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RESERVE BANK OF INDIA

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January 31, 2008

**Reserve Bank Cancels the Licence of the
Maratha Co-operative Bank Ltd., Hubli, Karnataka**

In view of the fact that The Maratha Co-operative Bank Ltd., Hubli, (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 January 29, 2008. The Registrar of Co-operative Societies, Karnataka 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 Maratha Co-operative Bank Ltd., Hubli, Karnataka State was granted a licence on January 8, 1988 by the Reserve Bank of India to conduct banking business. The inspection of the bank conducted under Section 35 of the Act, with reference to its financial position as on March 31, 2003 revealed deterioration in the financial position of the bank. The gross and net Non Performing Assets of the bank were very high and the bank was facing liquidity crisis and was not in a position to pay the matured deposits. The bank was placed under directions under Section 35A of the Act vide orders dated January 21, 2004 restricting its operations, including placing a ceiling on withdrawal of deposits of Rs.1,000/- per depositor.

The subsequent statutory inspection of the bank conducted with reference to its financial position as on March 31, 2005 revealed that the bank's financial position had further deteriorated and its deposits were eroded as realisable value of paid up capital and reserves was negative. A Show Cause Notice for cancellation of licence was issued to the bank on April 04, 2006.

The subsequent inspections conducted with respect to financial position as on March 31, 2006 and March 31, 2007 revealed that the bank's position was precarious.

After taking into consideration the reply submitted by the bank to the show cause notice issued, the findings of the subsequent inspections and after examining all options for its revival, the Reserve Bank of India took the extreme measure of canceling the 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 amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, The Maratha Co-operative Bank Ltd., Hubli, (Karnataka) 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 send email to Shri S.Neelakantan, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. His contact details are as below:

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