

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5026  
ANSWERED ON:20.04.2001  
MADHAVPURA MERCANTILE BANK  
BABUBHAI KHIMABHAI KATARA

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

- (a) whether thousands of depositors have withdrawn their money from 22 branches of Madhavpura Mercantile. Bank in Gujarat on 8th,9th and 10th of March, 2001;
- (b) if so, the amount withdrawn by the depositors, branch-wise;?
- (c) the reasons for withdrawal;
- (d) the effect of such withdrawal on banks;
- (e) whether the management of the said bank has withdrawn immediately rupees 5.25 crores from the currency chest of the Reserve Bank of India: and
- (f) if so, the reasons therefor and the manner in which the same amount was distributed?

**Answer**

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

(a) and (b) Reserve Bank of India (RBI) has reported that there was a rush for largescale withdrawal of deposits from the branches of Madhavpura Mercantile Cooperative Bank Ltd.(MMCB), Ahmedabad from 9th March, 2001 in which all the 26 branches of the bank in Gujarat and 2 branches in Mumbai were affected. Since the branches of the bank remained closed from 13th March, 2001 onwards, RBI has not been able to assess the branch-wise details of deposits withdrawn.

(c) and (d) : The withdrawal was caused by strong rumours that the guarantee extended by the bank to Shri Ketan Parekh, a share broker, has devolved on the bank. The large scale withdrawal of deposits from MMCB had affected other urban cooperative banks at Ahmedabad and other towns of Gujarat. Even though the intervention of RBI had brought the crisis under control, the exact impact on MMCB could not be assessed due to the closing of shutters of the bank.

(e) to (f) RBI has further reported that the bank had withdrawn an amount of Rs. 5.25 crore from the current account maintained by MMCB with RBI. Ahmedabad. RBI has not been able to ascertain the purpose for which the money was withdrawn and its utilisation thereof, due to the closure of the bank.