



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

December 1, 2011

Reserve Bank Cancels the Licence of Bharat Urban Co-operative Bank Ltd., Solapur (Maharashtra)

In view of the fact that Bharat Urban Co-operative Bank Ltd., 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 (RBI) delivered the order cancelling its licence to the bank as on the close of business on November 25, 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 RBI on February 5, 1998 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) (hereinafter referred to as the 'Act'), with reference to its financial position as on March 31, 2006 revealed deterioration in its financial indicators such as CRAR was at 7.5% as against the regulatory requirement of 9.0% and gross and net NPAs were assessed at 39.9% and 34.3% of the gross and net advances, respectively. The assessed net loss during 2005-06 was ₹21.81 lakh. 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, 2007, March 31, 2008, March 31, 2009, March 2010 and a scrutiny based on the financial position as on September 30, 2010.

The bank was issued supervisory instructions vide RBI letter dated April 5, 2007, based on its financial position as on March 31, 2006. The supervisory instructions were amended on various dates. In view of deteriorating financial position of the bank, it was placed under all inclusive directions under Section 35 A of the Act from the close of business as on April 13, 2011 vide directive dated April 6, 2011, for a period of six months. The directions were further extended for period of six months vide order dated October 10, 2011.

The Board of directors of the bank was found to be ineffective and responsible for deterioration in the financial position of the bank & for conducting the affairs of the bank in a manner detrimental to the interest of the depositors. Accordingly, a requisition dated May 23, 2011 was made to Registrar of Co-operative Societies,

Maharashtra [RCS] for supersession of the Board of Directors of the bank and RCS vide his order dated May 25, 2011 superseded the Board of the bank and appointed Board of Administrators. Based on the financial position of the bank as on March 31, 2010 and September 30, 2010 the bank was issued Show Cause Notice (SCN) for cancellation of licence vide RBI letter dated May 31, 2011. The reply submitted by the bank to the above SCN vide its letters dated June 28, 2011 and July 27, 2011 were examined and found not to be satisfactory.

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 (-)₹83.32 lakh and CRAR was assessed at (-)76.5% The erosion in deposits was to the extent of 38.4%. The gross and net NPAs formed 73.5% and 68.2% of the gross and net advances respectively. The assessed net loss of the bank stood at ₹117.65 lakh for the year ended March 31, 2011 against the reported net loss of ₹24.04 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), 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 September 7, 2011 to show cause notice (SCN) as to why the licence granted to the bank on February 5, 1998 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated September 26, 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, RBI 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 Bharat Urban Co-operative Bank Ltd., 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, Bharat Urban Co-operative Bank Ltd., 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:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd Floor, Garment House, Dr. A.B. Road, Worli, Mumbai – 400 018
Telephone Number: (022) 24920225, Fax Number: (022) 24935495 [Email](#).