



**भारतीय रिज़र्व बैंक**

**RESERVE BANK OF INDIA**

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May 31, 2011

### **Reserve Bank Cancels the Licence of Chopda Urban Co-operative Bank Ltd., Jalgaon (Maharashtra)**

In view of the fact that Chopda Urban Co-operative Bank Ltd, 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 delivered the order cancelling its licence to the bank before commencement of business on May 24, 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 30, 1999 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 (-) 14.4%, negative networth of (-) Rs.184.43 lakh and erosion in deposits to the extent of 13.1%. The Gross NPAs were 75.4% of its total loans and advances on that date.

The bank's financial position further deteriorated with reference to its financial position as on March 31, 2010. The erosion in assets had not only wiped off the owned funds of the bank but also eroded its deposits to the extent of 25.4%. The CRAR of the bank was (-) 22.8% as against the prescribed minimum of 9%. The losses were assessed at ₹ 567.04 lakh for the financial year ended March 31, 2010. The bank had sanctioned large loan limits titled as personal surety and cash credit and the loan amount was credited in savings account, which was subsequently allowed to be transferred to societies which were related to the Chairman / Directors of the bank. The bank had defaulted in the maintenance of SLR.

Due to its precarious financial position and irregularities / violations observed, 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- 10/12.22.467/ 2010-11 dated September 6, 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), 22(3)(a) & (b) and 24 of

the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). The Registrar of Co-operative Societies vide his order dated September 16, 2010 superseded the Board of the bank and appointed Board of Administrators. The bank vide its letter dated September 27, 2010 represented to the Reserve Bank stating that during the last three months the bank had made substantial improvements by recovering non performing loans and augmenting share capital. The bank further stated that the CRAR and net worth have become positive with no erosion in deposits and there is no default in CRR and SLR. In view of the claims made by the bank regarding improvement in its financials, a scrutiny was carried out during the period from October 26<sup>th</sup> to 28<sup>th</sup>, 2010 to verify the claims made by the bank. It was observed during the scrutiny that the financial position of the bank had further deteriorated.

Pursuant to the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, it was issued a notice vide letter dated March 1, 2011 to show cause (SCN) as to why the licence granted to the bank on October 30, 1999 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated March 31, 2011. The reply to the SCN was considered and examined but not found satisfactory. Further, no concrete proposal was received from the bank for merger or any viable revival / restructuring plan.

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 Chopda Urban Co-operative Bank Ltd, 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, Chopda Urban Co-operative Bank Ltd, Jalgaon, Maharashtra is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (as applicable to co-operative societies).

For any clarifications, depositors may approach Shri R.L.Das, General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

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