



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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November 25, 2024

RBI imposes monetary penalty on The Kheda People's Co-operative Bank Ltd., Kheda, Gujarat

The Reserve Bank of India (RBI) has, by an order dated November 15, 2024, imposed a monetary penalty of ₹2.10 lakh (Rupees Two lakh ten thousand only) on The Kheda People's Co-operative Bank Ltd., Kheda, Gujarat (the bank) for non-compliance with certain directions issued by RBI on 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks' and '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 statutory inspection of the bank was conducted by RBI with reference to its financial position as on March 31, 2023. Further, the bank was directed by RBI through specific directions 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 prescribed amount, a cautionary letter was also issued by RBI advising the bank to deposit the requisite amount, but the bank again failed to deposit the same. Based on findings of non-compliance with the RBI directions observed during the statutory inspection / non adherence with specific directions and related correspondence in that regard, notices were 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 said directions.

After considering the bank's reply to the said notices and oral submissions made by it during the personal hearing, RBI found, *inter alia*, that the following charges against the bank were sustained, warranting imposition of monetary penalty:

The bank had:

- i. breached the prudential inter-bank counterparty exposure limit; and
- ii. 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 within the prescribed time and 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.