

**भारतीय रिज़र्व बैंक**
RESERVE BANK OF INDIAवेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inइ-मेल email: helpdoc@rbi.org.in

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October 30, 2014

**Reserve Bank of India cancels the Licence of
The Baripada Urban Co-operative Bank Ltd., Baripada (Odisha)**

In view of the fact that The Baripada Urban Co-operative Bank Ltd., Baripada (Odisha), had ceased to be solvent, all efforts to revive it 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 and the same is effective from October 16, 2014. The Registrar of Co-operative Societies, Odisha 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 October 21, 2009 to commence banking business. The latest statutory inspection of the bank conducted under Section 35 of the Banking Regulation Act, 1949 (AACS) with reference to its financial position as on March 31, 2013, *inter alia*, revealed that the real or exchangeable value of paid-up share capital and reserves of the bank was assessed at (-) ₹ 3275.18 lakh with erosion in the deposits to the extent of 42.87%. The bank's Risk-Weighted Assets Ratio (CRAR) was assessed at (-)279.3% as against the regulatory requirement of 9%, accumulated losses of the bank as on March 31, 2013 stood at ₹ 3785.46 lakh with gross and net Non-Performing Assets (NPAs) as on March 31, 2013 assessed at ₹ 4499.56 lakh (94.32% of the gross loans and advances) and ₹ 1826.82 lakh (87.08% of the net advances), respectively. The net loss of the bank was assessed at ₹ 2267.21 lakh during 2012-2013. In view of the large amount of NPAs, substantial accumulated losses, poor chances of recovery for improvement in financial health of the bank, revival prospects of the bank in the near future are bleak.

The statutory Inspection of the bank conducted by RBI under Section 35 of the BR Act with reference to the bank's financial position as on 31 March 2011 revealed certain serious deficiencies/irregularities such as negative Capital to CRAR and Net Worth, high gross NPA and non-reporting of Cash Transaction Report/Suspicious Transaction Report (CTR/STR) transactions to Financial Unit Intelligence-India (FIU-IND). The bank had taken large amount from unrealized interest on NPA accounts to operating income since long and was overstating its profit. The loans and advances outstanding against the ex-directors to the extent of ₹ 532.54 lakh were NPAs and the bank had not recovered the same as envisaged in our instructions vide UBD.BPD.Cir.50/13.05.00/2002-03 dated April 29, 2003. Task Force on Urban Co-operative Banks (TAFUCB) reviewed the financial position of the bank as on March 31, 2011 in its 14th meeting held on June 06, 2012 and recommended initiating supervisory actions against the bank. Taking this into consideration, supervisory action was initiated against the bank on July 17, 2012, wherein, the bank was directed inter alia, to take steps to contain administrative expenses, initiate targeted recovery and submit action plan for making CRAR positive and reduction of gross NPA etc. The bank's precarious

financial position and serious irregularities in its functioning were found to be persisting even in the inspection conducted with reference to its position as on March 31, 2012. Along with the Supervisory Action initiated on July 17, 2012, the bank had been directed to submit an Action Plan for making CRAR positive, reduce Gross NPA and initiate targeted recovery in top NPA accounts. The bank's Action Plan for 2012-13 submitted in January 2013, did not contain any plan for making CRAR positive, appreciable reduction of Gross NPA and targeted recovery from top NPAs. The recovery figures projected by the bank were highly unrealistic. The findings of Inspection of the bank with reference to its financial position as on March 31, 2012 were placed before the 15th TAF CUB meeting held on September 14, 2012 and the matter of imposition of directions on the bank under Section 35A of the BR Act was discussed. Keeping in view the deteriorating financial condition of the bank, all inclusive directions were issued to the bank vide UBD.CO. BSD-III.No./D-21/12.29.204/2012-13 dated November 15, 2012 to safeguard the interest of the depositors of the bank. The directions had thereafter been extended till November 18, 2014.

TAF CUB reviewed the financial position of the bank as on March 31, 2013 in its 20th meeting held on January 22, 2014. Keeping in view the persistent deterioration in the financial position of the bank, TAF CUB advised Registrar of Cooperative Societies (RCS)/Odisha Federation of the Urban Cooperative Banks and Credit Cooperative Societies to submit a detailed proposal /action plan for revival of the bank within two weeks for examination. The RCS, Odisha had submitted a plan with some delay, vide communication dated March 19, 2014 for revival of the bank. As the communication did not contain the requisite details which were essential to assess the reasonability and practicability of the projections made therein, certain clarifications were sought from the RCS, Odisha through letter dated March 26, 2014. 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 31 of the Act, *ibid*. The bank was, therefore, issued a show cause notice vide letter dated March 26, 2014 to show cause as to why the licence granted to it to carry on banking business under Section 22 of the Act, *ibid*, on October 21, 2009 should not be cancelled and the bank be taken into liquidation. The bank replied to the SCN through two letters dated May 2, 2014 and May 31, 2014 which included a revival plan, that as not found acceptable. There was also no viable merger proposal under consideration.

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 Baripada Urban Co-operative Bank Ltd., Baripada (Odisha) 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, The Baripada Urban Co-operative Bank Ltd., Baripada (Odisha) is prohibited from carrying on 'banking business' as defined in section 5(b) of the Act.

For any clarifications, depositors may approach Shri P.S.Venkateswaran, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bhubaneswar, whose contact details are as below:

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