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RESERVE BANK OF INDIA

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February 5, 2008

Reserve Bank Cancels the Licence of Shree Janata Sahakara Bank Ltd., Radhanpur (Gujarat)

In view of the fact that Shree Janata Sahakara Bank Ltd., Radhanpur (Gujarat) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat 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 31, 2008. The Registrar of Co-operative Societies, Gujarat 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/- (Rupees One Lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The bank was granted a licence by Reserve Bank of India on December 13, 1986 to commence banking business. Due to liquidity problems and high NPAs, the bank was placed under directions under Section 35A of the Banking Regulation Act 1949 (As Applicable to Cooperative Societies) vide order dated January 25, 2005 placing a ceiling on repayment of deposits upto Rs. 1000/- per depositor. The statutory inspection of the bank conducted by RBI with reference to its financial position as on March 31, 2006 revealed that the bank's financial position had further deteriorated and its realisable value of capital and reserves (Net Worth) had become negative.

The Reserve Bank issued a notice to the bank on December 15, 2006 asking it to show cause as to why the licence granted to it under Section 22 of the Banking Regulation Act, 1949(As Applicable to Cooperative Societies) on December 13, 1986 to conduct banking business should not be cancelled. The bank's reply to the show cause notice was examined and was found unacceptable. The bank's efforts to merge with another sound bank did not succeed.

Meanwhile, the next inspection of the bank with reference to financial position as on March 31, 2007 revealed further deterioration in the financial position. As the realisable 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 Shree Janata Sahakara Bank Ltd., Radhanpur (Gujarat), the amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, Shree Janata Sahakara Bank Ltd., Radhanpur (Gujarat) 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 Smt. Mythili Ramakrishnan, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad by e-mail. Her contact details are as below:

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Press Release : 2007-2008/1027