

Unlicensed Urban Banks in Kerala

*26. SHRI A. VIJAYA RAGHAVAN : Will the Minister of FINANCE be pleased to state:

(a) whether RBI has received any complaint regarding the violation of norms by the unlicensed urban Banks started in Kerala recently;

(b) if so, the details thereof;

(c) the total number of such Banks started throughout the country, State-wise; and

(d) whether Government are contemplating any steps to control such "unlicensed urban Banks"?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) : (a) and (b) Yes, Sir. Reserve Bank of India (RBI) has reported that its Regional Office in Thiruvananthapuram had received a letter from a resident of Kozhikode district about the inauguration of four urban cooperative Banks in Kozhikode district. These Banks were: (i) Kozhikode Town Cooperative Urban Bank Ltd.; (ii) Olavanna Cooperative Urban Bank Ltd.; (iii) Nallalam Cooperative Urban Bank Ltd.; and (iv) Ramanattukara Vanitha Cooperative Urban Bank Ltd. RBI has ascertained that all these four Banks have been registered under the Kerala Cooperative Societies Act, 1969. All except the fourth Bank have commenced Banking business without obtaining licences from RBI and the latter is also likely to commence Banking business shortly. These entities have thus violated the provisions of Section 7(1), 22(1) and 49A of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). RBI has issued a notice in the leading newspapers cautioning the general public about the non-obtention of licence by these Banks from RBI for carrying on Banking business and informing the general public not to enter into any Banking transaction with these entities and such transactions would be at their own risk and responsibility. RBI is also contemplating taking further legal action against these entities.

(c) and (d) RBI has reported that similar cases have not been noted in States other than Kerala.