

**RESERVE BANK OF INDIA**[www.rbi.org.in](http://www.rbi.org.in)[www.rbi.org.in/hindi](http://www.rbi.org.in/hindi)[e-mail: helpprd@rbi.org.in](mailto:helpprd@rbi.org.in)

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### **Reserve Bank Cancels the Licence of The Onake Obavva Mahila Co-operative Bank Ltd., Chitradurga (Karnataka)**

In view of the fact that the The Onake Obavva Mahila Co-operative Bank Ltd., Chitradurga (Karnataka) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Karnataka had failed and the depositors of the bank were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order, canceling its licence to the bank after the close of business on May 12, 2006. The Registrar of Co-operative Societies, Karnataka has also been requested to issue an order for winding up of 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 scrutiny of the books of accounts of the bank conducted by Reserve Bank with reference to its position as on March 31, 2003 revealed that the bank was facing severe liquidity crunch. The realizable value of capital and reserves was in the negative and the deposits were eroded to the extent of 27.82% of the total deposits. Considering its unsatisfactory financial position the bank was placed under directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) with effect from the close of business on September 11, 2003 which inter-alia restricted withdrawal of deposits to Rs. 1000 per depositor. The inspection of the bank with reference to its financial position as on June 30, 2004 revealed further deterioration in the realizable value of capital and reserves leading to erosion of deposits to the extent of 39.5% of its total deposits. The Reserve Bank issued a notice to the bank on January 12, 2005 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. In reply to the Show Cause Notice the bank requested for six months time to show perceptible improvement, which was granted. The subsequent inspection of the bank with reference to its position as on March 31, 2005 revealed further deterioration in its financial condition. Its deposits were eroded to the extent of 62.9% of total deposits. As the realizable value of bank's paid-up capital and reserves was negative and the chances of its revival were remote in the absence of a viable action plan, the Reserve Bank of India took the extreme measure of canceling licence of the bank after examining all options for its revival, in the interest of the bank's depositors. With the cancellation of its licence and commencement of liquidation proceedings, the process of paying the depositors of The Onake Obavva 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 The Onake Obavva Mahila Co-operative Bank Ltd., 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 R.G.K.Pillai, General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. His contact details are as below:

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