



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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**Reserve Bank Cancels the Licence of Bhimashankar  
Nagari Sahakari Bank Ltd.,Ausa, Dist. Latur (Maharashtra)**

In view of the fact that Bhimashankar Nagari Sahakari Bank Ltd, Ausa, Dist. Latur (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 on May 3, 2012 delivered its order dated April 25, 2012 to the bank cancelling its licence to carry out banking business. The Registrar of Co-operative Societies, Maharashtra State 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/her deposits up to a monetary ceiling of ₹ 1,00,000/- (Rupees one lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The bank was granted a licence by Reserve Bank of India on January 27, 1997 to commence banking business. The statutory inspection of the bank carried out under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) with reference to its financial position as on March 31, 2008 revealed precarious financial position of as its net worth and CRAR were assessed at (-) ₹ 4.83 lakh and (-) 9.7 % respectively. The gross NPAs formed 86.4% of the gross advances. The bank had incurred losses consecutively during the last two financial years. Accordingly, the bank was issued Operational Instructions under Section 36 (1) of the Banking Regulation Act, 1949 (AACS) vide RBI letters dated September 30, 2008 and January 13, 2009 in terms of which the bank was, inter alia, prohibited from acceptance of fresh deposits, allowing premature withdrawal of deposits and sanctioning of fresh loans and advances. The statutory inspection of the bank carried out under Section 35 of the Act ibid with reference to its financial position as on March 31, 2009 revealed further deterioration in its financial position and other violations. Its net worth and CRAR were assessed at (-) ₹ 6.47 lakh and (-) 12.4 % respectively. The gross NPAs formed 80.0% of the gross advances. The assessed net loss of the bank stood at ₹ 12.75 lakh. In view of the bank's precarious financial position and serious irregularities observed in the inspection report with respect to its financial position as on March 31, 2009, the Board of Directors of the bank was superseded vide order dated August 11, 2009 issued by the Commissioner for Cooperation and Registrar of Co-operative Societies, Maharashtra, Pune. The statutory inspection conducted by Reserve Bank of India under Section 35 of the Banking Regulation Act, 1949 (AACS) with reference to its financial position as on March 31, 2010 revealed that the assessed networth was (-) ₹ 11.03 lakh, CRAR was (-) 30.3%, gross NPAs were 96.5% of the gross advances and the deposit erosion was 20.3%. With a view to preventing preferential payment and protecting the interest of the depositors, the bank was placed under all inclusive directions for a period of six months from the close of

business as on March 24, 2011 vide RBI letter dated March 15, 2011 which was extended twice up to September 23, 2012, subject to review. As the financial position of the bank with reference to its position as on March 31, 2011 turned precarious and revealed further deterioration, the assessed networth was (-) ₹13.15 lakh, CRAR was (-) 22.6%, gross NPAs were 98.1% of the gross advances and the deposit erosion was 29.2%.

A Show Cause Notice for cancellation of licence under Section 22 of the Banking Regulation Act, 1949 (AACs) was issued on January 30, 2012. The bank in its reply dated February 13, 2012 admitted the irregularities/observations and did not furnish any specific comment on the deficiencies detailed in the SCN. The bank also submitted that it had no objection for cancellation of licence granted to the bank and liquidation of the bank. In the absence of any proposal for merger and in view of the bank's precarious financials, chances of its revival are remote and continuation of the bank will lead only to further erosion in its deposits and will be against public interest.

It is therefore, evident from the above that:

- The bank does not comply with the provisions of Section 11(1), 22 (3) (a) and 22 (3) (b) of the Act *ibid*.
- The bank is not in a position to pay its present and future depositors.
- The affairs of the bank are being conducted in a manner detrimental to the interest of the depositors.
- The financial position of the bank leaves no scope for its revival.
- In all likelihood public interest will be affected if the bank is allowed to carry on its business any further.

In view of the foregoing, the Reserve Bank of India cancelled the licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Bhimashankar Nagari Sahakari Bank Ltd., Ausa, Dist. Latur (Maharashtra), the amount insured as per the DICGC Act, 1961 will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Bhimashankar Nagari Sahakari Bank Ltd., Ausa, Dist. Latur (Maharashtra) is prohibited from carrying on business of 'banking' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACs).

For any clarifications, depositors may approach Shri S. Thyagarajan, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Nagpur. His contact details are as below:

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