

# Why RBI has imposed directions on Punjab and Maharashtra Co-operative Bank

Surabhi Mumbai | Updated on September 24, 2019 Published on September 24, 2019

0



RBI has put similar sanctions on many cooperative banks in the past

The Reserve Bank of India's (RBI) directions on the Punjab and Maharashtra Co-operative Bank is not a one-off event, though customers are worried.

“The directions are imposed in exercise of powers vested in the Reserve Bank under Sub-section (1) of Section 35A of the Banking Regulation Act, 1949 read with Section 56 of the said Act,” the RBI said in a statement, adding that it should not be seen as a cancellation of the banking license.

## What do these Acts state?

Section 35(A) of the Banking Regulation Act says that the RBI in public interest and to “to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company; or to secure the proper management of any banking company generally” can issue directions to these entities. Section 56 of the Act applies to cooperative societies.

Also read: **RBI puts Mumbai-based PMC Bank under directions**

## Instances of the past

The RBI has, in the past, imposed similar sanctions on other banks, especially co-operative banks.

This month, it has extended such sanctions under Section 35 (A) for Osmanabad-based Vasantdada Nagari Sahakari Bank, Vithalrao Vikhe Patil Co-operative Bank in Nashik and Karad Janta Sahakari Bank.

In May this year, it had imposed financial curbs on Goa-based The Madgaum Urban Co-operative Bank and capped withdrawals by account holders at Rs 5,000.

“The directions by the RBI are in public interest to ensure better governance and controls at these banks,” said a former banker who did not wish to be named.

## Withdrawal of similar directions

On September 11, the RBI also withdrew similar directions it had imposed on Lucknow-based Indian Mercantile Co-operative Bank on June 04, 2014, which it had been extending from time to time.

“Reserve Bank, on being satisfied that in the public interest it is necessary to do so, in exercise of the powers vested in it under sub-section (2) of section 35A of the Banking Regulation Act, 1949 (as applicable to co-operative societies), hereby withdraws the said Directions so issued (and modified from time to time) to Indian Mercantile Co-operative Bank Ltd, Lucknow, Uttar Pradesh,” it had said.

Published on September 24, 2019

**banking**

0

COMMENTS

## Inside Priyanka Chopra's Bikini And Beach Diaries With Nick Jonas

[www.ndtv.com](http://www.ndtv.com) |

Sponsored

**Luxury 3,4 & 5 beds nestled in Prabhadevi's finest gated estate.**

**Rustomjee Crown, Prabhadevi |**

Sponsored

