks 1977 had linked them to the viability norms proposed by it and indicated the same in absolute terms. In context of the fact that such norms are subject to revision from time to time depending

upon changes in external economic and financial environment, it is now not deemed necessary to stipulate the same in numerical terms. The amendment proposed should be flexible so as to obviate repeated amendments to the Section which is a long drawn process.

Proposed Amendment :

Paid up share capital and reserves of which are not less than the initial share capital prescribed in the norms stipulated by the Reserve Bank for a viable primary cooperative bank and notified in the official 'gazette' of Government of India.

2. Proposed Amendment :"(shall be omitted)" A primary credit society which is at present permitted to use the word 'bank' or 'banker' or 'banking' shall not be permitted to use the said words as part of its name after the enactment of the amendment.

3. On the analogy of the reasoning at Sr.No.1 above and in view of the fact that amendments to statute a long drawn out process, it is proposed to empower the Reserve Bank of India to determine the quantum of share capital and reserve requisite for this Section from time to time as per the notification issued by the Reserve Bank and published in the official 'gazette' from time to time.

Proposed Amendment : Substitute the following "unless the aggregate value of its paid-up share capital and reserves of not less than such amount as notified by the Reserve Bank of India in this behalf from time to time and published in the official 'gazette'" for the words "unless the aggregate value of its paid up share capital and reserves is not less than 1 lakh of rupees" occuring in the last sentence of the Section.

4. Proposed amendment "Omitted". The object of the amendment is to withdraw the exemption granted to primary credit societies from the requirement of obtaining a licence from the Reserve Bank before commencing banking business.

5. Instead of deleting clause (a) and inserting a fresh clause (d) as suggested in col.3, sub-clause (a) itself may suitably amended as indicated below. Any PCS carrying on banking business at the commencement of Banking Laws (Applicable to Cooperative Societies)Amendment Act, 1992 for a period of 4 years from such commencement.

N.B. : On the expiry of the said period the provisions of this Section shall become applicable to PCS.

ANNEXURE - XX

(Reference Paragraph No. 8.03)

Statement showing draft amendment to Section 45H of Reserve Bank of India Act, 1934 with reference to the recommendations made by the Committee on Urban Cooperative Banks, 1977

Sr.No.	Number of the Section in the relevant Act	Existing Provision
1.	2.	3.
1.	Section 45H of the Reserve Bank of India Act, 1934.	The provisions of this Chapter shall not apply to the State Bank or a Banking company as defined in Section 5 of the Banking Regulation Act, 1949 or a corresponding new bank as defined in clause (da) of Section 5 of that Act or a subsidiary bank as definied in the State Bank of India (Subsidiary Banks)Act, 1959 or a Regional Rural Bank or a cooperative bank or a primary credit society; provided
Sr.No.	Amendment drafted on the basis of suggestions made by the Committee on Urban Cooperative Banks (1977)	Modifications suggested now
1.	4	5
1.	The provisions of this chapter shall not apply to the State Bank or a banking company as defined in Section 5 of the Banking Regulation Act, 1949 or a corresponding new bank as defined in clause (da) of Section 5 of that Act or a subsidiary bank as definied in the State Bank of India (Subsidiary Banks) Act, 1959or Regional Rural Bank or a Cooperative Bank or a Primary Agricultural Credit Society, provided that for the purpose of	The amendment is proposed so as to ensure that no primary credit society after the stipulated period shall engage in banking business. **Proposed Amendment** To omit "Primary Credit Society" occuring in the last sentence of the Section.

ANNEXURE - XXI

(Reference Paragraph No. 8.12)

Statement showing draft amendment to certain sections of Banking Regulation Act, 1949 empowering Reserve Bank of India to amalgamate/merge existing weak/problematic weak urban cooperative banks

Sr. No.	Number of the Section in the relevant Act	Existing provisions and amendment proposed	Reasons
1.	2.	3.	4.
1.	Section 56 - Clause (4) to (6) Section 45 (Clause now proposed) of B.R. Act, 1949	Presently sub-section 1,2,3 of Section 45 in part (III) and Section 45W in part (III)A of Banking Regulation Act, 1949 relating to moratorium order are already applicable to cooperative banks.It is suggested that the provisions of sub-section 4,5 and 6 of Section 45 covering compulsory amalgamation may be made applicable to Urban Cooperative Banks with suitable amendments.	Sub-section (4)(5) (6) of Section 45 will enable the Reserve Bank to prepare scheme of amalgamation or reconstruction, identify the transferor and transferee banks and direct the Cooperation Department to give effect to it.

ANNEXURE - XXII

(Reference Paragraph No. 8.13)

Statement indicating proposed amendments to the State Cooperative Societies Act.

Sr.No.	Section	Remarks
1.	No Primary Urban Cooperative Bank shall be registered unless it complies with the pre-registration requirements such as initial share capital, minimum membership and area of operation etc. which may be laid down by the Reserve Bank of India from time to time.	To ensure pre-registration compliance with entry point norms.
2.	No Primary Credit Societies shall be registered which has as its object or principal business, the transaction of banking business as defined in the Banking Regulation Act,1949 (As Applicable to Cooperative Societies).	Based on Committee's recommendation.
3.	Where the Registrar of Cooperative Societies in consultation with the Reserve Bank of India or on a requisition made by the Reserve Bank of India is satisfied that either on grounds of public interest or for securing the proper management of one or more Urban Cooperative Banks it is necessary to amalgamate two or more such banks, he may by an order in writing provide for the amalgamation of the said banks into a single bank with such constitution, property rights authorities, liabilites, duties and obligations as may be specified in the order.	To facilitate expeditious amalgamation of weak banks on a compulsory basis and to obviate external interference by doing away with consultations with "such Federal Society or other authority as may be notified by the State Government".

Sr.No.	Section	Remarks
4.	The membership of a primary cooprative bank shall be open to all eligible persons who wish to avail themselves of the services of the bank, abide by the obligation of membership and reside in or are employed in the area of operation of the bank.	As per the recommendations of the Committee on Urban Cooperative Banks, 1977 open membership is to be made available to such individuals who need the services of the bank. This matter was also considered by the Standing Advisory Committee and a recommendation was made to the effect that a member should complete 1 year for being eligible to vote. This was also accepted by certain states e.g. Maharashtra where Registrar of Cooperative Societies directed banks to amend the concerned bye-laws and the amendments so carried out were also registered. However, the Rules for Election require that a list of voters should be prepared as at the end of the cooperative year irrespective of period of membership. The amendment suggested has relevance because it will curb the practice of large scale enrolment of members on eve of election and reduce the scope of manoeuvring.
5.	Every member of a cooperative bank shall be entitled to inspect free of cost at bank's office during office hours or any time fixed for the purpose by the bank, a copy of the Act, Rules and bye-laws, last audited balance sheet, profit and loss account, a list of members of the Committee and the register of members. A member is also entitled to inspect those portions of books of account	To restrict the scope of inspection by members to only transactions relating to them.

Sr.No.	Section	Remarks
	(including minute book of Managing Committee, annual general body meeting) and the records in which his transactions with the bank have been recorded.	
6.	It shall be the duty of the Registrar to arrange for holding the election of the committee of the bank in time. If for any reason, the election cannot be held, the term of the existing committee may be suitably extended unless otherwise it is established that committee is itself responsible for not holding the election or any irregularities on their part is noticed. In the event of non-extending the term of the committee the Registrar shall appoint a committee consisting of the members of the bank only for the interim period. No official/ non-member of the bank shall be appointed as person-in-charge or administrator for a period not exceeding 6 months.	Instances of not conducting election in time for political reasons and appointing officials or selected persons or persons-in-charge have been noticed particularly in Southern States. As this is not in the interest of the urban banking movement, the amendment is proposed.
7.	No nominated/co-opted member shall have voting right in the election of office bearer of a bank.	The right of election of office bearer should rest with the elected members only.

ANNEXURE - XXIII

(Reference Paragraph No. 9.02)

State-wise position of allotment of branches of Urban Cooperative Banks during the VII Plan period (1985-90)

Sr. No.	Name of the State/Union Territory	No.of UCBs considered allotment	No.of centres allotted	No.of branch licences issued	No.of branch licences utilised upto 30.6.1991
1.	2.	3.	4.	5.	6.
1.	Andhra Pradesh	14	17	14	14
2.	Assam	1	1	1	1
3.	Delhi	3	6	6	6
4.	Goa	2	2	2	2
5.	Gujarat	64	69	34	28
6.	Karnataka	33	34	32	30
7.	Kerala	19	19	18	18
8.	Madhya Pradesh	4	4	3	3
9.	Maharashtra	206	242	197	171
10.	Orissa	1	2	2	2
11.	Punjab	1	1	1	1
12.	Rajasthan	3	6	4	2
13.	Tamil Nadu	23	23	14	14
14.	Uttar Pradesh	5	5	5	4
15.	West Bengal	3	6	6	6
	TOTAL	382	437	339	302

ANNEXURE - XXIV

(Reference Paragraph No. 9.02)

Statement showing state-wise dispertion of branches of urban cooperative banks as on 30th June 1991

Sr. No.	State/Union Territories	No.of UCBs (Including banks under liquidation)	No.of SES (including banks under liquidation)	No. of offices (including H.Os.	
				UCBs	SES
1.	2.	3.	4.	5.	6.
1.	Maharashtra	358	281	346	155
2.	Gujarat	288	7	599	7
3.	Karnataka	201	15	398	19
4.	Tamil Nadu	128	9	176	14
5.	Andhra Pradesh	63	3	102	5
6.	Kerala	55	4	165	8
7.	West Bengal	39	9	55	18
8.	Madhya Pradesh	42	-	65	-
9.	New Delhi	16	1	46	1
10.	Uttar Pradesh	35	9	50	20
11.	Rajasthan	20	3	46	7
12.	Orissa	13	1	23	4
13.	Haryana	7	1	10	1
14.	Himachal Pradesh	4	-	4	-
15.	Punjab	5	1	6	1
16.	Goa	6	-	40	-
17.	Manipur	5	-	11	-

1.	2.	3.	4.	5.	6.
18.	Assam	7	-	8	-
19.	Pondicherry	2	-	3	-
20.	Meghalaya	2	-	2	-
21.	Tripura	1	-	1	-
22.	Jammu and Kashmir	3	-	8	-
23.	Bihar	4	1	7	1
24.	Mizoram	1	-	1	-
	Total	1305	92	3172	261

ANNEXURE - XXV

(Reference Paragraph No.10.07)

Statement showing the position of arrears of inspection as at the end of March 1992 in context of the programmes drawn by the Regional Offices of Reserve Bank for quarter January - March 1992

Name of the Regional Office	No.of banks under jurisdiction	No.of banks required to be inspected	No.of banks inspected /programmed during 2 years period ending 31.3.1992	Arrears of inspections as at 31.3.1992	No.of banks where 2 yrs. are over but less than 3 years	No.of banks where 3 yrs. are over but less than 4 years	No.of banks where 4 yrs. are over
1.	2.	3.	4.	5.	6.	7.	8.
Ahmedabad	293	287	175	112	68	24	20
Bangalore	216	202	202	Nil	-	-	-
Bhubaneshwar	14	14	13	1	1	-	-
Bombay	357	351	170	181	60	81	40
Calcutta	48	47	45	2	-	-	2#
Chandigarh	18	18	17	1	1	-	-
Delhi	20	18	17	1	1	-	-
Gauhati	17	17	17	Nil	-	-	-
Hyderabad	66	60	58	2	2	-	-
Bhopal	42	41	37	4	4	-	-

1.	2.	3.	4.	5.	6.	7.	8.
Jaipur	25	22	22	Nil	-	-	-
Lucknow	47	46	46	Nil	-	-	-
Madras	139	134	134	Nil	-	-	-
Nagpur	35	35	29	6	6	-	-
Trivandrum	59	56	56	Nil	-	-	-
Patna	5	4	2	2	-	-	2@
	1401*	1352	1040	312	143	105	64

Inspection could not be taken because of non-cooperation in the case of one bank and books not posted up-to-date in the case of other bank.

There is no UBD at Patna. Now the work of inspections of PCBs has been entrusted to DBOD.

Includes 49 banks under liquidation.

ANNEXURE - XXVI

(Reference Paragraph No. 10.07)

Statement showing the number of inspection reports required to be issued by Regional Offices of Reserve Bank as at the end of November 1991 and the number of reports actually issued by the said date

Sr. No.	Name of the Regional Office	No.of Inspection reports due to be issued as at the end of November 1991	No. of Inspection reports actually issued as at the end of November 1991	No. of reports in arrears
1.	2.	3.	4.	5.
1.	Ahmedabad	4	3	1
2.	Bangalore	9	9	Nil
3.	Bhubaneswar	1	1	Nil
4.	Bombay	26	5	21
5.	Calcutta	4	2	2
6.	Chandigarh	1	Nil	1
7.	New Delhi	1	1	Nil
8.	Gauhati	Nil	Nil	Nil
9.	Hyderabad	3	2	1
10.	Bhopal	3	3	Nil
11.	Jaipur	3	Nil	3
12.	Lucknow	1	1	Nil
13.	Madras	5	5	Nil
14.	Trivandrum	3	3	Nil
15.	Nagpur	8	2	6
	Total	72	37	35