

**भारतीय रिज़र्व बैंक****RESERVE BANK OF INDIA**वेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inई-मेल email: helpdoc@rbi.org.in

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**Reserve Bank Cancels the Licence of Swami Samarth Sahakari Bank Ltd.,
Akkalkot, Solapur, (Maharashtra)**

In view of the fact that Swami Samarth Sahakari Bank Ltd., Akkalkot, Solapur, (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 [RBI] delivered the order cancelling its licence to the bank and the same is effective from the close of business as on December 28, 2012. 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/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 RBI on February 13, 1988 to commence banking business. The statutory inspection of the bank conducted under section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) (hereinafter referred to as the 'Act'), with reference to its financial position as on March 31, 2006 revealed that the networth and CRAR were assessed at ₹58.16 lakh and 4.2%, respectively. The bank was, therefore, not complying with the regulatory capital requirement of 9%. Further, the gross and net NPAs were assessed at 23.4% and 18.5% of the gross and net advances, respectively. The bank was issued operational instructions vide RBI letter dated December 1, 2006 in terms of which it was, *inter alia*, advised to restrict exposure limits for lending to individual and group borrowers at 5% and 10%, respectively, of its capital funds.

The financial indicators of the bank continued to deteriorate further as revealed during the subsequent inspections conducted with reference to its financial position as on March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010.

The statutory inspection of the bank under section 35 of the Act, with reference to the financial position as on March 31, 2011, *inter alia*, revealed further deterioration in the financial position of the bank and other violations. Its net worth was assessed at (-) ₹384.89 lakh and CRAR was assessed at (-) 45.3%. The erosion in deposits was to the extent of 22.7%. The gross and net NPAs formed 61.0% and 56.5% of the gross and net advances respectively. The assessed net loss of the bank stood at ₹510.77 lakh for the year ended March 31, 2011. The bank had defaulted in the maintenance of CRR on three occasions and SLR on four occasions in February 2011 and, thereafter, the SLR default continued from March 21, 2011. The BoD didn't function in a cohesive manner. The enquiry conducted by RCS under section 83 of the MCS Act, 1960 brought out serious irregularities in the functioning of the bank.

A scrutiny of the financial position of the bank as on December 31, 2011 revealed further deterioration in the financial position of the bank. Its networth was assessed at (-) ₹495.50 lakh leading to deposits erosion of 37.0%. The CRAR was assessed at (-) 49.1%. The gross and net NPAs formed 56.5% and 50.5% of the gross and net advances respectively. In view of the deteriorating financial position, the bank was placed under all inclusive directions under section 35 A of the Act from the close of business as on March 30, 2012 vide directive UBD.CO.BSD1/D-76/12.22.282/2011-12 dated March 30, 2012 for a period of six months, subject to review. The directions were extended for a further period of six months upto March 29, 2013 vide directive UBD.CO.BSDI/D-9/12.22.282/2012-2013 dated September 14, 2012. The action plan submitted by the bank vide its letter dated April 9, 2012 was examined and not found to be satisfactory.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. The bank did not comply with the provisions of sections 11(1), 18, 20A, 22(3) (a), 22(3) (b), 24, 29 and 31 of the Act. Based on the financial position of the bank as on December 31, 2011 the bank was issued a Show Cause Notice (SCN) vide letter UBD.CO.BSD I.SCN.70/ 12.22.282/ 2011-12 dated May 15, 2012 to show cause as to why the licence granted to it on February 13, 1988 to carry on banking business under section 22 of the Act should not be cancelled and the bank be taken into liquidation. The bank's reply to the SCN vide letter dated June 14, 2012, and further vide letters dated July 12, 2012 & July 19, 2012 were examined. As the bank claimed improvement in its financials, it was decided to carry out a quick scrutiny to verify the claims made by the bank.

However, the scrutiny of the financial position of the bank as on September 30, 2012 revealed deterioration in the financial position of the bank. The CRAR and networth were assessed at (-)52.7% and (-) ₹420.49 lakh, respectively. The deposits erosion stood at 28.9%. The gross and net NPAs formed 63.9% and 40.8% of the gross and net advances respectively. The bank reported accumulated loss amounting to ₹590.62 lakh.

Therefore, RBI took the extreme measure of cancelling 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 Swami Samarth Sahakari Bank Ltd., Akkalkot, Solapur, (Maharashtra) the amount insured as per the DICGC Act, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Swami Samarth Sahakari Bank Ltd., Akkalkot, Solapur, (Maharashtra) is prohibited from carrying on 'banking business' as defined in section 5(b) of the Act.

For any clarifications, depositors may approach Smt.Suchitra Maurya, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

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