



**भारतीय रिज़र्व बैंक**

**RESERVE BANK OF INDIA**

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September 12, 2012

### **Reserve Bank Cancels the licence of Rajiv Gandhi Sahakari Bank Ltd.,Latur (Maharashtra)**

In view of the fact that Rajiv Gandhi Sahakari Bank Ltd., Latur (Maharashtra) (hereinafter referred to as 'the bank') is not in a position to pay its present and future depositors, the affairs of the bank are being conducted in a manner detrimental to the interest of the depositors and the financial position of the bank leaves no scope for its revival, the Reserve Bank of India ( hereinafter referred to as 'RBI') on August 30, 2012 delivered the order to the bank cancelling its licence for conducting banking business. Registrar of Co-operative Societies, Pune has also been requested to issue an order for winding up the bank and appoint 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 December 15, 1997 under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) (hereinafter referred to as 'the B. R. Act') to conduct banking business. As per the statutory inspection of the bank conducted under Section 35 of the Banking Regulation Act, 1949 (AACS) with reference to its financial position as on September 30, 2004, its net NPAs were assessed at 23.5%, networth at (-)₹16.14 lakh, CRAR at (-)7.8% and accumulated losses at ₹21.41 lakh.

The statutory inspection of the bank conducted under Section 35 of the B. R. Act with reference to March 31, 2006 revealed that its financial position had deteriorated further. The bank was issued operational instructions under Section 36 (1) of the B. R. Act vide RBI letter dated October 6, 2006 which, inter alia, prohibited the bank from accepting fresh deposits, allowing pre-mature withdrawal of term deposits and sanctioning fresh loans and advances.

The statutory inspections of the bank conducted under Section 35 of the B. R. Act with reference to its financial position as on March 31, 2007 and March 31, 2008 did not show any significant improvement in the financials of the bank.

The statutory inspection of the bank conducted with reference to its financial position as on March 31, 2010 revealed deterioration in the financial position with assessed net worth at (-)₹22.85 lakh, CRAR at (-)15.4%, gross NPAs at 35.2% of gross advances, assessed loss at ₹ 58.32 lakh and deposit erosion at 11.9%. TAFCUB reviewed the findings of the inspection report as on March 31, 2010 in its meeting held on June 23, 2011 and recommended supersession of the Board of Directors and imposition of directions followed by issue of Show Cause Notice (SCN) for cancellation of licence. Accordingly, directions under Section 35A of the B. R. Act were imposed on the bank vide Order dated August 2, 2011 which were extended

from time to time. Further, on the basis of RBI requisition dated August 2, 2011 for supersession of the Board, RCS vide his order dated August 16, 2011 superseded the board and appointed the administrative board on August 16, 2011.

The latest statutory inspection of the bank with reference to its position as on March 31, 2011 revealed sharp deterioration in the financial position of the bank. The real or exchangeable value of the paid-up capital and reserves (net-worth) had deteriorated from (-)₹ 22.85 lakh as on March 31, 2010 to (-)₹ 98.40 lakh as on March 31, 2011 and thus the bank did not comply with Sections 11(1) and 22(3) of B. R. Act. The CRAR of the bank deteriorated from (-)15.4% as on March 31, 2010 to (-)41.8% as on March 31, 2011. Assessed gross and net NPAs increased from ₹67.12 lakh (35.2%) and ₹54.82 lakh (30.7%) as on March 31, 2010 to ₹148.92 lakh (99.0%) and ₹129.13 lakh (93.5%) as on March 31, 2011. The assessed losses increased from ₹58.32 lakh during 2009-10 to ₹129.27 lakh during 2010-11 whereas assessed accumulated losses of the bank increased from ₹68.68 lakh as on March 31, 2010 to ₹133.87 lakh as on March 31, 2011. The deposit erosion increased from 11.9% as on March 31, 2010 to 52.8% as on March 31, 2011

Keeping in view the deterioration in the financial position of the bank a Show Cause Notice (SCN) dated May 17, 2012 was issued to the bank requiring it to show cause as to why the licence granted to it under Section 22 of the B. R. Act on December 15, 1997 to carry on banking business should not be cancelled and the bank be taken into liquidation. The bank's reply dated June 20, 2012 to the SCN was examined but was not found to be satisfactory. Further, no concrete proposal for merger/ revival of the bank was received.

The bank does not comply with the provisions of Sections 11(1), 18, 22 (3) (a), 22 (3) (b) and 24 of the B. R. Act and is not in a position to pay its present and future depositors. The affairs of the bank are being conducted in a manner detrimental to the interest of depositors. The financial position of the bank leaves no scope for its revival and in all likelihood public interest will be affected if the bank is allowed to carry on its business any further. 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 Rajiv Gandhi Sahakari Bank Ltd., Latur (Maharashtra) the amount insured as per the DICGC Act, 1961 will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Rajiv Gandhi Sahakari Bank Ltd., Latur (Maharashtra) is prohibited from carrying on business of 'banking' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS).

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

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