

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5094
ANSWERED ON:25.04.2003
CLOSURE OF CHIT FUND AND PRIVATE BANKS
BHASKAR RAO PATIL;SHYAMA SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether a large number of chit fund companies and private banks in the country have been closed down and investors money siphoned off;
- (b) if so, the details and facts thereof;
- (c) whether the RBI have not any control on the functioning of such chit fund companies and private banks;
- (d) if so, the reasons therefor; and
- (e) the further steps taken by the Government to have control on the functioning of these companies and private banks ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) to (e):- Reserve Bank of India (RBI) have reported that the chit fund companies are registered and regulated through the offices of the Registrar of Chits of the respective State Governments. The chit business is regulated by the rules made by the State Governments under the Chit Funds Act, 1982. Accordingly, action against delinquent chit fund companies falls under the regulatory jurisdiction of the respective State Governments. RBI does not regulate their chit fund business but only regulates certain aspects relating to deposit acceptance of chit fund companies through the provisions of Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 1977.

As regards private banks, RBI have reported that the Banking Regulation Act, 1949 prescribes a number of regulatory requirements on the various aspects of management and methods of operations of the bank to ensure that depositor's interests are protected and the operations of the banks are not conducted in a manner detrimental to the interests of the depositors. RBI has wide power to seek liquidation of banks through application to Court or consider voluntary/compulsory merger of banks to protect the interests of the depositors. While no private sector banks has been closed down in the recent past, 2 banks were amalgamated under Section 45 of the Banking Regulation Act, 1949; namely :-

Name of the bank	Year	of merger	Merged	with
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Benares State Bank Ltd.	2002		Bank of	Baroda
Nedungadi Bank Ltd.	2002		Punjab	National Bank