

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1479
ANSWERED ON:03.03.2006
MERGE OF PRIVATE BANKS
Ahir Shri Hansraj Gangaram; Subbarayan Shri K.

Will the Minister of FINANCE be pleased to state:

- (a) the number of Private Banks merged with Private / Public Sector Banks during last three years and as on date;
- (b) whether the Government has assessed causes of failure of Private Banks in the country;
- (c) if so, the details thereof;
- (d) the efforts taken to monitor and regulate the activities of operation of Private Banks; and
- (e) the measures taken by the Government to protect the interest of depositors and employees?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PA WAN KUMAR BANSAL)

(a) Four Private Banks viz. Nedungadi Bank Ltd., Global Trust Bank Ltd., IDBI Bank Ltd. and Bank of Punjab Ltd. have been merged with Public / Private Banks during the period between 01.01.2003 to 31.12.2005. The merger of The Ganesh Bank of Kurundwad Ltd. sanctioned on 25.01.2006 is presently sub-judice.

(b) & (c) Deviations from instructions / guidelines issued by RBI from time to time, high level of NPAs, net losses leading to erosion of net worth and lack of proper corporate governance are, generally, the main causes of failure of private banks in the country.

(d) & (e) The private sector banks are regulated and supervised by Reserve Bank of India through the Board for Financial Supervision (BFS) and appropriate action is taken to protect the interests of its depositors and the banking system. RBI has, inter-alia, taken the following steps to strengthen the banking system:-

Enhancing transparency and disclosure requirements for published accounts

Introduction of capital adequacy standards on the lines of the Basel Committee norms;

Prudential norms on asset classification, income recognition and provisioning.

Introduction of off-site monitoring system and strengthening of the supervisory framework / introduction of Risk based Supervision for banks.

Introduction of a framework for Prompt Corrective Action (PCA).