

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6780
ANSWERED ON:10.05.2002
VINAYAK LOCAL AREA BANK
RAM MURTI SINGH VERMA

Will the Minister of FINANCE be pleased to state:

- (a) whether the management of Vinayak Local Area Bank, Sikar (Rajasthan) had approached RBI for a meeting with a view to explain their position against RBI decision to close down Vinayak Bank;
- (b) if so, whether any meeting was held in this regard; and
- (c) if so, the outcome of the meeting?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (c) The Reserve Bank of India (RBI) has reported that an appointment was sought by the representatives of Vinayak Local Area Bank Ltd., Sikar with RBI for an oral hearing with a view to explain their position. The meeting took place on 13th November, 2001.

As reported by the RBI, in view of the serious irregularities committed by the bank including diversion of funds, a show-cause notice was issued to the bank. During the oral hearing on 13th November, 2001, while admitting the lapses, the authorized representatives made commitments to rectify the irregularities by 22nd December 2001. The bank at its request was granted further time upto 10th January, 2002 to rectify the irregularities and fulfil the commitment. The bank, however, did not rectify the irregularities and sought further time of one month. As the affairs of the bank were being conducted in a manner detrimental to the interests of the present and future depositors and continuance of the bank would be against public interest, the licence of the bank was cancelled on 16th January, 2002 under the provisions of Section 22 of the Banking Regulation Act, 1949.

The bank again sought a meeting with the RBI for an appeal pertaining to restoration of the licence of the Bank. RBI suitably advised the bank on 2nd February, 2002 and 13th February, 2002 that no appeal lies to RBI but could be made to the Central Government under provisions of Section 22 (5) of the Banking Regulation Act, 1949.