



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

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### **Reserve Bank of India cancels the Licence of The Urban Co-operative Bank Ltd. (Bhubaneswar)**

The Urban Co-operative Bank Ltd., Bhubaneswar was granted a licence by the Reserve Bank of India on September 7, 1987 to conduct banking business under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

The Urban Co-operative Bank Ltd., Bhubaneswar, Odisha has now ceased to be solvent, all efforts to revive it having failed. The depositors being inconvenienced by the continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank on February 17, 2014. The Registrar of Co-operative Societies, Government of Odisha has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. 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 under usual terms and conditions.

The statutory inspection conducted under Section 35 of the Act with reference to its financial position as on March 31, 2003 had reported deteriorating financial position viz. Assessed Net Worth at ₹ (-) 310.90 lakh, Capital to Risk Weighted Asset Ratio (CRAR) at (-) 8.1%, and Gross and Net Non-Performing Assets (NPAs) of the bank at 39.4% and 31.9% respectively. The bank had sanctioned loans to its Directors and their relatives in 14 accounts and with the exception of one account, all accounts became NPA. In view of the above, directions under Section 35 A of B. R. Act, 1949 (AACS) were imposed on the bank with effect from the close of business on January 13, 2004 restricting, inter alia, withdrawal in excess of ₹ 1000/- per deposit account. Modified directions were issued to the bank vide letter dated March 14, 2006 restricting acceptance of fresh deposits in savings and current accounts or any other accounts. Directions were again modified on a review of liquidity position of the bank and the ceiling on withdrawal was increased from ₹ 1000/- to ₹ 3000/- vide directive dated June 20, 2007.

Keeping in view the deteriorating financial position and continuing irregularities as on March 31, 2008, a Show Cause Notice (SCN) for cancellation of licence was issued to the bank on December 11, 2008. The reply of the bank dated January 13, 2009 to the SCN was not found satisfactory. The bank's revival plan submitted on January 15, 2009 was also not found satisfactory. The bank was given time to explore the possibility of a merger with any other strong UCB in or outside the State of Odisha. However, the bank failed to come forward with any viable merger proposal.

The statutory inspection as on March 31, 2009, 2010 and 2011 also indicated no improvement and the bank continued to function in violation of the provisions of Section 11(1) and 22 (3) (a) of the Act *ibid*.

A fresh SCN for cancellation of licence was issued to the bank on September 6, 2011 after reviewing its financial position as on March 31, 2011. The bank had not submitted its reply to the SCN and sought extension of time to materialize its merger proposal.

In the meantime, the statutory inspection was conducted with reference to the bank's financial position as on March 31, 2012. The proposed merger did not materialize, with the acquirer bank withdrawing in January 2013. The process of cancellation of licence was again initiated as per the recommendation of TAFUCB based on the financial position of the bank as on March 31, 2012 and accordingly a fresh SCN was issued to the bank on May 31, 2013.

The bank in its reply to the latest SCN issued on May 31, 2013 submitted that it would comply with the various sections of B. R. Act, viz Section 11, 22(3) on successful implementation of One Time Settlement (OTS) scheme and infusion of share capital of ₹ 10.00 crore from the State Government though there was no commitment from the State Government to this effect. The bank emphasized that by implementing OTS / SARFAESI Act, it intended to collect ₹ 1130.52 lakh by March 31, 2014. Considering the poor track record of the bank on recovery front, the projected target of recovery was found not realistic. The bank in its reply also stated that a society has expressed their willingness to take over the management of the bank. The proposal was examined but not found acceptable due to violation of BR Act provision.

The bank was issued SCN for cancellation of licence on four occasions i.e. July 3, 2004, December 11, 2008, September 6, 2011 and May 31, 2013. Though more than reasonable time had elapsed the bank could not produce a viable merger proposal, while the deposit erosion of the bank has reached an alarming stage of 50.96%.

From the facts and circumstances stated above it was observed that:

- i. The bank does not comply with the provisions of Sections 11(1) and 18 of B.R. Act
- ii. The bank is not in a position to pay its present and future depositors and the affairs of the bank are being conducted in a manner detrimental to the interest of the present and future depositors and thus the bank did not comply with Section 22(3) (a) and 22 (3) (b) of the B.R. Act.
- iii. The financial position of the bank leaves no scope for its revival.
- iv. Public interest would be adversely affected if the bank is allowed to carry on its business any further.
- v. The bank has not taken any positive steps on capital augmentation and financial restructuring and there is no concrete / viable revival plan. Merger proposal with any other sound bank is also not forth-coming.

In view of the above, the licence granted to the bank to conduct banking business deserved to be cancelled. Accordingly, the licence dated September 7, 1987 granted to The Urban Co-operative Bank Ltd., Bhubaneswar, Odisha to conduct banking business in India under Section 22 of the Act has been cancelled. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of The Urban Co-operative Bank Ltd., Bhubaneswar, Odisha will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent upon the cancellation of its licence, The Urban Co-operative Bank Ltd., Bhubaneswar, Odisha is prohibited from carrying on 'banking business' as defined in Section 5(b) of Banking Regulation Act, 1949 (AACS) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri P. S. Venkateswaran, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bhubaneswar. His contact details are as below.

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