

# Rupee Bank set to merge with MSC; joint proposal submitted to RBI

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Rupee Co-op Bank currently has 35 branches with 304 employees on roll and the bank's accumulated losses stand to the tune of Rs 650.89 crore until December 31, 2019.



Following the RBI nod, an agreement on the takeover of assets and liabilities will be drafted, and the merger should take a few months, Anaskar explained.

The 107-year-old, Pune-based Rupee Co-operative Bank is set to merge with Maharashtra State Cooperative (MSC) Bank — the apex cooperative [bank of Maharashtra](#) — subject to approval from the Reserve Bank of India. Both the banks have submitted a joint proposal to the department of cooperation, which was handed over to the [RBI](#) by the state cooperative commissioner, Vidyadhar Anaskar, chairman of the MSC Bank administrative board said. The RBI has granted an extension of banking licence to Rupee Co-operative Bank till February 29, 2020. Its board of directors have been under RBI restrictions since 2013. A board of administrators have been appointed since then to bring the bank back on its feet.

Anaskar pointed out the banks were awaiting a response from the RBI. “RBI officials have been seeking papers from us from Monday after the proposal was submitted,” he said. Following the RBI nod, an agreement on the takeover of assets and liabilities will be drafted, and the merger should take a few months, he explained.

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Rupee Co-op Bank currently has 35 branches with 304 employees on roll and the bank’s accumulated losses stand to the tune of Rs 650.89 crore until December 31, 2019. Anaskar said the MSC Bank would infuse funds to the tune of Rs 980 crore in Rupee bank. With the liabilities of the latter at Rs 1465 crore, a gap of Rs 465 crore is expected to be given by the Deposit Insurance and Credit Corporation. Should the proposal be approved by RBI, MSC Bank will, for the first time, enter retail banking, he said. MSC Bank is primarily into agro-based banking, with an exposure of Rs 20,000 crore to the sugar sector. Anaskar said an entry into retail banking

will help diversify risk. MSC Bank has deposits worth Rs 19,000 crore from 507 Urban Cooperative Banks. The bank has also received Rs 500 crore following an SC directive from the Maharashtra government, and an additional Rs 500 crore is expected from the government after MSC Bank won case on government guarantees, he said.

Anaskar pointed out that unlike the PMC Bank crisis, which occurred due to fraud of a criminal nature, Rupee Co-op Bank went into losses because of failure of business and, therefore, MSC Bank took a positive decision on the merger.

Significantly, none of the depositors of Rupee Co-op Bank will lose money or have to forgo their deposits, he said. The proposal submitted to RBI recommends that depositors with deposits less than Rs 1 lakh shall receive 20% of their deposits within a year and thereafter 20% of their remaining deposits every two months with an interest of 6.5%, he said. For deposits of more than Rs 1 lakh, depositors shall receive Rs 1 lakh in a year and 20% of the remaining sum every year for the next five years with an interest of 6.5% or the prevailing interest rate of MSC Bank, Anaskar pointed out.

After paying the depositors and the contribution of the bank and the funds given by the Deposit Insurance and Credit Corporation, the remaining amount will be given to shareholders of the bank on a pro-rata basis has been proposed, Usually in mergers, shareholders do not receive any funds, he said. The 304 employees will be retained by the bank and those with cases against them may have to go, he said. As the apex cooperative bank in Maharashtra, MSC Bank is the also like the guardian of cooperative banks in the state in addition to being the largest cooperative bank in Asia, he said. A merger of this nature would send positive signals to the industry, he added.

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