

8. Supervision

The number of unit banks with deposits under Rs. 50 crore constitute 33 percent of UCBs and account for less than 6 percent of deposits of the sector. These banks, limited by their size / type of operations, pose lower systemic risks and could be supervised by a combination of simplified off-site surveillance system of the RBI and on-site audit by the state governments. Based on these reports, Reserve Bank of India, at its discretion, could conduct inspection of such banks, which, however would not be normally covered under its regular schedule of inspection. The increased dependence on off-site surveillance of RBI and on-site supervision by RCS in respect of the small unit banks would provide increased flexibility to the RBI to deploy its supervisory resources to the larger and more risky banks.