


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

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### Reserve Bank Cancels the Licence of the Chatrapur Co-operative Bank Ltd., Chatrapur, Odisha

In view of the fact that the Chatrapur Co-operative Bank Ltd., Chatrapur, Odisha had ceased to be solvent and with all efforts to revive it having failed and the depositors being inconvenienced by continued uncertainty, the Reserve Bank of India delivered to the bank the order cancelling its licence after the close of business on May 23, 2012. 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. 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 Chatrapur Co-operative Bank Ltd., Chatrapur, Odisha (hereinafter referred to as the 'bank') was registered as a co-operative society on May 25, 1915 and granted a licence to carry on banking business under Section 22 of the Banking Regulation Act, 1949 AACS (As Applicable to Co-operative Societies) (here in after referred to as 'the Act') by the Reserve Bank of India (the Reserve Bank) on March 21, 1984.

The statutory inspection of the bank with reference to its financial position as on March 31, 2003 had revealed that the bank's net worth was negative at (-) ₹ 53.46 lakh and deposits had been eroded to the extent of 7.2% and its accumulated loss stood at ₹ 99.44 lakh. On the basis of the inspection findings, the bank was placed under directions with effect from July 06, 2004 with restriction on acceptance of fresh deposits and granting of fresh loans and advances.

The statutory inspection of the bank with reference to its position as on March 31, 2005 had revealed that its net worth had further declined to (-) ₹ 139.94 lakh and its CRAR was assessed at (-) 22.1%. Its accumulated losses had gone up to ₹ 186.9 lakh and its deposits were eroded to the extent of 20.5%. The bank had violated Section 9 of the Act by letting out its annex building to outside parties.

The statutory inspection of the bank with reference to March 31, 2007 had revealed that the bank had violated RBI's direction by accepting fresh deposits and hence all inclusive direction under Section 35 A of the Act incorporating therein all the operational instructions and in addition a ceiling on withdrawal of deposits of Rs.500/- per depositor were imposed on August 30, 2007.

The statutory inspection of the bank with reference to its financial position as on March 31, 2009 had revealed that the bank's net worth was still negative and was assessed at (-) ₹ 85.32 lakh. CRAR stood at (-) 48.4% and deposits were eroded to the extent of 32.5%. The gross and net NPAs of the bank were assessed at 90.9% and 87.5% of the gross and net advances respectively.

The subsequent statutory inspection of the bank with respect to its position as on March 31, 2010 revealed that its financial position had further deteriorated and was precarious. The bank's deposits had eroded to an alarming extent of 41.6%. The CRAR of the bank was assessed at (-) 79.3%. The assessed gross and net non-performing

advances formed 90.8% and 84.5% respectively of the gross and net advances. The bank had defaulted in maintenance of both CRR and SLR during the period of inspection and had not complied with section 18 and 24 of the Act. The bank's accumulated loss stood at ₹ 125.58 lakh. A Show Cause Notice (SCN) dated September 24, 2010 was therefore issued to the bank for cancellation of licence. The bank's reply to the SCN submitted vide its letter dated October 29, 2010 was examined and was found not satisfactory.

The latest inspection carried out with reference to the bank's financial position as on March 31, 2011 revealed that there was no improvement in the banks financials. The net worth of the bank stood at (-) ₹ 104.43 lakh. With that level of assessed net worth the bank's own funds had been totally wiped out and deposits had also been eroded to the extent of 64%. Thus the bank had not complied with the provisions of Section 11(1) and Section 22 (3) (a) of the Act. CRAR of the bank had declined to (-) 197% and its accumulated losses stood at ₹ 136.25 lakh. The bank failed to maintain the required CRR and SLR during the period under review and thus it also did not comply with the provisions of Section 18 and 24 of the Act. The bank had violated RBI's directions issued under Section 35 (A) of the Act by way of setting off of loan amount with FDs and also allowing refund of share capital in cash to share holders. The bank continued to have liquidity problem and could not even allow withdrawal of amount sanctioned under hardship cases.

The bank was issued a fresh SCN as to why the licence granted to it to carry on banking business under Section 22 of the Act should not be cancelled and the bank taken into liquidation vide our letter dated September 23, 2011. The bank submitted its reply vide the letters dated October 25, 2011 and November 9, 2011. The reply to the SCN was examined, considered and was found unsatisfactory.

Having regard to all these facts, the Reserve Bank was satisfied that allowing the bank to carry on banking business any further, would be detrimental to the interest of the present and future depositors. Hence, the licence granted to the bank to conduct banking business deserved to be cancelled. Accordingly, the licence dated March 21, 1984 granted to the Chatrapur Co-operative Bank Ltd., Chatrapur, Odisha, to conduct banking business in India under Section 22 of the Act has been cancelled. This order makes it obligatory on the part of the bank to stop conducting 'banking business' within the meaning of Section 5(b) of the Act, with immediate effect. With the cancellation of its licence and commencement of liquidation proceedings, the process of paying the depositors of the Chatrapur Co-operative Bank Ltd., Odisha will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, the Chatrapur Co-operative Bank Ltd., Chatrapur, Odisha is prohibited from carrying on banking business as defined in Section 5(b) of the Act including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri A.K.Sinha, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bhubaneswar.

His contact details are as below:

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