

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1670  
ANSWERED ON:10.12.2004  
CHAROTAR NAGARIK CO OPERATIVE BANK  
Mahto Shri Tek Lal

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

- (a) whether it is a fact that the Charotar Nagarik Co-operative Bank of Gujarat has collapsed due to release of large amount of unrealizable loan;
- (b) if so, the details thereof;
- (c) the number of persons who were involved in the collapse of the said bank; and
- (d) the action taken by the Government against them?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a)&(b) The financial position of the Charotar Nagrik Sahakari Bank Ltd. especially its liquidity started showing signs of deterioration after March 2001 and liquidity was affected mainly due to large scale withdrawal of deposits from cooperative banking sector following Madhavpura Mercantile Cooperative Bank Ltd. crisis in March 2001. The unsustainable and indiscriminate lending by the Board of the bank aggravated the situation further and led to an over extended credit portfolio and high level of non-performing advances. Some of the loans granted to directors/ firms were unsecured and thus contravened the provision of Banking Regulation Act 1949. Subsequently, the Reserve Bank of India issued directions to the bank under Section 35 (A) of the Banking Regulation Act .1949 on 20th December, 2001 and put a number of operational restrictions on it. The Registrar of Cooperative Societies, Gujarat superseded the Board on 2nd January 2002 and an Administrator was also appointed. The subsequent inspection of the Bank conducted with reference to the financial position as on 31st December 2002 revealed that its financial position had deteriorated to irremediable point. Therefore, it was decided to take the bank into liquidation. The Registrar of Cooperative Societies, Gujarat placed the bank under liquidation vide orders dated 28th July, 2003.

(c)&(d) The poor performance of the bank can be attributed to senior executives sanctioning loans in indiscriminate manner. The Bank has filed criminal complaint with the police authorities against the entire Board of Directors including Chairman, Managing Director and Vice-Chairman of the Board of 20th December, 2001. Further, the Registrar of Cooperative Societies has also filed a criminal complaint against ex-member of the Board in January, 2002.