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**Reserve Bank Cancels the Licence of
The Dabhoi Nagrik Sahakari Bank Ltd., Dabhoi, Gujarat**

In view of the fact that the Dabhoi Nagrik Sahakari Bank Ltd., Dabhoi Gujarat, had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank after the close of business on March 7, 2006. The Registrar of Co-operative Societies, Gujarat 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 Dabhoi Nagrik Sahakari Bank Ltd., Dabhoi, Gujarat as a final step after examining all the options for revival of the bank and in order to protect the interest of the depositors. In May 2004, the bank experienced a run on its deposits and on its request, directions were issued under Section 35A of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) with effect from the close of business of June 14, 2004, prohibiting it from accepting fresh deposits and repayment of deposits was restricted to Rs 500/- per depositor. The inspection of the bank with reference to its position as on September 30, 2004 revealed deterioration in its financial condition. Its deposits were getting eroded as realisable value of paid-up capital and reserve was in the negative. Thereafter, the Reserve Bank issued a notice to the bank on June 25, 2005 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. As the bank did not have a viable plan of action for revival and the chances of its revival were remote, the Reserve Bank of India took the extreme measure of cancelling 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 Dabhoi Nagrik Sahakari Bank Ltd., Dabhoi, the amount insured as per the DICGC Act, will be set in motion.

Consequent to the cancellation of its licence, the Dabhoi Nagrik Sahakari Bank Ltd., Dabhoi 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 S.Rajgopal, General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. His contact details are as below :

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