



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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March 12, 2012

**Reserve Bank Cancels the Licence of
Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (Maharashtra)**

In view of the fact that Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (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 cancelling its licence to the bank with effect from the close of business on March 5, 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 Reserve Bank on February 26, 1998 to commence banking business. The bank was placed under all-inclusive directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) [the Act] in view of the precarious financial position of the bank with effect from December 26, 2003 based on the inspections findings with reference to its financial position as on March 31, 2003. The Board of Directors was ineffective and was responsible for deterioration in the financial position of the bank and for conducting the affairs of the bank in a manner detrimental to the interest of the depositors. The Board of the bank was superseded on December 26, 2003 by RCS and Administrator was appointed to manage the affairs of the bank.

Subsequent inspections revealed further deterioration in the financial position of the bank. The statutory inspection of the bank under Section 35 of the Act, with reference to its financial position as on March 31, 2011 revealed that most of the violations observed earlier continued to persist and financial parameters of the bank had further deteriorated. As per the findings of the inspection with reference to the bank's position as on March 31, 2011, assessed net worth of the bank stood negative at (-) ₹407.71 lakh, assessed CRAR was (-)532.2% and gross NPAs amounted to ₹319.06 lakh (100%) of gross advances. Erosion in deposits stood at 72.8% of total deposits of ₹559.90 lakh. The bank was also not holding the required CRR, thus violating the provisions of Sections 18 of the Act.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interest of its depositors. The bank does not comply with the provisions of Section 11(1), 18, 22(3)(a) and 22(3)(b) of the Act. A show cause notice dated November 29, 2011 was issued to the bank requiring it to show cause as to why the licence granted to it under Section 22 of the

Act, on February 26, 1998 to carry on banking business should not be cancelled and the bank be taken to liquidation. The bank's reply vide its letter dated December 27, 2011 was examined and not considered satisfactory. The bank did not submit any concrete revival plan or any proposal for merger of the bank.

The realisable value of bank's paid-up capital and reserves was negative and the chances of revival of the bank were remote. In the absence of any viable action plan for revival/ merger, Reserve Bank of India 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 Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (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, Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (Maharashtra) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Act.

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

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