

**RESERVE BANK OF INDIA**

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**Reserve Bank Cancels the Licence of Purna Nagari Sahakari Bank Ltd., Purna,
Dist.Parbhani (Maharashtra)**

In view of the fact that Purna Nagari Sahakari Bank Ltd., Purna, Dist.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 July 1, 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/- (Rupees one lakh only) 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 Purna Nagari Sahakari Bank Ltd., Purna, Dist.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 September 30, 2004 indicated that its financial position was precarious. In view of the precarious financial position of the bank to protect the interests of the depositors, directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) were issued to the bank vide order dated February 1, 2005. A notice to the bank calling on it to show cause as to why its banking license should not be cancelled was issued to the bank on March 29, 2005. Considering the bank's reply dated April 28, 2005 to the show cause notice it was decided to review its financial position as on June 30, 2005. The inspection of the bank conducted with reference to its financial as on June 30, 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 issued a notice to the bank on January 2, 2006 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 the licence of the bank in the interests of the bank's depositors. With the cancellation of its licence and commencement of liquidation proceedings, the process of paying the depositors of Purna Nagari Sahakari Bank Ltd., Purna, Dist.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, Purna Nagari Sahakari Bank Ltd., Purna, Dist.Parbhani (Maharashtra) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) 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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