



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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March 20, 2025

RBI imposes monetary penalty on The Karnataka Co-operative Bank Ltd., Muddebihal, Karnataka

The Reserve Bank of India (RBI) has, by an order dated March 18, 2025, imposed a monetary penalty of ₹5.00 lakh (Rupees Five Lakh only) on The Karnataka Co-operative Bank Ltd., Muddebihal, Karnataka (the bank) for non-compliance with certain directions issued by [RBI on 'Priority Sector Lending \(PSL\) - Targets and Classification'](#) and specific directions issued by RBI on making contribution to Micro and Small Enterprises (MSE) Refinance Fund due to shortfall in achievement of PSL. This penalty has been imposed in exercise of powers conferred on RBI under the provisions of Section 47A(1)(c) read with Sections 46(4)(i) and 56 of the Banking Regulation Act, 1949.

The bank was directed by RBI through specific direction to deposit a certain amount in the MSE Refinance Fund administered by Small Industries Development Bank of India (SIDBI) against the shortfall in achievement of PSL target for the Financial Year (FY) 2022-23. On failure to deposit the specified amount, a cautionary letter was issued by RBI advising the bank to deposit the specified amount, but the bank failed to deposit the same. Based on the above-mentioned non-compliance and related correspondence in that regard, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for its failure to comply with the RBI directions. After considering the bank's reply to the notice and oral submissions made during the personal hearing, RBI found, *inter alia*, that the following charge against the bank was sustained, warranting imposition of monetary penalty:

The bank had failed to deposit the prescribed amount in the MSE Refinance Fund maintained with SIDBI against the shortfall in achievement of PSL target for FY 2022-23 even after the issuance of cautionary letter.

This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers. Further, imposition of this monetary penalty is without prejudice to any other action that may be initiated by RBI against the bank.