



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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May 27, 2013

**Reserve Bank Cancels the Licence of
Arjun Urban Co-operative Bank Ltd., Solapur, (Maharashtra)**

In view of the fact that Arjun Urban Co-operative Bank Ltd, Solapur, (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 May 21, 2013. 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 October 14, 1996 to commence banking business. The statutory inspection of the bank conducted 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, 2009 revealed that the bank had incurred net loss of ₹ 26.35 lakh while its gross and net NPAs were assessed at 18.6% and 14.6% of the gross and net advances, respectively. The accumulated losses as per the bank stood at ₹ 13.18 lakh. Based on the findings of the inspection as on March 31, 2009 the bank was issued operational instructions vide RBI letter dated April 23, 2010.

The financial indicators of the bank however continued to deteriorate as was revealed during subsequent inspections conducted with reference to its financial position as on March 31, 2010 and March 31, 2011. As on March 31, 2010 the gross and net NPAs were assessed at 44.4% & 37.9%, respectively. The bank had incurred a net loss of ₹267.98 lakh. The accumulated losses as reported by the bank stood at ₹ 144.23 lakh. The existing supervisory actions were continued and additional supervisory action as given below was imposed on the bank vide RBI's letter dated November 8, 2010:- (i) To sanction fresh loans only against its own FDs, KVPs, Government securities, Gold and LIC policy, (ii) Step up recovery efforts and maintain CD ratio at sustainable level. (iii) to present true and correct picture of the bank's financial position to its stakeholders.

As on March 31, 2011 the bank incurred a net loss of ₹130.86 lakh while the gross and net NPAs were assessed at 58.4% & 50.1%, respectively. The bank reported an accumulated loss of ₹ 270.81 lakh. Based on the financial position of the bank as on March 31, 2011 the supervisory action imposed on the bank vide letter dated November 08, 2010 was continued with.

A penalty of ₹ 1.00 lakh was also imposed on the bank vide Speaking Order dated December 14, 2010 for violation of RBI directives on exposure norms, unsecured advances and director related loans observed during the statutory inspection as on March 31, 2010, The bank paid the penalty on July 16, 2012. All the members of the Board resigned on January 12, 2012 and the DDR Solapur, in terms of powers granted under Section 77 of MCS Act, 1960 appointed an Administrative Committee on the bank vide his orders dated January 23, 2012. 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 August 7, 2012 vide directive UBD.CO.BSD-I/D-05/12.22.379/2012-13 dated August 6, 2012 for a

period of six months, subject to review. The directions were extended for a further period of six months from February 07, 2013 to August 06, 2013 vide directive UBD.CO.BSD-I/D-26/12.22.379/2012-2013 dated January 28, 2013.

The statutory inspection of the bank under section 35 of the Act, with reference to the financial position as on March 31, 2012, *inter alia*, revealed further deterioration in the financial position of the bank and other violations. Its net worth was assessed at (-) ₹ 281.22 lakh and CRAR was assessed at (-) 97.8%. The erosion in deposits was to the extent of 39.6%. The gross and net NPAs formed 83.8% and 49.5% of the gross and net advances respectively. The assessed net loss of the bank stood at ₹ 301.21 lakh for the year ended March 31, 2012. The accumulated losses stood at ₹555.35 lakh. The bank had been continuously defaulting in the maintenance of SLR since October 2011 and had defaulted in the maintenance of CRR continuously from December 2011 to March 6, 2012 and again continuously from May 17, 2012 till the date of inspection. The bank had also made preferential payment of deposits to a credit society.

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 9, 11(1), 18, 22(3) (a), 22(3) (b) and 24 of the Act. Based on the financial position of the bank as on March 31, 2012 the bank was issued a Show Cause Notice (SCN) vide letter UBD.CO.BSD-I.SCN.72/12.22.379/2012-13 dated December 13, 2012 to show cause as to why the licence granted to it on October 14, 1996 to carry on banking business under section 22 of the Act should not be cancelled and the bank be taken into liquidation. The bank's reply to the SCN vide letters dated January 8 and 15, 2013 and March 22, 2013 was examined and not found satisfactory.

Therefore, RBI took the extreme measure of cancelling the 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 Arjun Urban Co-operative Bank Ltd, Solapur, (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, Arjun Urban Co-operative Bank Ltd., Solapur, (Maharashtra) is prohibited from carrying on 'banking business' as defined in section 5(b) of the Act.

For any clarifications, depositors may approach Smt.Suchitra Maurya, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

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