

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5921  
ANSWERED ON:03.05.2002  
VINAYAK LOCAL AREA BANK  
IQBAL AHMED SARADGI;RAM MURTI SINGH VERMA

**Will the Minister of FINANCE be pleased to state:**

- (a) whether RBI had asked Vinayak Local Area Bank Limited Sikar (Rajasthan) to bring additional capital within 5 days in contravention of Mandatory Provisions of Companies Act, 1956;
- (b) if so, the reasons therefor; . (
- (c) whether several other irregularities in the bank have been noticed by the RBI during the last three years;
- (d) if so, the details thereof; and
- (e) the corrective measures taken by the RBI to restore the smooth functioning of the bank?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N.RAMACHANDRAN)

(a) and (b): No, Sir. The Reserve Bank of India (RBI) has reported that the minimum paid up capital for a local area bank would be Rs. 5.00 crore. As per the provisions, the entire initial capital is required to be brought up front by the promoters. RBI had granted licence to Vinayak Local Area Bank Ltd., at Sikar on the basis of documentary evidence submitted by the promoters in respect of holding the minimum prescribed initial capital.

(c),(d) and (e) RBI have further reported that the Vinayak Local Area Bank Ltd. which started functioning in October, 2000 committed serious irregularities in its functioning which included diversion of a major part of the initial capital. The bank had also made certain other irregular and objectionable transactions which resulted in immobilization of Rs.291.41 lakh of the total capital of the bank. This was brought to the notice of the bank in February, 2001 for rectification. Thus, the bank was given adequate opportunities to rectify the irregularities. The bank did not comply with the instructions of RBI in this regard and the irregularities continued to persist. The bank was issued notice in July, 2001, to show cause as to why the licence granted to the bank should not be cancelled in view of the various irregularities. The bank submitted its reply to the RBI which was not found satisfactory.

As the affairs of the bank were being conducted, in a manner detrimental to the interests of the depositors, the licence of the bank was cancelled by RBI in public interest on 15th January, 2002 under the provisions of Section 22. of the Banking Regulation Act, 1949.