



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI cancels Licence of Vitthal Nagari Sahakari Bank Ltd., Latur (Maharashtra)

The Reserve Bank of India (RBI) has cancelled the licence of Vitthal Nagari Sahakari Bank Ltd., Latur. The order was made effective from the close of business on June 26, 2015. The Registrar of Co-operative Societies, Maharashtra, has also been requested to issue an order for winding up of the bank and appoint a liquidator.

The Reserve Bank cancelled the licence of the bank as:

- The financial position was precarious and there was no scope for its revival.
- The bank does not comply with the provisions of Section 11(1), 22(3)(a) of the Banking Regulation Act, 1949 (AACS).
- The bank is not in a position to pay its present and future depositors in full, as and when their claims accrue.
- The affairs of the bank were being conducted in a manner detrimental to the interest of its present and future depositors.
- In all likelihood public interest would be adversely affected if the bank was allowed to carry on its banking business any further.

Consequent to the cancellation of its licence, Vitthal Nagari Sahakari Bank Ltd., Latur, is prohibited from conducting the business of 'banking' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS) with immediate effect.

With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of Vitthal Nagari Sahakari Bank Ltd., Latur, as per the Deposit Insurance and Credit Guarantee Corporation (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 DICGC as per usual terms and conditions.

Background

The Reserve Bank had granted a licence to Vitthal Nagari Sahakari Bank Ltd., Latur, to conduct banking business on December 11, 1996. In view of the deteriorating financial position, the bank was placed under all inclusive directions under Section 35A of the Banking Regulation Act with effect from the close of business on November 14, 2013. The last extension was valid till August 14, 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 further deteriorated and the bank did not have adequate assets to meet its outside liabilities as required under Section 22(3) (a) 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.

In view of continued deteriorating financial position, a show cause notice for cancellation of licence was issued to the bank on December 09, 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.

There was also no viable merger proposal under consideration. 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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