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November 18, 2005

**Reserve Bank Cancels the Licence of Sarvodaya Mahila Co-operative Bank Ltd.,
Burhanpur, (Madhya Pradesh)**

In view of the fact that the Sarvodaya Mahila Co-operative Bank Ltd., Burhanpur, (Madhya Pradesh) had ceased to be solvent, efforts to revive it in consultation with the Government of Madhya Pradesh had failed and the depositors of the bank were being inconvenienced by continued uncertainty, the Reserve Bank of India, on November 17, 2005, delivered the order canceling its licence to the bank. The Registrar of Cooperative Societies, Madhya Pradesh has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation every depositor is entitled to repayment of his deposits up to a monetary ceiling of Rs. 1,00,000/- from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The Reserve Bank of India decided to cancel the licence of the Sarvodaya Mahila Co-operative Bank Ltd., Burhanpur, (Madhya Pradesh) as a final step after examining all the options for revival of the bank and in order to protect the interest of the depositors. The bank had been classified as 'weak' based on the findings of the inspection with reference to its financial position as on March 31, 2001. The bank's financial position, however, continued to worsen and its deposits were getting eroded as realisable value of paid-up capital and reserve was in the negative. The Reserve Bank had, after finding the financial position of Sarvodaya Mahila Co-operative Bank Ltd. precarious as on December 31, 2003, issued a show cause notice dated July 01, 2004, to the bank asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. The bank's overall financial position continued to deteriorate and the Reserve Bank of India placed the bank under directions with effect from May 27, 2005, restricting its operations. As the continuance of the bank was untenable, the Reserve Bank of India took the extreme measure of cancelling the licence of the bank in the interest of the bank's depositors. With the cancellation of its licence and after commencement of liquidation proceedings, the process of paying the depositors of Sarvodaya Mahila Co-operative Bank Ltd., the amount insured as per the DICGC Act, will be set in motion.

Consequent to the cancellation of its licence, the Sarvodaya Mahila Co-operative Bank Ltd., Burhanpur, is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri. M.K.Ray, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bhopal. His contact details are as below:

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