



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

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**RBI cancels Licence of Baranagar Co-operative Bank Ltd., Kolkata (West Bengal)**

The Reserve Bank of India (RBI) has cancelled the licence of Baranagar Co-operative Bank Ltd., Kolkata (West Bengal). The order was made effective from the close of business on January 21, 2015. The Registrar of Co-operative Societies, West Bengal has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. The Reserve Bank issued the order in view of the fact that the bank had ceased to be solvent, all efforts to revive had failed and the depositors were being inconvenienced by continued uncertainty.

With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of Baranagar Co-operative Bank Ltd., Kolkata (West Bengal), as per the DICGC Act, 1961 will be set in motion. 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) as per usual terms and conditions.

The Reserve Bank cancelled the licence of the bank as:

- Its operations were being carried out in a manner detrimental to the interests of the present and future depositors and that of the public and in violation of Section 11 and 22(3) of the BR Act.;
- The bank was not in position to pay its present and future depositors in full as and when their claims accrue;
- The financial position of the bank was so precarious that there was no scope for its revival; and
- Public interest would be affected adversely if the bank was allowed to carry on its business in the manner in which it was functioning, any further.

Consequent to the cancellation of its licence, Baranagar Co-operative Bank Ltd., Kolkata (West Bengal), is prohibited from conducting the business of 'banking' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS) including acceptance and repayment of deposits with immediate effect.

## **Background**

The Reserve Bank granted a licence to Baranagar Co-operative Bank Ltd., to conduct banking business on April 15, 1996. In view of the deteriorating disquieting financial position, the bank was placed under all inclusive directions under Section 35A of the BR Act with effect from July 30, 2013. The directions were extended thrice. The last extension was valid till January 29, 2015.

The latest statutory inspection of the bank conducted under Section 35 of the Banking Regulation (BR) Act, 1949 (AACS) with reference to its financial position as on March 31, 2014, revealed that the financial position of the bank had deteriorated and the bank did not have adequate assets to meet its outside liabilities as required under Section 22(3) of the BR Act. The bank also did not comply with the requirements of minimum capital and reserves prescribed under Section 11(1) of the BR Act.

However, in view of continued deteriorating financial position and absence of concrete measures from State Government towards infusion of capital, a show cause notice for cancellation of licence was issued to the bank on August 20, 2014 seeking reasons as to why the banking licence granted to it to carry on banking business should not be cancelled. The bank's reply to the show cause notice was examined, but not found to be satisfactory and the statutory and supervisory concerns raised from time to time were not addressed and the bank continued to violate various provisions of BR Act.

The highly deteriorated financial condition of the bank ruled out the possibility of its merger with any other strong bank. With no prospect of revival of the bank on its own or with outside support, the Reserve Bank decided to cancel the licence of the bank.

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