



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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April 21, 2011

Reserve Bank Cancels the Licence of Shri Balaji Co-operative Bank Ltd., Nashik (Maharashtra)

In view of the fact that Shri Balaji Co-operative Bank Ltd, Nashik, 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 before commencement of business on April 07, 2011. 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 October 14, 1996 to commence banking business. The statutory inspection of the bank with reference to its financial position as on March 31, 2009 assessed the CRAR at (-) 3.0%, negative networth of (-) ₹ 2.84 lakh and erosion in deposits to the extent of 1.6%. Gross and Net NPAs were 91.5% and 81.5% of Gross and Net Advances respectively on that date. The bank was also advised on January 22, 2010 to step up its recovery efforts and submit a concrete proposal for merger latest by March 31, 2010.

The bank's financial position deteriorated sharply with reference to its financial position as on March 31, 2010 wiping off not only owned funds of the bank but also eroding deposits to the extent of 31.4%. The CRAR of the bank was (-) 88.5% as against the prescribed minimum of 9%. The bank had also defaulted in maintaining of CRR and SLR. In spite of giving sufficient time and opportunity, the bank had not been able to improve its financials or submit any concrete proposal for merger.

Due to its precarious financial position, the bank was placed under directions under Section 35 A of the Banking Regulation Act, 1949 (AACS) vide Directive UBD CO BSD-I No. D- 19/12.22.378/2010-11 dated October 18, 2010.

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, 22(3)(a) & (b) and 24

of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). The bank had also not taken any initiative towards recovery of NPAs.

In view of the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, it was issued a notice on December 03, 2010 to show cause (SCN) as to why the licence granted to the bank on October 14, 1996 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated December 30, 2010. The reply to the SCN was considered and examined but not found satisfactory. Further, no concrete proposal was received from the bank for merger.

Therefore, 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 Shri Balaji Co-operative Bank Ltd, Nashik, Maharashtra will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Shri Balaji Co-operative Bank Ltd, Nashik, Maharashtra is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS) including acceptance and repayment of deposits.

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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