



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

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## **Reserve Bank Cancels the Licence of Abhinav Sahakari Bank Ltd., Rahuri (Maharashtra)**

In view of the fact that Abhinav Sahakari Bank Ltd, Rahuri, Maharashtra had ceased to be solvent and all efforts to revive it in close consultation with the Government of Maharashtra had failed, the Reserve Bank of India delivered the order cancelling its licence to the bank as on the close of business on February 07, 2013. 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 March 25, 2000 to commence banking business. The statutory inspection of the bank conducted with reference to its financial position as on March 31, 2005 had revealed that the CRAR of the bank was 4.6% as against the regulatory requirement of 9% and its Net NPAs were high at 17.8% of net advances, after which operational instructions were imposed on the bank.

The financial indicators of the bank continued to deteriorate further as revealed during subsequent inspections conducted with reference to its financial position as on March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009, March 31, 2010, March 31, 2011 and scrutinies conducted in August 2008 and March 2009.

The above inspections and scrutinies had observed several violations of RBI guidelines / directives / operational restrictions, some important ones of which were as under:

- a) The bank had renewed loans and advances to a co-operative society in which a director of the bank was interested in the capacity of a Chairman;
- b) The bank had failed to maintain the requisite CRR and SLR;
- c) The bank was engaged in acting as a business facilitator of HDFC Bank in the name of 'Direct Sale Associate' on commission basis, in violation of Section 6 of the Act;
- d) The bank had also violated the RBI directives on unsecured advances to a single borrower;
- e) The bank had violated Sections 29 and 31 of the Act as it had not submitted an audited copy of the Balance Sheet and Profit and Loss Account within the stipulated time to the Reserve Bank of India and had published unaudited

balance sheet as on March 31, 2006 and 2007, which were not even signed by the directors;

- f) The bank had not made requisite provisions for the fraudulent transactions amounting to ₹ 123.84 lakh committed by staff members of the bank in the year 2005, proceeds of which were diverted to regularize 840 loan accounts spread over different branches.

The compliance submitted by the bank to the above inspection reports were examined but were not found to be satisfactory. The inspection of the bank with reference to its financial position as on March 31, 2011 had revealed serious deterioration in the bank's financials. CRAR stood at (-) 151.5% as against the regulatory minimum of 9%. With the real or exchangeable value of paid-up share capital and reserves assessed at (-) ₹ 483.77 lakh, the entire owned funds and 59.1% of the deposits were eroded. Gross and Net NPAs were 52.4% and 46.9% of gross and net advances respectively and the bank had defaulted in maintenance of CRR and SLR during 2010-11. The bank had not complied with sections 11(1), 18, 22(3) (a) and 24 of the B.R. Act, 1949. Besides, there was violation of sections 23 and 31 of the B.R. Act, 1949 as the bank had shifted its Head Office and discontinued banking business at one of the allotted centres without permission of RBI and not published its audited balance sheet and profit and loss account within the prescribed time limit apart from violation of prudential exposure ceiling on unsecured advances, violation of all-inclusive directions in force and violation of operational instructions in force.

In view of the precarious financial position and with a view to preventing preferential payments and protecting the interests of the depositors, the bank was placed under Directions under Section 35A of the B.R. Act, 1949 with effect from the close of business as on April 17, 2012, restricting withdrawal of deposits to ₹ 1000/- per depositor.

The bank's financial position had been almost continuously deteriorating since March 31, 2005. Non-maintenance of the requisite CRR and SLR had been observed during the inspections from March 31, 2007 and onwards. The bank had not been able to sustain the improvements brought about by the financial restructuring permitted by RBI in January 2009 and the financial position had deteriorated sharply thereafter, as observed during the inspections with reference to the bank's financial positions as on March 31, 2010 and 2011 and the functioning of the Board was also found to be deficient in several respects.

The continued deterioration in financial position and flagrant violation of regulatory guidelines revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. Allowing the bank to do banking business in such a manner would be prejudicial to the interest of the present and future depositors. In view of the above, the Reserve Bank issued a Show Cause Notice (SCN) to the bank on May 17, 2012 to show cause as to why the licence granted to it on March 25, 2000 to carry on banking business under section 22 of the BR Act, 1949 should not be cancelled and the bank be taken into liquidation. The bank submitted its reply to the SCN vide its letter dated June 16, 2012, wherein it had not contested the findings of the inspections. The bank was afforded ample time to show improvement in its financials. A scrutiny conducted in September 2012 could not establish the bank's reported improvement in financials and NPAs as on March 31, 2012. A revival plan submitted by the bank was also not found to be tenable as the bank failed to furnish the clarifications sought. Though the bank had been advised on January 06, 2012 to *inter alia*, explore merger option with

a strong bank at the earliest, the bank had not been able to come up with any concrete proposal for merger.

From the above, it is conclusively established that

- i. The bank is not in a position to pay its present and future depositors;
- ii. The affairs of the bank were and are being conducted in a manner detrimental to the interests of the depositors;
- iii. The bank does not comply with section 11(1), 18, 22(3)(a), 22(3)(b) and 24 of the BR Act, 1949;
- iv. The financial position of the bank leaves little scope for its revival and
- v. In all likelihood, public interest would be adversely affected if the bank were allowed to carry on its business any further.

Therefore, Reserve Bank of India took the extreme measure of cancelling the licence of the bank in the interest of the bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Abhinav Sahakari Bank Ltd, Rahuri (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, Abhinav Sahakari Bank Ltd., Rahuri (Maharashtra) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Act *ibid*.

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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