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June 21, 2006

**Reserve Bank Cancels the Licence of The Parbhani People's  
Co-operative Bank Ltd., Parbhani (Maharashtra)**

In view of the fact that the The Parbhani People's Co-operative Bank Ltd., Parbhani, Maharashtra, had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order canceling its licence to the bank on June 16, 2006. The Registrar of Co-operative Societies, Maharashtra 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) under usual terms and conditions.

The Reserve Bank of India decided to cancel the licence of The Parbhani People's Co-operative Bank Ltd., Parbhani, Maharashtra, 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 inspection of the bank with reference to its position as on June 30, 2002 indicated that its financial position was precarious. However based on the bank's request it was given some time to show improvement. In March 2005, the bank was affected by heavy withdrawal of deposits resulting in a severe liquidity crisis. The bank was, therefore, issued directions under Section 35A of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) vide our order dated April 20, 2005 imposing restriction on its activities. The subsequent inspection of the bank conducted with reference to its financial as on March 31, 2005 revealed further deterioration in its financial condition. Its deposits were getting eroded as the realizable value of paid-up capital and reserves was in the negative. The Reserve Bank had issued a notice to the bank on August 17, 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 its revival and the chances of its revival were remote, the Reserve Bank of India took the extreme measure of canceling licence of the bank 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 The Parbhani People's Co-operative Bank Ltd., Parbhani, Maharashtra, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, the Parbhani People's Co-operative Bank Ltd., Parbhani, Maharashtra 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 Anand Prakash, General Manager, Reserve Bank of India, Urban Banks Department, Nagpur. His contact details are as below;

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