



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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## **Reserve Bank Cancels the Licence of Solapur Nagari Audyogik Sahakari Bank Niyamit, Solapur (Maharashtra)**

In view of the fact that Solapur Nagari Audyogik Sahakari Bank Niyamit, 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 delivered the order cancelling its licence to the bank as on the close of business on November 5, 2011. 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 Reserve Bank on October 19, 1979 to commence banking business. The statutory inspection of the bank under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) [the Act], with reference to its financial position as on March 31, 2005 revealed that the assessed networth of the bank was negative and the bank's deposits had eroded to the extent of 3.0%. The financial parameters of the bank continued to deteriorate further as revealed during subsequent inspections conducted with reference to its financial position as on March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010. The bank was issued supervisory instructions on June 27, 2006 based on its deteriorating financial position as on March 31, 2005 and these supervisory instructions were modified, from time to time, based on the findings of the relevant inspection reports.

As the bank had violated operational instructions issued vide letter dated June 27, 2006 and not complied with Reserve Bank of India guidelines contained in circular dated December 17, 2009, regarding maintenance of investments in government securities, a monetary penalty amounting to ₹ 5.00 lakh was levied on the bank after issue of Show Cause Notice in this regard.

The bank was unable to manage its liquidity and due to run on its deposits and liquidity crisis, the bank was placed under all inclusive directions under Section 35 A of the Act, vide directive UBD.CO.BSD 1/D -28/12.22.278/2010-11 dated January 6, 2011, with effect from the close of business as on January 7, 2011, for a period of six months. The directive was modified vide order UBD.CO.BSD 1/D-45/12.22.278/2010-11 dated June 21, 2011, extending the period of directions for a further period of six months.

The statutory inspection of the bank under Section 35 of the Act, with reference to the financial position of the bank as on March 31, 2011 revealed further deterioration in its financial position and other violations. Its net worth was assessed at (-) ₹ 1979.04 lakh and CRAR was assessed at (-)49.4%. The erosion in deposits was to the extent of 30.1%. The gross and net NPAs formed 33.4% and 22.3% of the gross and net advances respectively. The assessed net loss of the bank stood at ₹1380.38 lakh for the year ended March 31, 2011 against the reported net loss of ₹1177.71 lakh by the bank.

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 11(1), 18, 22(3)(a), 22(3)(b) and 24 of the Act. Pursuant to the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, it was issued a notice vide letter dated August 12, 2011 to show cause (SCN) as to why the licence granted to the bank on October 19, 1979 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated September 6, 2011. The reply to the SCN was considered and examined but not found satisfactory. Further, no concrete proposal was received from the bank for merger or any viable revival / restructuring plan.

Therefore, Reserve Bank of India took the extreme measure of cancelling 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 Solapur Nagari Audyogik Sahakari Bank Niyamit, 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, Solapur Nagari Audyogik Sahakari Bank Niyamit, 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.K.S.Jyotsna, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below :

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