



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

September 7, 2011

Reserve Bank Cancels the license of Tandur Mahila Co-operative Bank Ltd. Tandur – Andhra Pradesh

In view of the fact that the operations of the Tandur Mahila Co-operative Urban Bank Ltd., Tandur (Andhra Pradesh), were practically defunct with no scope for revival in the foreseeable future and all efforts to ensure regulatory compliance in consultations with the Government of Andhra Pradesh had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order dated August 22, 2011 canceling its license to the bank after the close of business on August 30, 2011. The Registrar of Co-operative Societies, Andhra Pradesh State 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 license by Reserve Bank on June 21, 2000 to commence banking business. As per the findings of the statutory inspection of the bank conducted with reference to the financial position as on September 30, 2003, the bank was classified in Grade III. The bank was last inspected with reference to its financial position as on March 31, 2008. The findings of the inspection revealed that:

- i) The bank has not taken any step to improve its functioning
- ii) The gross NPAs of the bank constituted 27.6% of gross advances
- iii) The accumulated losses stood at ₹5.52 lakh

The subsequent inspection of the bank from March 31, 2009 onwards could not be taken due to non availability of books of accounts such as Trial Balance, General Ledger, Subsidiary Books, etc. and therefore the bank's financial position could not be ascertained.

The bank has not been submitting various statutory and other returns since November 2008. In spite of various reminders issued to the bank, there had been no response from the bank, besides there had been misappropriation of funds. An enquiry conducted by the Registrar of Cooperative Societies under section 51 of Andhra Pradesh Co-operative Societies Act, 1964 confirmed the irregularities that an amount of ₹ 40.52 lakh was misappropriated. It also confirmed the involvement of the staff in mismanagement of the affairs of the bank.

The bank's membership to local clearing house has been terminated on account of frequent returned instruments and non maintenance of adequate balance with the clearing house. Further, the bank had not complied with the requirements of minimum capital and reserves in terms of the provisions of Section 11 (1) of the Act. It was not in a position to pay its present and future depositors in full, as and when their claims accrue. The financial position of the bank left no scope for revival and in all likelihood, public interest would be adversely affected if the bank was allowed to carry on banking business.

The Reserve Bank of India issued a show cause notice to the bank on May 03, 2011, asking it to show cause as to why the license granted to it to conduct banking business should not be cancelled. The bank's reply to the show cause notice was not found satisfactory. The bank itself admitted that revival is not possible. In the absence of any viable action plan to comply with statutory requirements, Reserve Bank of India took the extreme measure of canceling the license of the bank in the interest of the bank's depositors. With the cancellation of its license and commencement of liquidation proceedings, the process of paying the depositors of Tandur Mahila Co-operative Urban Bank Ltd., Tandur (Andhra Pradesh) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

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

For any clarifications, depositors may approach Shri. R.N. Dash, General Manager, Urban Banks Department, Reserve Bank of India, Secretariat Road, Saifabad, Hyderabad . His contact details are as below:

Postal Address: Urban Banks Department, Reserve Bank of India, Secretariat Road, Saifabad, Hyderabad - 500004, Telephone Number: (040) 23234920, Fax Number: (040) 23235891, [Email](#)

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Ajit Prasad
Assistant General Manager