


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

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**संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001**

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

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### **Reserve Bank Cancels the Licence of The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (Maharashtra)**

In view of the fact that The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (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 March 22, 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 March 31, 1980 to commence banking business. The statutory inspection of the bank 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 gross and net NPAs were assessed at 19.0% & 15.2% of gross and net advances, respectively. The total loss of the bank for the year 2005-06 was assessed at (-)₹34.15 lakh.

The bank was issued operational instructions based on the findings of inspection with reference to its financial position as on March 31, 2006. The bank's exposure limits for lending to individual / group borrowers was restricted to 10% and 25% of its capital funds vide RBI's letter dated September 20, 2006. The bank was further prohibited vide letter dated February 5, 2009 to make any fresh lending or to renew any credit facility except those which are classified as standard.

The financial parameters of the bank continued to deteriorate further as revealed during subsequent inspections conducted with reference to its financial position as on 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 of the bank as on March 31, 2011 revealed further deterioration in its financial position and other violations. Its net worth was assessed at (-) ₹ 420.77 lakh and CRAR was assessed at (-) 13.3%. The erosion in deposits was to the extent of 27.1%. The gross and net NPAs formed 88.5% and 69.7% of the gross and net advances respectively. The assessed net loss of the bank stood at ₹ 264.64 lakh for the year ended March 31, 2011. The accumulated losses reported by the bank as on March 31, 2011 stood at ₹ 813.03 lakh.

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 October 25, 2011 vide directive UBD.CO.BSD1/D-60/12.22.027/2011-12 dated October 24, 2011 placing restrictions on its activities.

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), 22(3) (a) and 22(3) (b) of the Act. Based on the financial position of the bank as on March 31, 2011 the bank was issued a Show Cause Notice (SCN) vide letter dated November 23, 2011 to show cause as to why the licence granted to it on March 31, 1980 to carry on banking business under Section 22 of the Act should not be cancelled and the bank be taken into liquidation. The bank had submitted reply to the SCN vide its letter dated December 21, 2011 and the same was examined and not found to be satisfactory. The bank had not submitted any concrete viable revival plan or merger proposal.

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 The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (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, The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (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:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2<sup>nd</sup> Floor, Garment House, Dr. A.B. Road, Worli, Mumbai – 400 018; Telephone Number: (022) 24920225, Fax Number: (022) 24935495; [Email](#)

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**Ajit Prasad**  
Assistant General Manager