



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Website : www.rbi.org.in

ई-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 2270 3279

November 22, 2010

RBI cancels the Licence of The Boriavi People's Co-operative Bank Ltd., Boriavi, (Gujarat)

The Reserve Bank of India has cancelled the licence of the Boriavi People's Co-operative Bank Ltd., Boriavi, Gujarat. The order of cancellation of the licence was given after the close of business on November 19, 2010. The Reserve Bank has also requested the Registrar of Co-operative Societies, Gujarat to issue an order for winding up the bank and appoint a liquidator.

Consequent to the cancellation of its licence, The Boriavi People's Co-operative Bank Ltd., Boriavi, Gujarat 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.

With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the The Boriavi People's Co-operative Bank Ltd., Boriavi (Gujarat) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme. 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.

For any clarifications, depositors may approach Shri C N Modi, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. His contact details are:

Postal Address: Urban Banks Department, Reserve Bank of India, Ahmedabad Regional Office, La Gajjar Chambers, Ashram Road, Ahmedabad-380009; Telephone Number: (079) 26589338, 26580512; Fax Number: (079) 26584853; [Email](mailto:helpdoc@rbi.org.in).

The Reserve Bank cancelled the licence of The Boriavi People's Cooperative Bank Ltd. as the bank had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat had failed and the depositors were being inconvenienced by continued uncertainty.

Background

The Reserve Bank had given a licence to The Boriavi People's Co-operative Bank Ltd., Boriavi, Gujarat in December 1986. The statutory inspection of the bank with reference to its financial position as on March 31, 2008 assessed the Capital to Risk Weighted Assets Ratio (CRAR) at (-) 17.9 per cent, negative networth at (-) ₹ 67.40 lakh, erosion in deposits to the extent of 8.1 per cent. The bank's financial position deteriorated sharply as on March 31, 2009 wiping out its owned funds. Its deposits were also eroded to the extent of 22.2 per cent.

Due to its precarious financial position, the bank was placed under directions under Section 35 A of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) on September 17, 2009. The subsequent inspection of the

bank with reference to its financial position as on March 31, 2010 revealed that the financial position of the bank was not sound. The bank also did not comply with the provisions of Section 11(1), 22(3) (a) and (b) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).

In the absence of any concrete/viable revival plan/ merger proposal for turnaround and means to achieve the required regulatory prescriptions, the possibility of revival of the bank was remote. Therefore, the Reserve Bank of India took the extreme measure of cancelling licence of the bank in the interest of bank's depositors.

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Ajit Prasad
Assistant General Manager