Reserve Bank of India cancels the Licence of the Lokseva Sahakari Bank Ltd., Pune, Maharashtra

The Reserve Bank of India (RBI) has, vide order dated September 14, 2017 cancelled the licence of Lokseva Sahakari Bank Ltd., Pune, Maharashtra to carry on banking business, with effect from the close of business on September 18, 2017. The Registrar of Co-operative Societies, Maharashtra has also been requested to issue an order for winding up the bank and appointing a liquidator for the bank.

The Reserve Bank cancelled the licence of the bank as:

i. The bank does not have adequate capital structure and earning prospects. As such it does not comply with the provisions of section 11(1) and section 22(3)(d) read with section 56 of the Banking Regulation Act, 1949.

ii. The bank is not in a position to pay its present and future depositors in full, as and when their claims accrue and thus does not comply with condition mentioned in section 22(3)(a) read with section 56 of the Banking Regulation Act, 1949.

iii. The affairs of the bank are being conducted in a manner detrimental to the interest of the present and future depositors and thus the bank does not comply with condition mentioned in section 22(3)(b) read with section 56 of the Banking Regulation Act, 1949.

iv. The financial position of the bank leaves no scope for its revival though the bank has been given ample time and opportunity for turnaround.

v. The bank has not taken any positive steps for capital augmentation and financial restructuring and there is no concrete / viable revival plan. The bank
has also not submitted any concrete proposal for merger with any other sound bank. Thus, despite being given reasonable time and opportunity, the bank has not made any serious efforts to improve its financial position which has continued to deteriorate as revealed during inspections conducted with reference to its financial position as on March 31, 2013, March 31, 2014 and March 31, 2015. As such, the general character of the management of the bank is prejudicial to the public interest or the interest of its depositors.

vi. No useful purpose would be served by allowing the bank to continue as envisaged in section 22(3)(e) of the Banking Regulation Act, 1949. Rather, public interest would be adversely affected if the bank is allowed to carry on its banking business any further.

2. Consequent to the cancellation of its licence, Lokseva Sahakari Bank Ltd., Pune, Maharashtra, is prohibited from conducting the business of ‘banking’ which includes acceptance of deposits and repayment of deposits as defined in Section 5(b) read with Section 56 of the Banking Regulation Act, 1949 with immediate effect.

3. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of Lokseva Sahakari Bank Ltd., Pune, Maharashtra, as per the DICGC Act, 1961 will be set in motion. 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) as per usual terms and conditions.

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