

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2701
ANSWERED ON:08.08.2003
DIRECTORS OF UCB
VINAY KUMAR SORAKE

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has mooted a proposal to curtail extending of loans to directors of that banks and their relatives by Primary Urabn Cooperative banks;
- (b) if so, the reasons therefor; and
- (c) when this guideline is likely to come into force?

Answer

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

(a),(b) and (c) : Reserve Bank of India (RBI) vide its circular dated 29th April, 2003 prohibited Urban Cooperative Banks (UCBs) from extending any loans and advances (both secured and unsecured) to the directors, their relatives and firms/concerns/companies in which they are interested, with immediate effect. A number of UCBs and their National and State level Federations have represented to the RBI for some more time before the full ban on granting of loan is imposed. Keeping in view the representation received, it was decided to provide some more time for UCBs to comply with the above instructions. Accordingly, UCBs were advised by RBI that the instructions issued on 29th April, 2003 would be effective from 1st October, 2003.