

Government of Jammu and Kashmir
Cooperatives Department
Civil Secretariat, Jammu.

Subject: Supersession of the Board of Directors of Jammu and Kashmir, Cooperative Bank and appointment of a new Board of Directors.

Government Order No: 14-JK-CB of 2020
D a t e d: 15.05.2020

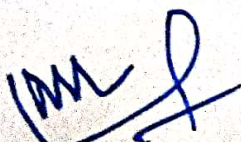
WHEREAS, a loan to the tune of Rs.223.00 Crore was granted to a non-existent society (River Jhelum Co-operative House Building Society) by the Jammu and Kashmir State Cooperative Bank Limited;

2. WHEREAS, a detailed inquiry conducted by the Anti-Corruption Bureau, J&K shows that the Board of Directors of the Jammu and Kashmir State Cooperative Bank Limited were directly involved in embezzlement of huge amount and causing loss to the public money by entering into fraudulent transactions;

3. WHEREAS, NABARD has also pointed out the deficiency in loan application, appraisal, process of sanction, documentation, post disbursement monitoring of the limit in its report and it has been specifically mentioned that the loan amount of Rs.250.00 Crore is sanctioned with release of 92% thereof within a week in violation of delegation of powers for loans and advances vested with the Loan Committee and the Board of Directors involving an amount above Rs.40.00 lakh and amount exceeding Rs.1.00 crore respectively, however, as per loan manual of the Bank, the maximum sanctioned limit is Rs. 1.00 crore only;

4. WHEREAS, NABARD has also pointed out that with respect to particulars of Board Members of the society, Board resolution signed by all members' authorizes the borrower to raise loan, or to conduct financial transactions, however, no details are available, moreover, the non-encumbrance certificate of loan was also not available;

5. WHEREAS, as per the rules and regulations, the bank was eligible for Individual exposure upto Rs.60.00 lakh, Unit-wise exposure upto



Rs.1968.90 lakh and sector-wise exposure upto Rs.28232.50 lakh, however, the Bank has sanctioned a loan of Rs.250.00 crore to a single unit violating the unit-wise exposure norms of loans and advances. The Bank has also not reported the same to NABARD;

6. WHEREAS, in its returns for quarter ending September 2019 sent by the Bank to NABARD, only Rs.23.00 crore was mentioned which implies that the Bank has concealed the information relating to loaning of such a huge amount to a single borrower without verifying his antecedents;

7. WHEREAS, the Government constituted an Inquiry Committee vide its Order No.24-Coop of 2020 dated 20.01.2020 and Chairman, Inquiry Committee vide his report dated 05.02.2020 has suggested that after a full-fledged inquiry, it has come to light that Jammu and Kashmir State Cooperative Bank has provided a sketchy information and the present scam may only be a tip of the iceberg;

8. WHEREAS, during the aforesaid inquiry conducted by the Inquiry Officer, an opportunity of being heard to the Board of Directors was accorded and Board of Directors were given a sufficient notice of the allegations against the Bank and also the further action contemplated regarding removal/supersession of the Board of Directors for such misfeasance and mismanagement to which a detailed explanation has been given by the Chairman of the Bank;

9. WHEREAS, Registrar Cooperative Societies has also recommended supersession of Board of Directors in view of the large scale bungling committed by the Board of Directors;

10. WHEREAS, sub-section (1) of Section 30 of the Jammu and Kashmir Cooperative Societies Act, 1989 reads as below:-

“(1) Supersession/removal of Committee:- If in the opinion of the Government or Registrar, a Committee or Board, by whatever name called, of a Co-operative Society is persistently making a default or is negligent in the performance of duties imposed on it by this Act or the rules or bye-laws made thereunder or has committed any act which is prejudicial to the interests of the Society or its members, or has failed to comply with any



direction given to it by the Government or the Registrar for the purpose of securing proper implementation of Co-operative production and other development programmes or that there is a failure in constituting or functioning of, the Committee or the Board, the Government or Registrar may, after giving the Committee or the Board, as the case may be, opportunity to state its objections, if any, within 15 days and after considering the objections, if received, by an order in writing remove the Committee or the Board and appoint one or more Administrators to manage the affairs of the Society for a period not exceeding two months and the elections shall be held within such period for the reconstitution of the Committee or the Board, as the case may be:

Provided that the Government or the Registrar may, for the reasons to be recorded in writing, extend the period of such appointment for a further period but in any case such extension shall not exceed six months from the date of such appointment:

Provided further that the supersession of the Committee of an Apex Cooperative Bank or a Central Co-operative Bank shall be done only in consultation with the Reserve Bank."

11. WHEREAS, sub-section (1) of section 30 provides for affording an opportunity of being heard to the Board of Directors and a detailed reply of Chairman of State Cooperative Bank dated 13.02.2020 has been received by the Government which is a sufficient testimony of the fact that the Board has been given a good opportunity to present its explanation;

12. WHEREAS, a full dressed inquiry conducted by the Inquiry Officer has clearly established that Board has not only negligently but also with criminal intention, disbursed a huge sum of Rs.223.00 crore as loan to a non-existent society without following the norms and which was beyond the competence of the Board itself;

13. WHEREAS, the inquiry officer has come to the conclusion that investigation conducted by Anti-Corruption Bureau and records available also point out to the irregularities and illegalities committed by the Board of Directors as such, the continuance of Board of Directors is detrimental to the interests of the Bank and will also hamper the criminal investigation;

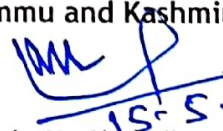


14. WHEREAS, the Government is of the view that Board of Directors of the Jammu and Kashmir State Cooperative Bank Limited has intentionally made a huge default in the performance of its lawful duties imposed on it under the Act or the rules or bye-laws made there under and has committed a criminal act which is prejudicial to the interest of the Bank. THEREFORE, in exercise of the powers conferred under sub-section (1) of section 30 of the Jammu and Kashmir Cooperative Societies Act, 1989 and in order to secure the interests of the creditors, and after giving the Board an opportunity of being heard and after considering the explanations furnished by the Board, the Board of Directors of the Jammu and Kashmir State Cooperative Bank Limited is ordered to be superseded with immediate effect. The Government further appoint a new Board of Directors with the following composition for proper management of the affairs of the Bank in accordance with the provisions of the Jammu and Kashmir Cooperative Societies Act, 1989:-

- (i) Divisional Commissioner, Kashmir - Chairman
- (ii) General Manager NABARD - Member
- (iii) Additional Registrar Cooperative Kashmir - Member
- (iv) Ms Moksha Kazmi, Senior Advocate, J&K High Court
- (v) Ms. Rajni Saraf, President J&K Bank
- (vi) Mr. R. Saboti, Chartered Accountant

15. Reserve Bank of India is also being consulted for confirming the order of supersession of Board of Directors and appointment of new Board.

By order of Government of Jammu and Kashmir


(Navin K. Choudhary), IAS
Principal Secretary to Government
Cooperatives Department

No: Coop/Plan/NDA/83/2016

Dated 15.05.2020.

Copy for information to the:

1. Joint Secretary (J&K), Ministry of Home Affairs, Government of India.
2. Registrar, Cooperative Societies, J&K, Jammu.
3. Directors Archives, Archaeology and Museums J&K, Jammu.
4. Additional Secretary to Hon'ble Lieutenant Governor, J&K.

5. Divisional Commissioner, Kashmir.
6. General Manager NABARD.
7. Additional Registrar Cooperative Kashmir.
8. Ms Moksha Kazmi, Senior Advocate, J&K High Court
9. Ms. Rajni Saraf, President J&K Bank
10. Mr. R. Saboti, Chartered Accountant
11. Private Secretary to Chief Secretary, J&K.
12. Private Secretary to Advisor (F) to Hon'ble Lieutenant Governor, J&K.
13. Private Secretary to Principal Secretary to Government, Cooperative Department.
14. Incharge Website.
15. Government Order file.