

No.: 5-290/76-Coop. (C&M)-  
Directorate of Co-operation,  
Himachal Pradesh.

To

1. Shri Kuldeep Singh Pathania, Chairman
2. Smt. Prem Lata Thakur, Director
3. Sh. Karnail Singh, Director
4. Sh. Ranjeet Singh Rana, Director
5. Sh. Atam Parkash, Director
6. Sh. Hiteshwar Singh, Director
7. Sh. Karan Singh, Director
8. Sh. Lekh Raj, Director
9. Sh. Pawan Kumar, Director
10. Sh. Balwant Singh, Director
11. Sh. Champa Chhering, Director
12. Sh. Chander Bhushan Nag, Director
13. Sh. Desh Raj Thakur, Director
14. Sh. Kulbinder Rana, Director
15. Sh. Pritam Singh, Director
16. Sh. Rajeev Kumar Mahajan, Director
17. Sh. Virender Guleria, Director
18. Sh. Moti Joshi, Director
19. Sh. Sunil Kumar, Director
20. Sh. Bharat Bhushan Mohil, Director

**From Sr. No. 1 to 20 above, all members of the Board of the Kangra Central Co-operative Bank Ltd. Dharamshala, Distt. Kangra H.P.**

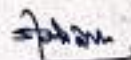
**Dated: Shimla-09, the**

**11<sup>th</sup> Sept, 2025.**

**Subject: SHOW CAUSE NOTICE** under Section 37 of the H.P. Co-operative Societies Act, 1968.

**Memo:**

1. Whereas, it is the statutory and fiduciary duty of every member of the Board of a Co-operative Bank to ensure that affairs of the Bank are conducted in compliance with the provisions of the H.P. Co-operative Societies Act, 1968





(hereinafter the "Act of 1968") , the Banking Regulation Act, 1949 (AACS) (hereinafter the "B.R. Act, 1949"), and in strict accordance with the directives and guidelines issued by the Reserve Bank of India (hereinafter the "RBI") and the National Bank for Agriculture and Rural Development ( hereinafter the "NABARD").

2. And whereas, it has come to the notice of the undersigned, on careful perusal of successive statutory inspection reports of NABARD that grave irregularities, illegalities and lapses have been committed in the management of the affairs of the Kangra Central Co-operative Bank Ltd. (hereinafter "the Bank"), both by the previous Board and by the present duly elected and nominated members of the Board.

3. An whereas, the NABARD, while conducting statutory inspections under Section 35(6) of the B.R. Act, 1949 (AACS) since the year 2015-16, has consistently pointed out persistent and serious irregularities in the conduct of the Bank, specifically stating that mode of operations of the Bank has been detrimental to the interests of its present and future depositors, thereby violating Section 22(3)(b) of the BR Act.

4. And whereas, in respect of the irregularities and illegalities committed by the members of the previous Board of the Bank, elected on 07.09.2013, as revealed in the inspection reports of NABARD, the audit reports and the departmental enquiry, a show cause notice was issued to the said members on 06.04.2018 under Section 37(1) of the Act, of 1968 calling upon them to explain as to why they should not be removed from office under Section 37(1) (a) of the said Act. Simultaneously, in exercise of powers under Section 37(1-A) of the Act of 1968, the Board was placed under suspension and, for managing the day-to-day affairs of the Bank, the Deputy Commissioner, Kangra, was appointed as Administrator. The said show cause notice was challenged by the then Chairman of



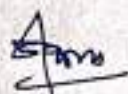


the Bank through CWP No. 1735 of 2018, which came to be dismissed by the Hon'ble High Court on 25.10.2018, holding in para 51 of its judgment that the order of suspension could not be said to have been passed without material or due application of mind. Thereafter, upon expiry of the term of the Board on 06.09.2018, the members were ultimately removed from office vide order dated 21.06.2019. During this intervening period, the affairs of the Bank were conducted either by the Administrator or by a Committee constituted under Section 35-A of the Act of 1968, until a new Board consisting of above named Directors was elected on 30.09.2020, except for the members at Sr. No. 1 and 18-20, who were nominated by the State Government in 2023, and the member at Sr. No. 20 who was nominated by the Apex Bank.

5. And whereas, as directors of a co-operative banking institution, you are entrusted with fiduciary duties of loyalty, prudence, diligence and compliance. It is your prime responsibility to safeguard depositors' funds, maintain profitability, reduce NPAs to within permissible limits, ensure a robust internal control system, and fully comply with regulatory directives and byelaws. Despite this, you have continuously failed in ensuring corrective and remedial measures, even after repeated adverse observations of NABARD.

6. And whereas, the recent statutory inspection reports of NABARD pertaining to the years 2022, 2023 and 2024, conducted under Section 35(6) of the B.R. Act, 1949 (AACS), reveal that the decisions and functioning of the Management/Board of the Bank have been consistently contrary to standard banking practices, statutory requirements and regulatory norms as prescribed under the BR Act and the directions of NABARD.

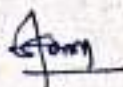
7. And whereas, in its latest inspection report for the reference date 31.03.2024 (received in the office of the undersigned on 27.03.2025), NABARD





has pointed out serious supervisory concerns and irregularities attributable to the Board of Directors in discharge of their statutory duties, which inter alia include—

- I **Financial deterioration:** Asset erosion and short provisioning of liabilities amounting to ₹76,745.02 lakh, resulting in erosion of provisions and profits worth ₹1134.08 lakh (17.64%).
- II. **Excessive NPAs:** Gross NPAs at 23.45% and Net NPAs at 8.81% as on 31.03.2024, substantially higher than the tolerable limit of 5%.
- III **Unauthorised lending:** Sanction of 1,090 loan accounts outside the notified area of operation of which 80% are NPAs, contrary to RBI licence conditions and the Bank's byelaws.
- IV. **Non-compliance with Section 35A, BR Act:**
  - KYC/AML/CFT deficiencies and duplication of CIFs.
  - Wrong classification of loan accounts, later corrected through Memoranda of Correction.
  - Payment of additional interest on deposits in accounts of staff relatives without obtaining mandatory declarations.
- V **Non-compliance with Section 26A, BR Act:** Failure to transfer inoperative RD accounts lying for more than 10 years to the RBI-DEA Fund.
- VI **Non-compliance with Section 27, BR Act:** Delayed reporting of frauds through ENSURE.
- VII **Weak internal control and fraud management:**
  - 55 fresh frauds involving ₹864.01 lakh detected during the inspection period.
  - 241 outstanding fraud cases involving ₹2099.89 lakh across 96 branches.
  - Several frauds not reported to law enforcement agencies.
  - Identified lacunae in internal control systems not rectified.
- VIII **Operational lapses:** Rejection of NRLM subvention claims worth ₹2.30 crore for 2020-21 and 2021-22 on account of delayed submission, evidencing poor internal checks.





- IX Exposure norm violations:** Persistent breach of CMA exposure, unit and housing finance exposure norms for more than three years.
- X System and service deficiencies:** Penalty of ₹30,000 by NPCI due to prolonged CBS downtime affecting UPI/RTGS/NEFT services; RBI penalties of ₹80,000 for non-exchange of soiled notes across six branches.
- XI Governance failures:**
- Non-compliance with RBI's "Fit and Proper" criteria by the Board and MD, with the MD abstaining from board meetings since September 2023.
  - Majority of Directors lacking qualifications mandated under Section 10A(2) of the BR Act.
  - Statutory committees (Audit, Risk Management, Fraud Prevention, IT, Loan, ALCO) remaining largely non-functional.
  - Reversal of disciplinary action against employees by the Board, undermining internal governance.
  - Delayed or absent decision-making on critical issues.
  - Non-compliance with RBI framework on compromise settlements/technical write-offs, including 1047 cases with waivers exceeding 90%, and 850 cases with 100% waiver.

8. And whereas, on the basis of the aforesaid findings, NABARD in its inspection report has identified the underlying reasons for non-compliance, which include: (i) persistently high NPAs at 23.45%, far exceeding the permissible threshold; (ii) inadequate internal checks and controls, evidenced by repeated frauds involving substantial sums; (iii) persistent governance lapses, including violations of Section 35-A of the B.R. Act, 1949 (AACS); (iv) continuing breach of exposure norms for over three consecutive years; (v) absence of qualified directors as mandated under law; (vi) repeated failures in fraud prevention and reporting; and (vii) pendency of un-reconciled entries in intermediary accounts for over three years. NABARD has, therefore, concluded that the operations of the Bank have been conducted in a manner detrimental to the interests of current and



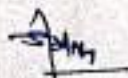


future depositors, and that the Bank has consequently failed to comply with the mandate of Section 22(3)(b) of the B.R. Act, 1949 (AACS).

9. And whereas, upon careful examination of the statutory inspection reports of NABARD for different years along with other relevant records pertaining to the Bank, the undersigned is of the considered view that the members of the present Board of Directors have committed serious irregularities, violations, and acts of mismanagement. As members of the Board, it is your onerous fiduciary duty to ensure that the affairs of the Bank are conducted in a manner that promotes profitability, safeguards the interests of depositors and stakeholders, and strictly complies with the provisions of the B.R. Act, 1949 (AACS), the Act of 1968, and the guidelines of the RBI and NABARD. However, you have failed to discharge these responsibilities in accordance with recognized banking norms and practices. It was incumbent upon you to formulate and implement an effective action plan to address the discrepancies repeatedly highlighted by NABARD, but you have failed to take any corrective measures.

10. And whereas, NABARD has regularly forwarded copies of its inspection reports with directions for immediate compliance. However, the consistent adverse remarks contained in successive inspection reports establish a continued failure and careless approach on your part in managing the affairs of the Bank, as also evident in the latest inspection report of the NABARD for the year 2024, already detailed in para-7 above.

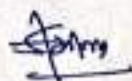
11. And whereas, this office had also forwarded the latest inspection report of NABARD for the year 2024 to the Bank vide letter dated 30.04.2025. Further, taking cognizance of NABARD's D.O. letter dated 27.06.2025, this office, on 23.07.2025, directed the Bank to furnish a point-wise action taken report along with a comprehensive corrective action plan. However, records reveal that you, being members of the Board, failed to respond or initiate any remedial





measures in respect of the serious irregularities pointed out by NABARD. It is also observed that after a lapse of almost five months from the date when the inspection note was sent to the Bank for compliance, the Managing Director of the Bank, vide letter dated 28.08.2025, confirmed all the adverse observations recorded by NABARD in its inspection note to be true and, vide letter dated 27.08.2025, submitted an action taken/proposed action report on the supervisory concerns raised by NABARD. The submission of such an action taken/proposed action report by the Managing Director appears to be a mere formality, as the comprehensive action taken report was required to be prepared after due deliberation on each point in the Board of Directors' meeting. You, being members of the Board, failed to deliberate upon such a vital issue and to prepare a comprehensive action plan to address the serious concerns reported by NABARD in its latest inspection report, which are adversely affecting the profitability and credibility of the Bank.

12. And whereas, in view of the above continued omissions, I am of the considered opinion that the members of the present Board of Directors have been persistently disobeying the lawful directions issued by RBI, NABARD, this office, and have: (i) persistently defaulted in the performance of their statutory duties under the Act of 1968 and the Rules framed there under; (ii) acted in contravention of provisions of the B.R. Act, 1949 as well as directions/guidelines of RBI and NABARD; (iii) committed acts detrimental to the interests of the Bank, its shareholders, depositors, and the general public; (iv) conducted the Bank's affairs in an improper and imprudent manner; and (v) wilfully contravened applicable laws and regulatory instructions.






13. And whereas, in view of the aforesaid irregularities, violations and acts of omission and commission, it has become necessary to issue a show cause notice to the members of the present Board.

14. Now, therefore, I, Dorje Chhering Negi, Registrar, Co-operative Societies, Himachal Pradesh, in exercise of powers vested in me under Section 37(1) of the H.P. Co-operative Societies Act, 1968, hereby call upon the above named members of the Board of Directors of the Kangra Central Co-operative Bank Ltd. to show cause as to why they should not be removed from office and disqualified from being elected to any committee of a co-operative society under Sections 37(1)(a) and 37(6) of the Act respectively, for their aforesaid acts of omission and commission.

15. Further, I am of the considered view that in the interest of the Bank, its depositors, and the public at large, it is imperative to prevent continuation of the present Board during the pendency of these proceedings. Accordingly, in exercise of powers under Section 37(1-A) of the H.P. Co-operative Societies Act, 1968, the Board of the Bank is hereby placed under suspension with immediate effect, and the **Divisional Commissioner, Kangra at Dharamshala** is appointed as Administrator to manage the affairs of the Bank until the proceedings under Section 37 are completed or a new Board is duly elected.

17. You are hereby directed to submit your detailed reply to this Show Cause Notice within ten days from the date of its receipt. Failing which, it shall be presumed that you have nothing to state in your defense, and further action shall be taken against you in accordance with law on the basis of available records.

  
(Dorje Chhering Negi, IAS)  
Registrar Co-operative Societies,  
Himachal Pradesh.  
Dated: Shimla-9, 11<sup>th</sup> Sept, 2025.

Endst. No. 5-140/76-Coop.(C&M)-V



Copy to:

1. The Secretary (Co-operation) to the Government of Himachal Pradesh for information please.
2. The Divisional Commissioner, Kangra at Dharamshala, Distt. Kangra, H.P. for information and necessary compliance.
3. The Regional Director, Reserve Bank of India, 40 SDA Complex, Kasumpti, Shimla-09 for information with the request that entire matter after considering the replies to be tendered by the above named members of the Board of the Bank shall be sent to you for further consultation before taking any action for superseding the Board of the Bank in accordance with the provisions of the H.P. Co-operative Societies Act, 1968.
4. The Chief General Manager, NABARD, Block No. 32, SDA Complex, Kasumpti, Shimla-09 (H.P.) for information.
5. The Additional Registrar, Co-operative Societies, Dharamshala, Distt. Kangra, H.P. for compliance.
6. Managing Director, the Kangra Central Cooperative Bank Ltd. Dharamshala, Distt. Kangra, H.P. for information along with 20 spare copies for effecting service upon the above named suspended members of the Board against proper receipt.

  
(Dorje Chhering Negi, IAS)  
Registrar Co-operative Societies,  
Himachal Pradesh.