



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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January 18, 2024

**RBI imposes monetary penalty on Mehsana Nagrik Sahakari Bank Limited,
Mehsana, Gujarat**

The Reserve Bank of India (RBI) has, by an order dated December 29, 2023, imposed a monetary penalty of ₹7.00 lakh (Rupees Seven lakh only) on Mehsana Nagrik Sahakari Bank Limited, Mehsana, Gujarat (the bank) for non-compliance with the directions issued by RBI on 'Loans and Advances to directors, relatives and firms/concerns in which they are Interested' read with 'Loans and Advances to directors etc. - directors as surety/guarantors – Clarification', '[Reserve Bank of India \(Co-operative Banks - Interest Rate on Deposits\) Directions, 2016](#)' and contravention of the provisions of section 26A (2) read with section 56 of the Banking Regulation Act, 1949 (BR Act). 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 BR Act.

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.

Background

The statutory inspection of the bank conducted by RBI with reference to its financial position as on March 31, 2022, and examination of the Inspection Report, Risk Assessment Report and all correspondence related thereto revealed, *inter alia*, that the bank had (i) sanctioned loans, wherein a relative of one of the bank's directors stood as guarantor, (ii) not paid interest on overdue matured term deposits from the date of maturity till the date of their repayment at the applicable rate, and (iii) not transferred eligible amount to Depositor Education and Awareness Fund. Consequently, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for failure to comply with the said directions, as stated therein.

After considering the bank's reply to the notice and oral submissions made by it during the personal hearing, RBI came to the conclusion that the charges of non-compliance with the aforesaid RBI directions and contravention of the aforesaid statutory provision was substantiated and warranted imposition of monetary penalty on the bank.