



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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**Reserve Bank Cancels the Licence of
Gujarat Industrial Co-operative Bank Ltd., Ahmedabad (Gujarat)**

In view of the fact that Gujarat Industrial Co-operative Bank Ltd, Ahmedabad (Gujarat) 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, the Reserve Bank of India delivered the order cancelling its licence to the bank before commencement of business on November 11, 2011. The Central Registrar of Co-operative Societies, New Delhi 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.

2. The bank was granted a licence by Reserve Bank of India on September 29, 1999 to commence banking business. The statutory inspection conducted by Reserve Bank of India conducted under Section 35 of the Banking Regulation Act, 1949 (AACS) with reference to its financial position as on March 31, 2007 revealed that the assessed networth was (-) ₹ 6930.61 lakh, CRAR was (-) 24.0% and gross and net NPAs were 40.8% and 30.4% of the gross and net advances respectively and the deposits of the bank was eroded to the extent of 14.8%.

3.(a) In view of its precarious financial position and with a view to preventing preferential payments and protecting the interest of the depositors, the bank was placed under Directions under Section 35A of the Banking Regulation Act, 1949 (AACS) with effect from the close of business on September 20, 2008 restricting withdrawal of deposits to ₹1000/- per depositor.

(b) The Board of Directors of the bank was superseded under section 36 AAA of Banking Regulation Act, 1949 (AACS) and an Administrator was appointed from the same date due to certain serious irregularities such as raising fictitious entries under branch adjustment/interest receivable heads, huge shortfall in provisioning due to wrong asset classification and under-reporting of NPAs, accounting fraud committed in non-banking assets, malfunctioning of the Board of Directors and its deliberate attempt to project better financial position of the bank with the help of manipulated balance sheet.

(c) A criminal complaint has been filed by the Administrator of the bank against the ex-Board of Directors for their acts of omissions and commissions leading to huge losses to the bank.

4. The financial parameters of the bank continued to deteriorate during the subsequent inspections conducted with reference to its financial position as on March 31, 2008 and March 31, 2009.

5. The revival plan submitted by the Administrator of the bank in July 2009 was not found viable as it was not in conformity with the extant guidelines issued by RBI. A Show Cause Notice for cancellation of licence under Section 22 of the Banking Regulation Act, 1949 (AACs) was issued on August 20, 2009. The reply submitted by the bank was examined but was not considered satisfactory and the decision on the future set up of the bank was kept in abeyance as efforts were being taken for merging the bank with a strong UCB.

6. The statutory inspection of the bank carried out under Section 35 of the Act *ibid* with reference to its financial position as on March 31, 2010 revealed further deterioration in its financial position and other violations. Its net worth and CRAR were assessed at (-) ₹ 29184.18 lakh and (-) 365.0% respectively. The erosion in deposits was to the extent of 60.4%. The gross and net NPAs formed 85.4% and 21.3% of the gross and net advances respectively. The assessed net loss of the bank stood at ₹ 3963.93 lakh as against the reported net loss of ₹ 3872.93 lakh.

7.(a) The revised revival plan submitted by the bank in March/April 2010 was considered but found not viable as it was not in conformity with RBI guidelines.

(b) The merger proposal from Saraswat Bank Ltd., Mumbai did not materialise. The commercial banks which conducted the due diligence for taking over the assets and liabilities of the UCB expressed their unwillingness for the same.

8. 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) and 22(3)(a) & (b) of the Act *ibid*. In view of the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, the Reserve Bank of India issued a Show Cause Notice (SCN) to the bank on April 21, 2011 to show cause as to why the licence granted to it on September 29, 1999 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated May 23, 2011, which was examined but not found satisfactory. Further, no concrete proposal for merger or any viable revival/restructuring plan was received from the bank.

9. Therefore, Reserve Bank of India 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 Gujarat Industrial Co-operative Bank Ltd, Ahmedabad (Gujarat), 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.

10. Consequent to the cancellation of its licence, the Gujarat Industrial Co-operative Bank Ltd, Ahmedabad (Gujarat) 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 Kamaljeet Singh, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. His contact details are as below:

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