

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA  
STARRED QUESTION NO. \*87  
TO BE ANSWERED ON THE 8<sup>TH</sup> FEBRUARY 2021/ MAGHA 19, 1942 (SAKA)  
Lakshmi Vilas Bank

**\*87. SHRI RAMALINGAM S.:**  
**SHRI A. GANESHAMURTHI:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has recently declared Lakshmi Vilas Bank to be bankrupt due to heavy financial crisis and increasing losses and if so, the details thereof;
- (b) whether the Reserve Bank of India (RBI) has constituted any committee to look into the Bank's functioning and reasons for its bankruptcy and if so, the details thereof;
- (c) the total number of Lakshmi Vilas Bank's branches functioning at present and the total number of customers maintaining accounts in these branches along with the total volume of deposits therein; and
- (d) whether the Union Government has taken any measures to protect the interests of the Bank's customers and if so, the details thereof?

**ANSWER**

The Finance Minister  
(SMT. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

\*\*\*

**Statement for Lok Sabha Starred Question no. \*87 for 8<sup>th</sup> February 2021, regarding  
“Lakshmi Vilas Bank” by SHRI RAMALINGAM S. and SHRI A.  
GANESHAMURTHI, Member of Parliament**

(a) to (d): Reserve Bank of India (RBI), taking into consideration, *inter alia*, a steady decline in Lakshmi Vilas Bank's financial position as a result of bank incurring continuous losses, mounting non-performing assets, declining advances, continuous withdrawal of deposits, low level of liquidity, absence of any viable strategic plan and the bank's inability to raise adequate capital to address issues around its negative net worth, made an application to the Central Government under sub-section (1) of section 45 of the Banking Regulation Act, 1949 (“the Act”) for imposing a moratorium in respect of the bank. Based on RBI's application, Central Government imposed a moratorium on the bank.

Subsequently, with a view to protect depositors' interest and in the interest of financial and banking stability, in terms of the provisions of sub-sections (4) to (6) of section 45 of the Act, RBI, after inviting comments from various stakeholders including the banks concerned and their members, depositors and other creditors and after considering the comments received, placed before the Central Government a scheme of amalgamation of Lakshmi Vilas Bank with DBS Bank India Limited (DBIL) for its sanction. The Central Government, considering the same, in exercise of its powers under sub-section (7) of section 45 of the Act, sanctioned the Lakshmi Vilas Bank Limited (Amalgamation with DBS Bank India Limited) Scheme, 2020, amalgamating Lakshmi Vilas Bank with DBIL with effect from 27.11.2020. Consequent to the amalgamation, all branches of Lakshmi Vilas Bank began functioning as branches of DBIL, and their customers including depositors began operating their accounts as customers of DBIL. The scheme specifically protected the interest of Lakshmi Vilas Bank's depositors by providing for opening of a corresponding and similar deposit account in DBIL and crediting it with the full amount including interest as per the scheme.

With regard to total number of branches, deposits and customers of the bank, RBI has informed that as on 31.10.2020, Lakshmi Vilas Bank had 563 branches, deposits of Rs. 20,051 crore and 23.05 lakh unique customers, of whom 21.17 lakh had only deposit accounts with the bank.

With regard to the manner of looking into Lakshmi Vilas Bank's functioning, RBI has informed that the bank was placed under RBI's Prompt Corrective Action framework in September 2019 and was under its close supervisory watch. The supervisory function in RBI is performed under the guidance of its Board for Financial Supervision, which is a committee of RBI's Central Board and is constituted under the Reserve Bank of India (Board for Financial Supervision) Regulations, 1994 made by the Central Board.

\*\*\*