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RBI Cancels Licence of Shirpur Merchants' Co-operative Bank

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The Reserve Bank of India cancelled the licence of Shirpur Merchants' Co-operative Bank Ltd. (Maharashtra) due to its poor financial condition, inadequate capital, and lack of earning prospects. The bank was directed to cease all banking operations from 6 April 2026, as its continuation was considered harmful to depositors' interests.

Reasons:

The RBI found that the bank did not have an adequate capital base

The bank lacked viable earning potential

It failed to comply with provisions of the Banking Regulation Act, 1949

The bank was unable to fully repay depositors in its current financial position

Thus, allowing it to continue operations would be prejudicial to public and depositor interest.

Post-Cancellation Actions:

The bank is prohibited from all banking activities, including:

Accepting deposits

Repayment of deposits

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RBI has asked the Registrar of Co-operative Societies, Maharashtra to Initiate winding-up proceedings

Appoint a liquidator for the bank

Protection of Depositors:

Depositors are protected under the Deposit Insurance Scheme managed by the Deposit Insurance and Credit Guarantee Corporation:

Insurance cover: Up to ₹5 lakh per depositor

Around 99.7% depositors are expected to receive their full insured amount

₹48.95 crore already paid to depositors (as of Jan 2026)

Additional Key Facts:

DICGC is a wholly owned subsidiary of RBI, established in 1962

Deposit insurance limit increased from ₹1 lakh to ₹5 lakh in 2020

RBI cancels licences under Section 22 of the Banking Regulation Act, 1949

Co-operative banks are regulated by:

RBI (banking functions)

State Registrar of Co-operative Societies (management aspects)