

Draft Final Report
of the

**Task Force on Revival of
Cooperative Credit Institutions**

30 December 2004

Contents

Sr. No.	Particulars	Page No.
1	Chapter 1: Introduction	1-7
2	Chapter 2: Evolution of the Cooperative Movement	8-15
3	Chapter 3: Nature and Extent of Impairment and Remedial Measures	16-40
4	Chapter 4: General Approach and Financial Restructuring	41-63
5	Chapter 5: Institutional, Legal and Structural Reforms	64-80
6	Chapter 6: Implementation Mechanism	81-89
7	Chapter 7: Transitional Problems and Long Term Outlook	90-95

List of Annexures
Annexure I : Notification of Government of India
Annexure II : Venue of Meetings of Task Force
Annexure III : List of Cooperators / Academicians / Bankers Invited for Interaction with Task Force
Annexure IV : Classification of PACS as per their Financial Position (2002-2003)
Annexure V : State-wise / Agency-wise Ground Level Credit (GLC) Disbursements for Agriculture and Allied Activities (2002-2003)
Annexure V(A) : Ground Level Credit Flow from Various Agencies to Agriculture Sector (1992-1993 to 2004-2005) (Share of Short Term and Medium / Long Term Agricultural Credit and their Growth Rates)
Annexure V(B) : Ground Level Credit Flow of Various Agencies for Agriculture Sector – Selected Years (Share of Cooperative Banks in Agricultural Credit and its Overall Growth Rate)
Annexure V(C) : Ground Level Credit Flow from Various Agencies to Agriculture Sector during 1992-1993 to 2004-2005 (Share of Cooperative Banks in Agricultural Credit and its Overall Growth Rate)
Annexure VI : Management in SCBs/ DCCBs
Annexure VII : Involvement of the State Governments in Management of Cooperative Credit Institutions
Annexure VIII : PACS in Profit During 2001-2002 and 2002-2003
Annexure IX : Highlights of Regional Performance of DCCBs (Based on the Average performance of 5 years)
List of Annexures (contd..)
Annexure X : Costs and Margins of DCCBs – Range and median Values
Annexure XI : Average Performance of DCCBs over 1999 to 2003 According to Profitability Classes
Annexure XII : Average Performance of DCCBs over 1999 to 2003 According to NPA Classes
Annexure XIII : Average Performance of DCCBs over 1999 to 2003 According to Recovery Classes
Annexure XIV : Amount of Loans Issued by PACS During 2002-2003
Annexure XV(A) : Amount of Loans Outstanding in respect of PACS as on 31 March 2003
Annexure XV : Number of PACS having Godowns During 2002-2003
Annexure XVI : Composition of Loans of PACS (using 5 district PACS data)
Annexure XVII : Staff Productivity of PACS – State-wise
Annexure XVIII : Share of Deposits According to Type for DCCBs
Annexure XVIII(A) : Share of Deposits According to Ownership for DCCBs
Annexure XIX : Frequency Distribution of DCCBs According to Profitability (selected States)
Annexure XIX(A) : Frequency Distribution of DCCBs According to NPA % (selected States)
Annexure XIX(B) : Frequency Distribution of DCCBs According to Recovery % (selected States)
Annexure XX : Mutually Aided Cooperatives Societies Act – Model Draft
Annexure XXI : Special Chapter for Financial Cooperatives
Annexure XXII : Draft Memorandum of Understanding

CHAPTER - 1

Introduction

1.01 Rural Cooperative Banking and Credit Institutions play an important role in meeting the growing credit needs of rural India. The volume of credit flowing through these institutions has increased. The performance of these institutions, however (apparent in the share of total institutional credit and the indicators of their financial health), has been less than satisfactory and is deteriorating rapidly. Of late, a number of Committees have gone into the reasons for this situation and suggested remedial measures, but there has been little progress in implementing their recommendations.

1.02 The Government of India, which is committed to reviving and revitalising the rural cooperative credit structure (CCS) and attributes high priority and urgency to it, felt it necessary to commission a fresh review. The Union Government constituted a Task Force (vide Government of India notification dated 05 August 2004 reproduced in Annexure I) to formulate a practical and implementable plan of action to rejuvenate the rural cooperative credit structure. The Task Force comprises the following members and permanent invitees:

Chairman

Prof. A. Vaidyanathan, Emeritus Professor, Madras Institute of Development Studies, Chennai.

Members

Shri M Rama Reddy, President, Sahavikasa Cooperative Development Foundation, Hyderabad

Prof. M. S. Sriram, Indian Institute of Management, Ahmedabad

Shri A. K. Singh, Additional Secretary, Ministry of Agriculture, Department of Agriculture and Cooperation (nominated by the Union ministry of Agriculture, Government of India)

Shri H.S. Chahar, Secretary, Cooperation, (now Principal Secretary) Government of Orissa (nominated by the State Government of Orissa)

Shri L. M. Chaube, Managing Director, U.P. State Cooperative Bank (nominated by the State Government of Uttar Pradesh)

Shri U. C. Sarangi, Commissioner for Cooperation and Registrar of Cooperative Societies, Government of Maharashtra (nominated by the State Government of Maharashtra)

Member Secretary

Shri. Y. S. P. Thorat, Managing Director, NABARD

Permanent Invitees

Shri A. V. Sardesai, Executive Director, RBI, Mumbai.

Shri K. D. Zacharias, Legal Advisor, RBI, Mumbai.

The Terms of reference of the Task Force

1. To recommend an implementable action plan for reviving the Rural Cooperative Banking Institutions, taking into consideration, inter alia, main recommendations made by various committees in this regard.
2. To suggest an appropriate regulatory framework and the amendments which may be necessary for the purpose in the relevant laws.
3. To make an assessment of the financial assistance that the Cooperative Banking Institutions will require for revival, the mode of such assistance, its sharing pattern and phasing.
4. To suggest any other measures required for improving the efficiency and viability of Rural Cooperative Credit Institutions.

1.03 The Task Force was required to submit its report by 31 October 2004. However, on account of some delay in getting the names of the State Government nominees, the Task Force could hold its first meeting only on September 06, 2004. The deadline of 31st October, 2004 for completion of its work being clearly unrealistic, the Task Force sought and obtained concurrence of the Government of India to extend the deadline up to the end of December 2004.

1.04 The Task Force held eight meetings between September and December 2004 at Mumbai, Chennai, Kolkata, New Delhi, Bhopal, Kolhapur and Hyderabad. (The dates and venues of the meetings are given in Annexure II.

1.05 At its very first meeting, the Task Force considered the submissions of representatives of the long term credit institutions, that restructuring these institutions should also be considered. The Task Force appreciated the validity of their concerns. It recognises that the revival of the long term cooperative credit structure is no less important than that of its short term counterpart. The nature, magnitude and complexity of the issues relating to such institutions are, however, quite different from those of institutions of the short-term structure.

1.06 Moreover, since the time available to the Task Force was limited, it was unanimously decided to focus first on designing an action plan for the short-term structure, covering all tiers (including the primary agricultural credit societies) in the first phase and, if time permits, to take up the issues pertaining to the long term structure. As things turned out, however, this has not been possible. The Task Force, therefore, recommends that the Union Government consider setting up a Committee to examine the issues pertaining to the long term cooperative credit structure on the lines of the terms of reference assigned to it.

1.07 At its first meeting, the Task Force considered various issues pertaining to its approach and methodology. The Task Force noted that the current status of cooperative credit institutions, their weaknesses and underlying reasons, as well as measures to remedy them, have been widely discussed and analysed both in literature and more specifically in the reports of the previous committees. The reports of the recent committees listed below, were considered in particular.

- a. Task Force to study the functioning of Cooperative Credit System and Suggest Measures for its Strengthening (Capoor Committee, 1999)
- b. Expert Committee on Rural Credit (Vyas Committee, 2001)
- c. Joint Committee on Revitalisation Support to Cooperative Credit Structure (Vikhe Patil Committee, 2001).

1.08 Apart from relying on the findings of the earlier committees, the Task Force also collected substantial statistical data on the coverage and financial aspects of cooperative credit institutions from published and readily available sources. It also analysed these data to highlight differences across and within States in performance indicators and trends therein. The Task Force also sought to collect information on selected aspects of their governance, through the regional and district offices of the National Bank for Agriculture and Rural Development (NABARD).

1.09 The Task Force also had extensive discussions with senior officials of State Cooperation Departments, managers and chief executives of cooperative credit societies, leading cooperators with deep involvement and experience in the cooperative movement, representatives of trade unions of employees of cooperatives, apart from academics and non government organizations (NGOs) well versed on cooperative credit.

1.10 These consultations were held to ascertain their perceptions and views on the current status of cooperatives, including issues relating to governance and management, the role of the State Governments and the extent of their intrusion or otherwise, into the affairs of the cooperatives. The Task Force invited their views on factors that have impeded cooperatives from becoming autonomous and member driven institutions, and the strategy for their revival and revitalization. During the eight meetings held in different parts of the country, the Task Force was able to exchange views with about 150 cooperators, academics officials etc., from as many as 23 States. A number of organisations also sent in written memoranda.

1.11 A sub-group of the Task Force headed by Shri U. C. Sarangi, also visited several states for more detailed interactions. The sub-group had the benefit of discussion with officials, cooperators and cooperative bankers. At the third meeting of the Task Force, it was felt that the revival strategy needed to be premised on a strong legal and regulatory framework. Accordingly, a sub-group was constituted under Shri Rama Reddy to suggest amendments deemed appropriate in the Banking Regulation Act, State Cooperative Societies Acts, and Mutually Aided Cooperative Societies Act, which would create a legal environment enabling cooperatives to function as autonomous and member driven institutions.

1.12 The inputs from this sub group and a special consultation with officials and non-officials with first hand knowledge of cooperative law, its administration and problems in changing the law, have been invaluable to the Task Force in clarifying its understanding of the issues involved, and in helping to formulate its recommendations.

1.13 The Task Force records its appreciation and thanks to the cooperative credit institutions across the States, the Reserve Bank of India (RBI), NABARD, NAFSCOB, and various State Governments and the numerous individuals and organisations which personally participated in the consultation meetings and those who gave their views in written memoranda. (Names of persons from different States who interacted with the Task Force as well as those who sent written memoranda are given in Annexure III).

1.14 The Task Force also met Dr Y. V. Reddy, Governor, Reserve Bank of India, Smt. Ranjana Kumar, Chairperson, NABARD, and Shri V Leeladhar, Deputy Governor, Reserve Bank of India, to discuss various aspects of the task assigned to it. The Task Force benefited much from these interactions and is grateful to them for giving liberally of their time.

1.15 The Task Force has a special word of commendation for the Secretariat set up for it by NABARD. While each member of the Secretariat has contributed in shaping the conclusions and recommendations of the report, we would especially like to mention the inputs received from Dr Prakash Bakshi, Chief General Manager, Tamil Nadu RO of NABARD, who not only coordinated the operations at the Chennai end, but provided significant support to the thinking process. The Task Force would like to mention the meticulous attention to detail, which Dr. A. S. Patil brought to bear on the logistical and operational aspects as well as in collating and analysing inputs received from various quarters. This facilitated the work of the Task Force.

1.16 S/Shri S. Muralidaran, T. Ravichandran and D. V. Ramana Rao, are commended for their professional expertise and their general good cheer despite the pressure brought to bear on them. Our thanks are due to S/Shri R. V. Ramakrishna, S. Kannan, Anandan, Smt. Mina Anthony, Smt. Vidya and Shri Sriram Iyer, for relieving the Secretariat of all the tiresome details. Apart from the personnel of NABARD, we are also grateful to the Reserve Bank of India for making the services of Dr. Praggya Das, Assistant Adviser of the Bank, available to the Task Force. The Task Force would like to take this opportunity to record its appreciation of her contribution to our work, by collating, organising and analysing the statistical data. The Task Force is also grateful to Smt. Bharti Gupta Ramola and Shri Varun Gupta for their help and advice at various stages of our work.

1.17 This is the final draft of the report and is being put on the Internet to invite comments and reactions from interested members of the public. The Task Force will finalise the report for submission to the Union Government, after taking these comments into account and making such changes as deemed appropriate, consistent with the basic thrust of its arguments and recommendations.

A.Vaidyanathan

Chairman

Y.S.P.Thorat

Member Secretary

CHAPTER - 2

Evolution of the Cooperative Movement

Introduction

2.01 The Indian cooperative movement was initiated by the government. It spread and diversified with the encouragement and support of the government. Its present condition is also to a great extent because of the intrusive involvement of, and interference by the government. This chapter provides a brief review of the various phases of the evolution of cooperatives in general, and of credit cooperatives in particular, over the past century.

The First Phase: 1900-1930

2.02 By the beginning of the 20th Century, officials of the colonial government perceived the Indian farmers' dependence on usurious moneylenders to be a major cause of their indebtedness and poverty. At that time the cooperative movement had become well established in Europe and achieved remarkable success there. Convinced that the cooperative movement offered the best means of liberating Indian farmers from the crushing burden of debt and the tyranny of moneylenders, Indian officials began to take active interest in promoting credit cooperatives in the country. Societies were organised for the first time in the closing years of the 19th Century.

2.03 The passage of the Cooperative Credit Societies Act in 1904, and the enactment of a more comprehensive Cooperative Societies Act in 1912 marked the beginning of a government policy of active encouragement and promotion of cooperatives. This thinking gained wide acceptance and was adopted as a policy by provincial governments and thereafter, "cooperation" became a provincial subject in 1919. The persistence of government interest in cooperatives and the importance attached to them was reflected in the appointment of three different Committees to review their growth and functioning.

2.04 The classic study by Frederic Nicholson, followed by the Edward Law Committee on Cooperative Legislation, confirmed and reiterated the need for the State to actively promote cooperatives. A decade later, the Maclagan Committee (1915) advocated that "there should be one cooperative for every village and every village should be covered by a cooperative". The Royal Commission on Agriculture in India, which submitted its report in 1928, suggested among other things, that the cooperative movement should continue to focus on expanding rural credit and that the State should patronise cooperatives and protect the sector.

2.05 It was the Royal Commission which made the observation "if cooperation fails, there will fail the best hope of rural India". By this time, the State was already deeply involved in promoting agricultural credit cooperatives. The number of societies reached impressive proportions and diversified their activities well beyond agricultural credit. Debates centred on whether or not each village should have a cooperative and whether there should be a single purpose or a multi-purpose cooperative at the village level.

The Second Phase: 1930 - 1950

2.06 The major development during this phase was the role played by the Reserve Bank of India (RBI). The Reserve Bank's concern and involvement in the sphere of rural credit stemmed from its very statute of incorporation. Specific provisions were made in the Reserve Bank of India Act, 1934 both for the establishment of an Agricultural Credit Department (ACD) in the bank and for extending refinance facilities to the cooperative credit system. Emphasis was laid on setting up, strengthening and promoting financially viable provincial cooperative banks, central cooperative banks, marketing societies and primary agricultural credit societies in each province. The RBI, since 1942, also started extending credit facilities to provincial cooperative banks for seasonal agricultural operations and marketing of crops.

2.07 The Government policy during this phase was not as pro-active on promoting cooperatives as before. There seemed to be a policy lull until 1945, when the Agricultural Finance Sub-committee and the Cooperative Planning Committee were set up by the Government of India (GoI). By then, there already were signs of sickness in the Indian rural cooperative movement. A large number of cooperatives were found to be saddled with the problem of frozen assets, because of heavy overdues in repayment. The Sub-committee's recommendation that the frozen assets of the members of such cooperatives be liquidated, by adjusting the claims of the society to the repaying capacity of the members, marked the beginning of State interference in the management of cooperatives and the consequent erosion in the credit discipline of the members. The Cooperative Planning Committee identified the small size of the primary cooperative as the principal cause of failure. It also advocated State protection to the cooperative sector from competition.

The Third Phase: 1950 – 1990

2.08 After Independence, rapid and equitable economic development became the central focus of State policy. Cooperatives in general, and rural financial cooperatives in particular, were once again on centre stage. Taking cognisance of the weakness of the cooperative system, the All India Rural Credit Survey (AIRCS) not only recommended State partnership in terms of equity, but also partnership in terms of governance and management. Other recommendations included linking credit and marketing cooperatives and enlarging their area of operation. The recommendations of the AIRCS stopped just short of the Government running the cooperatives, and paved the way for its direct intrusion in the governance and management of cooperatives.

2.09 State policy came to be premised on the view that the government should ensure adequate supply of cheap institutional credit to rural areas through cooperatives. The thinking then was that if the institutions that were meant to deliver such cheap institutional credit failed, there either had to be reorganisation of existing institutions, or creation of new types of institutions. The Hazari Committee recommended integration of short term and long term structures. The Bawa Committee (1971) recommended setting up Large Multi-purpose Cooperatives in tribal areas. The National Commission on Agriculture (1976) recommended setting up Farmers Service Cooperative Societies with the active collaboration of the nationalised banks.

2.10 NABARD was created on the recommendation of the CRAFTICARD (Sivaraman Committee 1981). The State's heightened interest in and concern for the performance of cooperatives in the country was obvious. The focus, however,

was on expanding and reorganising the State supported structures, without addressing the tasks of restoring and strengthening autonomy, mutual help and self-governance, that are the cornerstones of genuine cooperatives.

2.11 The State gave primacy to cooperatives as the sole means of delivering institutional credit to rural areas and injected large and increasing amounts of funds directly. Upper tier cooperative banks were encouraged to accept public deposits and borrow from other financial institutions. However, the system was soon found to be burdened by growing overdues. In keeping with the national priority of financing the rural sector adequately, the involvement of commercial banks was first suggested as a social control measure. The involvement of commercial banks was thereafter institutionalised through the nationalisation of major commercial banks in 1969. During the post-nationalisation period, there was an unprecedented penetration of commercial banks in the rural sector. This trend, however, was accompanied by rigid policy directives right down to the micro level on cost of credit, purposes, categories of borrowers, geographical areas, etc.

2.12 As the financial involvement of the government in cooperatives increased, its interference in all aspects of the functioning of cooperatives also increased. The consequent interference with the functioning of the co-operative institutions, often compelling them to compromise on the usual norms for credit worthiness, ultimately began to affect the quality of the portfolio of the cooperatives.

2.13 Instead of tackling the root cause of their weaknesses, the State took responsibility for strengthening the institutions, by infusing additional capital and “professional” workforce. Both the State and the workforce then began to behave like “patrons”, rather than as providers of financial services. Whenever any professional organisation is in trouble, it usually finds its own solution by re-negotiating the terms with its financiers and re-visiting its operating strategies. However, in the case of the rural financial institutions, the State has always provided a “solution”, irrespective of the need of the recipient organisation, thereby donning the role of a “patron”.

2.14 In due course, political expediency also led to laxity in ensuring quality of credit and its repayment. The Government of India’s 1989 scheme for writing off loans of farmers, greatly aggravated the already weak credit discipline in the cooperative system and led to the erosion of its financial health. It also set up an unhealthy precedent and spawned a series of schemes by the State Governments, announcing waivers of various magnitudes, ranging from interest write off to partial loan write-offs. The competitive populism adopted by the political class has severely impaired the credibility and health of the cooperative credit structure.

2.15 The State has used co-operatives to channel its development schemes, particularly subsidy-based programmes for the poor. As these institutions have a wide reach in the rural areas and also deal with finances, the choice was natural. The trend, however, also made cooperatives a conduit for distributing political patronage. This and the sheer magnitude of resources and benefits channelled through the societies, makes control of decision-making and management attractive to parties in power, for accommodating their members, to influence decisions through directives, and for individual politicians to be on the management boards of the cooperatives.

2.16 Concerns about these trends and the need to overcome them began to be voiced around this time. The Agriculture Credit Review Committee (Khusro Committee, 1989) for the first time, talked of the importance of encouraging members' thrift and savings for the cooperatives. It also emphasised the need for better business planning at the local level and for strategies to enable cooperatives to be self-sustaining. To this end, the Committee was also in favour of serving non-members, if it made business sense. In a sense, there were larger macro economic changes on the anvil in the economy. The 1990s witnessed more concerted attempts both by the government and by non-official organisations and cooperators, to explore ways to revitalise the cooperatives.

The Fourth Phase: 1990s and onwards

2.17 During the last fifteen years, there has been an increasing realisation of the destructive effects of intrusive State patronage, politicisation, and the consequent impairment of the role of cooperatives in general, and of credit cooperatives in particular, leading to a quest for reviving and revitalising the cooperative movement.

2.18 Several Committees (notably those headed by Chaudhry Brahm Perakash, Jagdish Capoor, Vikhe Patil and V S Vyas) were set up to suggest cooperative sector reforms during this period. The Brahm Perakash Committee emphasised the need to make cooperatives self-reliant, autonomous and fully democratic institutions and proposed a Model Law. Subsequent Committees have all endorsed this recommendation and strongly supported replacing existing laws with the proposed Model Law. They have also recommended revamping and streamlining the regulation and supervision mechanism, introducing prudential norms and bringing cooperative banks fully under the ambit of the Banking Regulation Act, 1949. To facilitate the implementation of these reforms, they proposed that governments provide viable cooperative credit institutions with financial assistance for recapitalisation.

2.19 Progress in implementing these suggestions has been very tardy because of the States' unwillingness to share in costs and their reluctance to dilute their powers and to cede regulatory powers to the Reserve Bank of India (RBI). The passage of the Mutually Aided Cooperative Societies Act by the Andhra Pradesh government in 1995, however, marked a significant step towards reform. Following the example of Andhra Pradesh, eight other States (viz., Bihar, Chhattisgarh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Orissa and Uttaranchal) have passed similar legislation to govern and regulate mutually aided cooperatives.

2.20 In all cases these new laws provide for cooperatives to be democratic, self-reliant and member-centric, without any State involvement or financial support. They provide for cooperatives registered under the old law to migrate to the new Act. The old Acts were not repealed, nor was there any serious effort to encourage and facilitate the conversion of old cooperatives to come within the purview of the new Act. Most existing cooperatives, therefore, continued to adhere to the old law.

2.21 The new law, however, did lead to the emergence of a "new generation autonomous financial cooperatives", albeit slowly and unevenly across the country. While the number of cooperatives registered under the new liberal Act is slowly picking up, the conversion from the old law to the new Act has largely been in the arena of commodity cooperatives. The reason for the slow pace at which both credit cooperatives and the primary agricultural credit societies (PACS) are

adopting the new law is largely because they are not eligible for refinance under the existing legal and structural arrangements.

2.22 As will be evident from the next chapter, these developments have not made much of an impact on the way cooperatives function. The movement has continued to deteriorate and reached the point that necessitated the appointment of the present Task Force, which has been entrusted with the task of coming up with an implementable action plan for carrying the reforms forward.

CHAPTER - 3

Nature and Extent of Impairment and Remedial Measures

3.01 The first section of this chapter reviews the institutional arrangements for providing rural credit and the role of the Cooperative Credit Structure (CCS). It then examines the various levels of impairment at the financial, governance and managerial fronts. Even though these issues are well known and widely discussed in general terms, the chapter (and related Annexures) seek to present a more detailed quantitative picture of these features and highlight the nature and extent of their variation in different tiers and States. The second section reviews the reform measures suggested by earlier committees and the outline of the approach of the Task Force in formulating its recommendations on the Revival Package (RP). But before doing so, a brief discussion on the weaknesses in the basic data and the need to improve it seems to be in order.

The Information base

3.02 The Task Force has relied mainly on secondary data relating to various aspects of different tiers of the CCS at the State level, supplemented with information compiled through specially commissioned but selective, inquiries through the regional offices of the National Bank for Agriculture And Rural Development (NABARD). These data along with some analysis based on them, are presented in a series of Annexures to this report.

3.03 The secondary data used in this chapter and elsewhere, are from two sources – the NABARD and the National Federation of State Co-operative Banks (NAFSCOB). Ideally, the Task Force would have preferred to rely on data put out by NABARD. It was not able to do so, partly because NABARD's database was mainly focused on the intermediate and apex tiers, and partly because it did not have the break up required by the Task Force.

3.04 While using the data it soon became apparent to the Task Force that the statistical data reporting and compilation relating to the cooperative sector leaves much to be desired. The Task Force found that:

- The data are not up-to-date and validated,
- There are no uniform formats for collecting and presenting data on comparable concepts and categories, and
- There are significant variations in the data obtained from different sources for the same period and parameters

These deficiencies are particularly serious in the case of primary agricultural societies (PACS). The Task Force also found that states have their own varying rules for accounting and disclosure of financial accounts of cooperatives, in most cases there are no separate rules for financial cooperatives and that the rules are in any case not consistently applied so it is very difficult to compare financial cooperatives' financials across time, states and with other financial sector players.

3.05 The Task Force would like to underscore the importance of consistent reporting and disclosure of financial accounts as per generally accepted accounting norms for financial sector players as well as making available sufficiently

detailed, comprehensive, up-to-date and authenticated data on the functioning of cooperatives and other agricultural financing institutions to the public domain. This is necessary both for monitoring, operations and policy formulation by the top management of NABARD, as well as for use of policy makers in other financial institutions and government. The Task Force notes that NABARD has taken over the responsibility of bringing out the publication *Statistical Statements Pertaining to the Co-operative Movement in India*, once done regularly by the Reserve Bank of India (RBI). The NABARD's latest published compilation, however, provides data only up to 1997-1998. A special effort was, therefore, needed to get more up-to-date data for the Task Force. To ensure that financial reporting by financial cooperatives is consistent with generally accepted accounting norms for financial sector players, the Task Force recommends that NABARD work with the Institute of Chartered Accountants of India to develop and publish appropriate accounting standards and that the use of these for financial reporting be made mandatory through appropriate rules under the state cooperative laws.

3.06 To ensure that data on the credit system is collected and used meaningfully, the Task Force recommends that NABARD take immediate steps to devote sufficient resources and personnel to handle the task. The Task Force also recommends that NABARD set up a Department of Statistical Analysis, suitably staffed by appropriately qualified human resources at the very earliest. The effort would be in the nature of a public service by this institution. The NABARD's top management should also institutionalise arrangements for systematic analysis and interpretation of emerging trends in rural credit, as well as analysis relevant for specific issues of policy.

Salient features of the CCS

3.07 The short term Cooperative Credit Structure (CCS) has a federal three-tier structure with PACS being the grass root level institutions, the Central Banks at the District level (DCCBs) and the apex Bank at the State level (SCB). In the North-Eastern States and smaller States, there are no DCCBs and the SCB purveys credit through its affiliated PACS (and so the CCS is a two-tier system). In this section, we focus on the characteristics, in terms of scale, diffusion, structure and performance of the CCS at the national level, and bring out the regional diversities.

3.08 The Task Force has relied primarily on the data base available with NABARD, as far as SCBs and DCCBs are concerned. Data on source-wise deposits and sector-wise loans outstanding are taken from NAFSCOB. The Task Force noted that NABARD does not maintain any data base on PACS. The only source is the NAFSCOB compilation, based on information provided by the State Governments and the CCS. Hence, the Task Force has used the data published by NAFSCOB as far as PACS are concerned. There are, however, considerable doubts about how complete their coverage is, whether the data are up-to-date and whether there is any attempt at validating the data. The data on PACS, therefore, need to be used with caution and then too should be limited to getting a broad picture of their characteristics.

3.09 According to the NAFSCOB compilation, there are 1,12,309 PACS, which works out to roughly one PAC for every six villages in the country. The societies have, therefore, a wider spread and reach in rural India than the commercial banks (CBs) and Regional Rural Banks (RRBs). The CCS, moreover, has more than twice the rural outlets and 50 per cent more clients than commercial banks and RRBs put together. There is, however, a wide variation in the

density of cooperative outlets. While the density is high in States like Maharashtra and Kerala, it is very low in the North Eastern region.

3.10 The total membership of the PACS is reported to be around 12 crore. Scheduled Castes and Scheduled Tribes and small farmers each, are reported to account for about 36 per cent to 37 per cent of the PAC membership as per NAFSCOB. Only half the members are borrowers - this proportion being less than average among small and marginal farmers and least among Scheduled Castes. These figures, it must be reiterated, are only indicative.

3.11 Even in terms of basic functions, there is a considerable diversity across States. In some regions there are a few pure thrift and credit societies that generate resources only from members and do not have financial transactions with non-members. In Maharashtra, apart from the regular PACS, there are around 22,000 thrift and credit societies (called *path sansthas*). In States like Kerala, PACS collect deposits from members, as well as non-members, in a significant way.

3.12 According to NAFSCOB estimates, which, as mentioned before, needs to be treated as indicative rather than precise, 62 per cent of the PACS in the country are viable, 30 per cent are potentially viable and eight per cent are either dormant, defunct or under liquidation. Here again, there are considerable variations across States (see Annexure IV)

3.13 There are also differences in the structure of the CCS. Most States, for instance, have different structures for purveying long term (LT) and short term (ST) credit, but Andhra Pradesh has a single unified structure for providing both long term and short term loans. Most States have a three-tier structure, comprising PACS, DCCBs, and SCBs. While in Gujarat, the SCB conducts most of its transactions with lower tier organisations and does not have any branches outside of its Head Office, in Maharashtra the SCB undertakes full-fledged banking activities through multiple branches, that operate like branches of any other commercial bank.

3.14 Apart from the diversity at regional levels, the level of development in terms of accounting practices, supervision and prudential norms vary. The upper tiers, viz., SCB and DCCB, are supervised and follow most of the prudential and accounting norms. These norms, however, are not applied to the primary level cooperatives. It is important to keep this factor in mind, while using the financial data of the PACS. But equally importantly, this must be kept in mind while using financial data for the CCS as a system because a large proportion of the outstanding of the higher tiers is tied up in the successive lower tiers.

3.15 All this highlights the considerable diversity in the density, scale and structure of the CCS, as well as the nature and severity of their problems across the country. This diversity must be recognised in implementing the recommendations of the Task Force. The recommendations too must allow for sufficient flexibility, to adapt to varying levels and patterns of the system and its problems in different regions.

Role of Cooperatives in Providing Agricultural Credit

3.16 The main players in the field of agricultural credit in the formal sector include the commercial banks, the regional rural banks (RRBs), and the rural cooperatives. The rural credit cooperatives in the country are in an impaired state. Several factors have led to the impairment of the Cooperative Credit Structure, but it would be advisable to understand the magnitude of the problem first. The cooperatives once dominated the rural credit market in the institutional segment (with a share of around 65 per cent, going by the All India Debt and Investment Survey 1991), but now have a significantly smaller role.

3.17 Data for the past decade indicates a fall in the share of cooperatives in the rural credit market, from around 62 per cent in 1992-93 to about 34 per cent in 2002-2003 inspite of an increase of just under 10% per annum in the absolute disbursement on a compounded annual basis. The shares of different institutional sectors in providing credit to the rural areas are shown in the table below.

Flow of ground level credit to agriculture (both ST and LT) through various agencies and their relative shares

Rs. crore

Agency	1992-93	1997-98	2000-01	2001-02	2002-03
Coop Banks	9,378	13975	20,718	23,524	23,636
Percentage share	62%	44%	39%	38%	34%
Regional Rural Banks	831	2040	4,219	4,854	6,070
Percentage share	5%	6%	8%	8%	9%
Commercial Banks	4,960	15831	27,807	33,587	39,774
Percentage share	33%	50%	53%	54%	57%

Source: NABARD

Two trends emerge from the overall flow of credit to agriculture from the commercial banking sector. The number of rural branches of commercial banks has gone down marginally as part of the branch rationalisation programme. The second trend is that even though the commercial banks almost meet their targets for lending to the priority sector, they have moved more towards larger customers. The average size of direct loans to agriculture in the portfolio of the commercial banks was Rs. 13,500 in 1997, and is Rs 31,585¹ now. The average size of loans of the PACS, in comparison, is currently only Rs 6,640² per borrower, according to the data tabulated below.

¹ Trend and Progress of Banking in India, RBI Mumbai.

² NAFSCOB

Average loan size of Public Sector Banks vis-à-vis PACS (as on March 2003)

Amount in Rupees

Particulars	No. of Accounts	Loan Amount Outstanding	Average loan size
Public Sector Banks (PSBs)	164 lakh	51,799 crore	31,585
PACS	639 lakh	42,411 crore	6,637

Source: PSBs - Report of Trend and Progress of Banking, RBI
PACS- NAFSCOB. Total no. of borrowers assumed to be total no. of accounts

3.18 Thus, in a country predominated by small or marginal land holdings, the reach of the cooperative system is much deeper than the other institutional arrangements in the rural areas.

3.19 Notwithstanding the falling share of cooperatives in the overall share of institutional credit practically in all States, it was found that in States like Gujarat, Maharashtra, Haryana, Madhya Pradesh, Chhattisgarh, Orissa and Rajasthan, the share of cooperatives in institutional credit is currently 50 per cent or more. In States like Bihar, Jharkhand, Himachal Pradesh and Assam, their share is negligible (Details are presented in Annexure V. Analysis of ground level credit flow on an All India basis is presented in Annexures V A to V C)

3.20 The traditional banking system, the systems and procedures of which are actually designed for the urban industrial and business financing, has limitations in reaching out to the last mile. The exposures of the banks for this segment have risen, but, the rates for defaults in repayment have also gone up. Most often, this happened because banks have not applied appropriate methods for banking with the poor, by keeping in touch with the customers and applying social collaterals. Banks have traditionally worked on documentation related appraisals, rather than on trust and production related appraisals. The client group, however, needs much more support than what the banks currently provide. By implication, we need to necessarily look to the cooperative sector for delivering credit to small and marginal farmers, and those who have little or no productive assets. It is, therefore, imperative that the cooperative sector, particularly at the primary level, be revived on a priority basis.

Nature, Extent and Causes of Impairment of the CCS

Impairment of Governance

3.21 World over, cooperative credit structures have been based on the concept of mutuality, with thrift and credit functions going hand in hand. But, in India, the structure has largely been focused on credit. The primary level cooperatives, therefore, have traditionally been agencies for credit dispensation. Because of this characteristic at the base level, the upper tiers were created to ensure that the lower tiers get refinance. The structure is, therefore, driven by borrowers at all levels, which creates a serious conflict of interest. A solution is to aggressively advocate conversion of pure credit to thrift cum credit cooperatives. Such societies would not only increase the financial stakes of the members in the system, but also factor in natural incentives for better governance.

3.22 The impairment in governance is deep and is represented by the composition of the boards of directors of the cooperatives and the reporting systems. Because of the structural ordering, the lower tiers are managed by the higher tiers in varying degrees of detail in different States. In almost all States, the function of conducting elections for the cooperative structure is vested with the State Government. Similarly, the function of auditing is also vested with a State-run audit system. By implication, the cooperatives lose their right to self-governance and have to look up to the State constantly for several of the functions that naturally fall in the domain of the general body and the Board of Directors. Some pointers on the governance systems are highlighted below:

- No elections have been held in the CCS units across all tiers for long (10 years or more) in three States
- Boards of nine out of 30 SCBs and 134 out of 368 DCCBs have been superseded
- Most State Governments combine the roles of Dominant Shareholder, Manager, Regulator and concurrent Supervisor and Auditor
- The Department headed by the Registrar of Societies (RCS) can and does, influence administrative matters. The interference is in the form of supersession of Boards (please see Annexure VI for details on grounds for supersession of Boards), appointment of administrators and assuming powers to approve staffing patterns, recruitment, emoluments, asset purchase pattern etc.
- The Department also interferes in financial matters in various forms, like direction on interest rates, interference in loan decisions, announcement of waivers, and direct or indirect pressure on non-recovery of loans (State wise details of such interference is given in Annexure VII)
- The impairment of the governance structure is also because of politicisation of these institutions, reflected in the fact that directors on Boards of Cooperative Banks are involved in active politics either at the State, District, and Taluka level (Annexure VI)
- Audit is pending in at least 15 per cent of the PACS for more than a year. This is a optimistic estimate. Audits are more regular in the upper tiers. Apart from delays, the quality of audit needs to be examined carefully. As the State machinery is involved in conducting audits, those actually conducting audits may not be professionally trained to audit financial cooperatives. It is therefore, doubtful that they are able to understand and comment on the reporting of the actual financial position of PACS.
- Audit at the higher tiers are done in a relatively efficient manner, the income recognition and provisioning norms are more standardized and therefore, the accounting data from the higher tiers could be assumed to be relatively more reliable. Nevertheless, the audit classification of some banks in some States seems to suggest that the audited results do not depict a true and fair position of the banks concerned.

3.23 While there are issues of internal governance that are a cause of concern, we also have to remember that even the external regulation and supervision for the structure are not as stringent as it is for the commercial banking structure. In particular the following aspects are to be considered:

- Primary agricultural societies (PACS) are excluded from the scope of the BR Act, 1949
- The minimum capital requirement is only Rs 1 lakh for banks
- The cash reserve ratio (CRR) requirements are lower than that for commercial banks
- The Capital at Risk Weighted Asset Ratio (CRAR) norms have not been prescribed even for SCBs and DCCBs

- All CCS units are, however, subject to submission of regular returns on their financial status and operations, the compliance of which is weak
- The cooperative banks are open to periodic inspection by NABARD. The compliance with the supervision findings and regulations is, however, weak.

3.24 The central regulatory authority (the RBI) is naturally concerned at its inability to ensure that financial institutions comply with even the relatively diluted prudential norms applicable to them and to enforce punitive measures against banks that are in poor and deteriorating financial health. The RBI's plight may be attributed to three primary reasons, of which dual control of cooperative banks by the RBI and the State Governments, is one. The ambiguities on the precise jurisdiction of powers between the two, and the reluctance of the State Governments to enforce disciplinary sanctions by the RBI, are others. Attempts to change the law (through the Banking Regulation Amendment bill) have failed.

3.25 The States (and in some cases the Union Government) have not helped the regulatory authority. On the contrary, their actions (e.g., waiver of loans in 1989 by the Union Government, periodic waivers of interest and principal by the State Governments, delay in payments by the State Governments on promises made, their formal or informal instructions to delay or dilute loan recovery, and their unwillingness to facilitate recoveries under the Revenue Recovery Act) have contributed to an atmosphere, that encourages defaults in payment and worse.

Impairment in Management

3.26 The impairment in the management of the rural cooperatives is a direct result of the impairment in governance. The various forms of interference of State Governments include deputation of officials to top positions in many banks, setting up common cadres for senior positions in cooperatives across tiers, determination of staffing pattern, and interference in the operational decisions of the cooperatives. The Task Force has sought to collect information on areas in which the state governments are involved in the operational aspects of cooperative banks. The details that the Task Force has been able to collect from the Regional Offices of NABARD in the matter are indicated in Annexures VI and VII.

3.27 The impairment in management is also owing to the following additional factors:

- Managers of PACS in several States are drawn from a common staff pool who do not feel accountable to the PACS. Remuneration often is without reference to business level or results.
- A generally ageing staff profile characterised by inadequate professional qualifications and low levels of training. (Annexure VI).
- Delineation of Governance and management functions are unclear and the boards take up issues at operational level, thereby losing sight of the long term strategic issues
- Poor housekeeping, weak internal controls and systems.

3.28 The cumulative result is that members, who are mostly borrowers, have little or no sense of stake in the cooperatives, or any accountability in ensuring prudent management of funds. On the contrary, government policies (loan and interest waivers, delaying recoveries, the fact that loans carry State guarantees) encourage them to presume that they can with impunity, delay or even fail to meet their repayment obligations. Boards of management and their functionaries are not held accountable for laxity in granting and monitoring loans, poor quality of loan portfolios, high default rates and non performing assets (NPAs) and their adverse effects on the financial health and viability of the societies.

Financial Performance

Profitability

3.29 Data on the proportion of societies in different tiers that reported making profits during 2000-2001 and 2002-2003, the numbers that reported zero or negative net worth and the magnitude of reported accumulated losses are shown in the following table :

Financial Results of the CCS

Financial Results of the CCS

Tier		2000-01	2001-02	2002-03
No of SCBs		29	30	30
	No. in Profits	24	24	25
	No. in Losses	5	6	5
	No. that have eroded net worth	6	9	8
	Total Accumulated losses (Rs. Crore)	492	567	281
No of DCCBS		367	368	367
	No. in Profits	247	243	237
	No. in Losses	120	125	130
	No. that have eroded net worth	139	139	144
	Total Accumulated losses (Rs. Crore)	3,177	3,770	4,401
PACS ³ (Total number approximately one lakh)	No. in Profits	46,807	45,292	58,683
	No. in Losses	41,991	43,511	53,626
	Total Accumulated losses (Rs. Crore)	2,112	NA	4,595

Source: For SCB and DCCB: NABARD, For PACS: NAFSCOB

State-wise details of PACS reporting profit for the years 2001-2002 and 2002-2003 are given in Annexure VIII

3.30 Based on available data, while the large majority of SCBs were reporting profits during this period, more than 35 per cent of DCCBs and more than half the PACS were reporting losses. About one in five SCBs and almost 38 per cent of the DCCBs have eroded their net worth. Accumulated losses of DCCBs amounted to around Rs 3,200 crore in 2000-2001 and increased to Rs 4,400 crore two years later. Accumulated losses of PACS exceed that of DCCBs.

³ Since norms of income recognition and prudential norms are not applied to PACS, the data presented for PACS may not present an absolutely true and fair picture of the state of affairs.

3.31 Considering that the upper tier cooperatives largely depend on the primaries for their business, it can be said that the structure stands on very weak foundations. It is also evident from the above that data, that current profits or losses could be misleading, especially since some of the institutions that are making current profits could have heavy accumulated losses and that all of them may not have made the required provisions against their NPAs. Statistics on cooperative banks that do not comply with Section 11 of the Banking Regulation Act is also given and we find that some of these institutions may have current profits, but accumulated losses.

3.32 In 2002-2003, for instance, eight out of the 30 SCBs and 144 out of 367 DCCBs are not compliant with Section 11 of the Banking Regulation Act, which means that they have completely eroded their net worth. The amount of deposits eroded (over and above the net worth erosion) at the DCCB and the SCB level in loss making banks is also significant. The erosion of deposits was at Rs 3,100 crore at the level of DCCBs and Rs 142 crore at the level of SCBs. The data relating to the erosion of deposits in PACS is, however, not available.

3.33 The performance of these institutions vary across States and across regions. While the number of loss making DCCBs far outnumber the profit making ones in the eastern region, the performance in the northern region seems to be much better. In southern and western India, the number of profit and loss making DCCBs even out. Detailed Region wise profitability analysis of DCCBs is given in Annexure IX

Recovery rates and NPAs

3.34 The reason for the losses can be traced mainly to the overall business levels and poor recovery position of each of the tiers. As is evident, the recovery percentages for the system as a whole have been low continuously, making the system unsustainable without external injection of resources.

Recovery and NPA Percentages of the co-operative system

Tier		2000-01	2001-02	2002-03
SCBs	Recovery %	82	82	79
	NPA %	13	13	18
DCCBs	Recovery %	67	66	61
	NPA %	28	22	20
PACS	Recovery %	65	67	62
	NPA	No NPA Norms have been specified for PACS		

Source: SCB and DCCBs-NABARD, PACS –NAFSCOB

3.35 While the recovery and NPA positions indicate the extent of reported impairment in the upper tiers, the figures at the primary level have to be viewed with caution, as there are no standard practices in respect of financial reporting. The picture presented in the table above, therefore, may seem more optimistic than the reality. Recovery is a hard number, provisioning is to account for likely losses on account of an assessment of impairment.

3.36 There is considerable variation in performance within each tier and also across States (Annexures XI, XII, XIII).

3.37 Low recovery of loans obviously affects the profitability of the institutions. Poor loan recovery has resulted in a peculiar phenomenon, often referred to as “imbalances”. Imbalances are the differences between the amounts showing as outstanding from a borrower in the books of a higher tier entity (a DCCB) and the amounts shown as being repayable in the books of the borrowing entity (say the PACS). The imbalance occurs when the PACS receives interest and repayment from a sub-set of its customers and pays in the amount towards its borrowing from the DCCB.

3.38 When the amount is paid to the DCCB, the total amount is applied first by the DCCB to the total interest due. The residual amount then is applied to the principal. Imbalances also occur when the PACS collects the loans and uses the cash to fund its overheads over and above the actual interest spread available to it. These two factors and in some situations actual defalcation result in a curious situation, where the principal amount due to the PACS at the ground level is smaller than the principal amount to be paid by the PACS to the DCCB. While this syndrome has been described in some circles as an accounting issue, it is important to recognise the larger cause, which is actually poor loan recovery or high overheads or frauds.

3.39 Considering that there has been widespread discussion on imbalances within the cooperative credit system, one would expect the recovery position of the higher tier to be lower than that of the lower tiers if the portfolios of both the tiers were perfectly aligned. However, the data given in the above table indicates the contrary. The superior performance of the upper tiers of the system may be because of diversification in their business, and better performance of the non-agricultural portfolio due to non-recognition of losses on portfolio guaranteed by the State Government or due to repayments out of growing deposits. This diversification of portfolio is also reflected in the exposure to agriculture and other sectors as given in the table below. While diversifying the portfolio has its own advantages in risk management, it also has the potential danger of the institutions suffering a strategic drift. These indications prompt the Task Force to focus the efforts of the rehabilitation package on the primary level, where the exposure to agriculture is the maximum.

Break up of loan outstandings as on 31 March 2003⁴

(Rs. Crore)					
Tier	Agriculture loans	Non-Agri. loans	Other Loans	Total	Agri as a % of total
SCBs	12,488	16,366	6,198	35,052	36
DCCBs	30,951	21,931	9,516	62,398	49
PACS	23,153	7,668	11,591	42,412	55

⁴ Break up of purpose-wise loans outstanding taken from NAFSCOB.

Costs and Margins

3.40 The data on costs and margins of the SCBs and DCCBs during the period 2000-2001 to 2002-2003 is given below.

Costs and Margins of SCBs and DCCBs

Figures in percentages

Particulars	SCBs (all India)			DCCBs (all India)		
	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
Yield on Assets	9.38	8.88	8.67	10.13	9.86	9.16
Cost of funds	6.88	7.19	6.26	7.09	6.97	6.32
Financial Margin	2.50	1.69	2.41	3.04	2.89	2.84
Transaction costs	1.36	1.38	1.46	2.04	1.92	1.72
Risk Costs	1.25	1.90	1.42	1.89	1.65	1.73
Net Margin	0.09	(0.52)	0.04	0.15	0.27	(0.01)

Source: NABARD

3.41 The cost of funds refers to the average cost from all sources, deposits, borrowings and refinance from NABARD. Deposits account for a relatively small proportion of the PACS' funds, most of which is from refinance through the higher tier institutions. The DCCBs depend largely on public deposits and have for long been offering higher interest rates than other institutions, as a means of attracting deposits. This is done partly with the encouragement and approval of the State Governments. The "captive deposits" syndrome, which requires the lower tier to compulsorily place a part of its deposits with the higher tier, puts pressure on the system as a whole, to fix a higher rate of interest.

3.42 While the financial margins of the system seem reasonable, the system gets impaired partly because of high transaction costs and high risk cost. High transaction costs are because of lack of standardized business model irrespective of business volume, overstaffing in some cases and not linking salaries with business levels in others. High risk costs are because of low recovery levels. To compound the problem, cooperatives do not have adequate risk mitigation systems and procedures. Implementing Asset Liability Management (ALM), managing interest rates on deposits and loans, appropriate credit appraisal and monitoring are done more as an exception than as normal practice.

3.43 In spite of interest rates having been 'deregulated', lending rates are subject to limits set by the State Government. Lack of scope for cross subsidisation compounds the problem. At the higher tiers, there has been over-exposure to certain sectors of agriculture, which increases the covariance risks. Sugar, cotton and tea, for instance, are sectors where the primaries have an exposure at the farm level and the DCCBs and SCBs have an exposure at the processing unit level.

3.44 The loan portfolios of the system as a whole are thus, prone to greater risk and, therefore, required provisions for risk costs are also relatively high. Because of these factors, the net margin is extremely low and in many cases negative. Costs and Margins available to DCCBs in select States are presented in Annexure X. Annexures XI to XIII provide some idea of the range of variations in gross and net margins among DCCBs across States.

3.45 Lending rates of PACS are also subject to state set ceilings and are set well below the market rate, despite higher risks. Transaction costs are also high (again owing to business model issues, overstaffing and salaries unrelated to the magnitude of business). There is considerable doubt whether PACS have to (as per state set rules) or do, follow well-defined norms for risk provisioning. It is impossible to judge the extent of actual provisioning from available accounts. A perusal of accounts for PACS in a few selected districts, and in the opinion of officials with first hand knowledge of ground reality, suggests that they generally do not make any provision at all, or do not make adequate provisions for risks.

3.46 Other relevant data on business parameters / infrastructure at the level of PACS and DCCBs are indicated in Annexures XIV to XIX.

Concerns arising out of Financial Impairment

3.47 Rural credit institutions mobilise a large amount of deposits, nearly Rs 1,30,000 crore in gross terms, of which Rs 73,512 crore (56 per cent) are from the public. A large proportion of the deposits are collected from individual depositors. The break up of the source wise deposits is given below:

Source wise deposit outstanding as on 31st March 2003.

(Rs. crore)

Tier	Cooperatives	Individuals	Local Bodies	Others	Total
SCBs	29,402	6,995	1,246	1,469	39,112
Percentage	75	18	3	4	100
DCCBs	27,086	40,710	3,020	1,578	72,394
Percentage	38	56	4	2	100
PACS		19,120			19,120

Source: NAFSCOB

3.48 As seen above, 38 per cent of the deposits of DCCBs are from cooperatives, including PACS. As statutory liquidity ratio (SLR) requirements of urban cooperative banks and other banking institutions in the area can be placed in the DCCB (and in turn DCCBs place their SLR deposits in SCBs), the deposits under the head "cooperatives" may have a significant component of SLR related deposits. This adds to the overall risks to the cooperative banking sector, taking it much beyond the exposure of individual deposits in the district and state level banks. Erosion of deposits in the higher tiers, therefore, could have a "domino" effect on the banking system in the area.

3.49 To protect the interests of depositors, DCCBs and SCBs are subject to controls under the Banking Regulation Act. They are required to observe prescribed prudential norms and their individual depositors also have insurance cover up to Rs 1 lakh by the Deposit Insurance and Credit Guarantee Corporation of India (DICGC). It is evident, however, that the insurance coverage provided is limited, as institutional deposits with the upper tiers do not get covered by the DICGC, thus placing the individual depositors of the lower tier institutions at risk, as several banks have had significant erosion of deposits. This certainly is an area of concern.

3.50 It is also important to note that deposits at the level of PACS are not covered by the DICGC. This is a matter of serious concern. While deposits of individuals at the level of the PACS is not uniformly high, some states like Kerala, Tamil Nadu and Orissa together account for around 70 per cent of the outstanding deposits of PACS in the

country. Some states (like Kerala and Tamil Nadu) have introduced their own insurance mechanisms to give limited protection to PACS depositors. These schemes have, however, remained notional as depositors in neither State have received actual protection.

Remedial Measures and Approach to Reform

3.51 Obviously, unless the causes of the serious and growing impairment in several dimensions are tackled, cooperatives cannot be expected to arrest their declining role in providing agricultural credit, let alone play a significant role in achieving the targeted rapid expansion of credit to the farm sector. As noted earlier, several committees and concerned cooperators have suggested measures to revive and revitalise the CCS, so that cooperatives become an effective medium for meeting the savings and credit needs of small and marginal farmers, rural artisans and other under-privileged sections of rural society.

3.52 Reviving and revitalising the CCS is essential, both on functional and ideological grounds. In functional terms, cooperatives already have a wider and deeper reach in the countryside than other financial institutions. Experience has shown that the latter serve mostly the better-off segments of borrowers, that have a sufficiently large asset base. They are reluctant to cater to the small and marginal farmers and other underprivileged sections, on grounds that lending to them is far too costly and risky to be profitable.

3.53 Cooperatives, of the mutual thrift and credit type, are the only form of organisation by which economically disadvantaged individuals and groups could, through voluntary collective action, overcome their disadvantageous position in an unequal market and promote their well being. Organisations, in which members know each other first hand, are closely linked through kinship and other social relations, and have a strong mutual stake in proper use of the common credit pool, credit would be put to good use. Costs of administration and risks of default in repayment could be reduced. No less relevant is the moral appeal of cooperatives as a counter and an alternative to individual or corporate enterprise, for mobilising and using economic resources for owners' profit.

3.54 Recognising the important role that the cooperative network can play in delivering credit to sections of the rural population, which cannot, or are unlikely, to be reached through commercial and rural banks, all the earlier-mentioned committees are unanimous on the steps needed to realise their potential. They emphasise the need to (a) restore democratic management in the societies by holding free and fair elections regularly, (b) reduce the scope for government interference in their management to a minimum; (c) rationalise staff and improve their professional ability; and (d) create a climate conducive to prudent management of resources and efficient management and recovery of dues. Some suggest de-layering of the cooperative structure, increasing the service area of primary cooperatives to make them viable, and even making DCCBs and PACS branches of the SCBs.

3.55 Practically all reviews have recommended strongly against waivers of interest and loan repayment by governments, restraining or impeding recovery processes and such other measures, that create strong disincentives to borrowers to settle their dues fully and promptly. They have also been unanimous in recommending abolition of "dual"

control in matters of financial regulation of cooperative banks and vesting the needed authority and responsibility fully and wholly with the central regulatory authority, the RBI, under the Banking Regulation Act.

3.56 Both the Capoor and the Vikhe Patil Committees recommended special financial assistance to help viable and potentially viable DCCBs and SCBs to wipe out accumulated losses, strengthen their capital base, consolidate their outstanding debt from past borrowings and convert them into medium term loans at lower rates of interest. They have further recommended that the cost of financial restructuring (running into thousands of crores of Rupees) should be shared by the Union and the State governments, provided credible steps are taken to enable and encourage cooperatives to function efficiently.

3.57 Having perused the reports of earlier committees, the Task Force agrees with their central approach and thrust that the cooperative credit structure (CCS) needs:

- Special financial assistance to wipe out accumulated losses and strengthen its capital base
- Institutional restructuring to make for democratic, member driven, autonomous and self-reliant institutions
- Radical changes in the legal framework to empower the RBI to take action directly in matters and to the extent deemed appropriate for prudent financial management of banks, and
- Qualitative improvement in personnel in all tiers and at all levels through capacity building and other interventions, leading to an increase in overall efficiency.

3.58 Our recommendations on the specific measures in each of these spheres are detailed in subsequent chapters. They should be viewed as an inter-related, integrated package, to be calibrated by time and institutional responsibility. The package needs to be implemented in a way that it may have a synergetic impact in improving the health and vitality of the cooperative credit structures. Any propensity to pick and choose its recommendations cannot but destroy the “warp and woof” of the fabric, that constitutes its core. Unless the conditionalities prescribed go hand in hand with the resource support, the ailments characterising the cooperatives will not be addressed, and the money invested will go down the drain. If the assignment given to the Task Force is not to be repeated by another committee in the future, it is necessary that the package prescribed by it be accepted in full. Such an approach will have the best chance of being accepted by the stakeholders as the basis for reform and revival.

CHAPTER - 4

General Approach and Financial Restructuring

Guiding Principles

4.01 The Task Force is of the view that financial restructuring of the cooperative credit structure (CCS) must follow some basic principles, enumerated below.

- ? Re-engineering, including financial re-engineering, must cover all the tiers of the cooperative credit structure. In the opinion of the Task Force, a superstructure can only be as strong as the base. Recapitalisation and restructuring the intermediate and upper tiers of the cooperative credit structure, without addressing the infirmities at the primary level, would defeat the objectives of reviving and revitalizing the CCS. Primary agricultural cooperative societies (PACS) are the foundation of the short-term cooperative credit structure and much of the weakness of the upper tiers is because of their poor financial health and deficiencies in the way they are organized and managed.
- ? The Revival Package (RP), therefore, must include assistance for restoring the PACS to acceptable levels of financial health. It must put in position an environment and specific measures that could enable the PACS to evolve into democratic, self-governing and financially well managed institutions.
- ? It has been brought to the notice of the Task Force that such an exercise could be difficult because the number of credit cooperatives at the base level is very large. To overcome this difficulty, the Task Force has suggested some simple criteria for identifying eligible institutions, sharing patterns, etc.
- ? Recapitalisation must cover the aggregate erosion of capital in all the tiers of the CCS. It was pointed out to the Task Force that financial constraints pose a case for partial recapitalisation, limited to losses arising out of agricultural lending alone. The Task Force is not in agreement with this line of reasoning, as it believes that partial recapitalisation, like under-financing projects, have the potential to place the entire resource support at risk.
- ? The Task Force is not advocating an open-ended recapitalisation of all credit cooperatives, however. It is conscious that the resource support in the way of recapitalisation, is ultimately a charge on public funds and therefore, must be recommended with utmost caution. Keeping this in view, the Task Force recommends that recapitalisation be limited to institutions that conform to the standards of eligibility prescribed by it (and enumerated later in this chapter). At the same time, it also recommends the future setup of the remaining non-viable, dormant and defunct credit cooperatives or banks, by way of mergers, amalgamations or closure. The Task Force suggests transitional arrangements to ensure flow of credit in the areas of operation of such societies.
- ? Adhering to the principle that a behavioural shift cannot occur without a strong incentive, the Revival Package combines a generous and comprehensive capitalisation package, with a stringent set of conditionalities for legal and institutional reforms. The Task Force thus, allows options to State governments and the CCS to accommodate ground level diversities in implementing the Revival Package in a phased, but time-bound manner.

- 4.02 The major issues taken into consideration in working out the details of financial reconstruction include:
- a) criteria for determining eligible purposes and institutions,
 - b) the quantum of assistance required,
 - c) the sharing pattern,
 - d) conditionalities and
 - (e) timeframe.

Eligible Purposes

4.03 The Task Force is of the opinion that resource support for financial restructuring must enable eligible institutions to clear accumulated losses, maintain minimum capital and retire equity contributions by State Governments. The resource support should also cover the costs of technical assistance to upgrade human resources and management systems, as well as the costs of implementing the package.

Accumulated Losses

4.04 The accumulated losses of various units of the CCS arise from several sources, enlisted below:

- Non-repayment of loans given to members for agricultural and non-agricultural businesses and the resulting 'imbalances'
- Non-repayment of loans given to members for other purposes and the resulting 'imbalances'
- Losses on account of non-credit businesses of CCS units (like the Public Distribution System (PDS), and procuring and supplying agricultural inputs)
- Non-repayment of direct loans under State Government guarantees and where the State has failed to honour the guarantee after the loans have been defaulted
- Non-repayment of other direct loans without any guarantee from a State Government or any other, and
- Failure of State Governments to release funds to cover waivers of loans and interest, interest subsidies and other subsidies announced by them periodically

4.05 Accumulated losses as shown in the balance sheets of the CCS units do not reflect or take into account amounts not received from State Governments as invoked guarantees or other dues. "Dues receivables from the State Government" are shown without making any further provisions.

4.06 The Task Force recommends that such losses be provided for within the financial package for the CCS. The Task Force considered and rejected the possibility that the assistance be restricted to losses arising out of agricultural loans only, as it would tantamount to partial recapitalisation. For the same reason, the Task Force does not agree with the suggestion that accumulated losses arising out of non-financial businesses need not be covered by the package.

4.07 The Task Force recognises that along with well documented reasons, like poor appraisal, ineffective follow-up, etc., losses can also be traced to disproportionately high management and administrative overheads. The losses of the CCS units can also be traced to high cost of funds, arising from the captive deposit syndrome, entailing untenable interest rates on deposits and loans, defalcations, etc. The solution to these problems lies in restructuring governance and in measures to improve the efficiency of managements.

4.08 The measures needed to improve the governance and efficiency of the CCS are detailed elsewhere in this report, with the recommendation that the cost involved be borne out of the financial package. The Task Force would like to emphasise that its recommendation that the accumulated losses of the CCS units be covered by the Financial Package does not tantamount to writing off their defaulted loans. The taskforce would expect the CCS units to take every possible step in future, including recourse to legal action, to recover their loans subsequently. It also expects the State machinery to assist the process to the extent necessary. The Task Force also recommends that wherever defalcations have come to light, stringent action be taken against those involved.

4.09 While discussing the modalities for determining the extent of accumulated losses, the Task Force took note of the fact that the quality of housekeeping at the primary level has serious shortcomings. The Task Force also observed that in a number of States, no standardised norms and procedures exist at the primary level for making provisions for losses. This being the case, estimates of institution-wise accumulated losses on the basis of the extant, and in many cases outdated, financial statements put out by the primary level institutions could lead to serious distortions in the assessment of the accumulated losses at that level. The accumulated losses of the CCS units, therefore, must be estimated afresh and in a transparent manner.

4.10 The fresh appraisal of losses will require estimating accumulated losses in keeping with uniform NPA (non performing assets) norms, and to have the accounts of all societies in all states audited for the latest year on that basis. The Task Force took into account the argument that this process would be time-consuming at the level of PACS (primary agricultural cooperative societies), if done through the existing institutional structures. Recognising the merit of this argument and the need to expedite the process, it is recommended that the task be entrusted to specially designated auditors, under a fee-based arrangement. The Task Force feels that the true and fair picture of the institution-wise accumulated losses at all levels will then emerge.

Capital to Risk weighted Asset Ratio (CRAR)

4.11 The Task Force notes that under the existing arrangement, cooperative credit institutions including cooperative banks are outside the CRAR framework, on the ground that there is an in-built accretion to capital every time a loan is availed of by a member. The Task Force feels that in view of the huge rates of default characterising the CCS, there is a need to bring all tiers of the CCS under the CRAR framework. The Task Force notes that under the present regulatory framework, commercial banks are required to maintain a minimum CRAR at 9%.

4.12 The Task Force recognises that credit cooperatives (including cooperative banks) operate in defined geographical areas, with credit portfolios concentrated in a single sector, subject to the risk of higher concentration. It feels that there is

a case for factoring in the pressure exerted by the higher covariance risk inherent in such an arrangement. The Task Force, therefore, recommends that all CCS units, viz., PACS (primary agricultural cooperative societies), DCCBs (Central Cooperative Banks at the District Level), and SCBs (apex Cooperative Banks at the State Level), be initially supported with external resources, wherever needed, to achieve a minimum CRAR of 7%.

4.13 The CRAR may increase further through internal accretions within three years from the date of capitalization to 9%, and further to 12% in the next two years. The Task Force further recommends, with a view to protecting the resources being made available to the CCS, that under the Revival Package, a review be carried out by the RBI (the Reserve Bank of India) to determine whether a case exists for a higher level of CRAR.

Retirement of Government Share Capital

4.14 Looking back in history, the Task Force cannot but agree with Lord Tennyson that “the old order changeth yielding place to the new, lest one good custom should corrupt the world”. State partnership was introduced by the All India Rural Credit Survey (1954) to enhance the borrowing powers of cooperatives by increasing their capital base. This initiative has, over time, been the single most important cause for bureaucratisation of the system and for the intrusive and pervasive control by the State Governments over all aspects of cooperative functioning.

4.15 The Task Force is of the view that the time is now opportune to reverse the course of history. Initially, loans were made available to State Governments to contribute to the share capital of cooperatives. The time has now come for cooperative credit institutions to return the equity received by them from the State Governments over time. To facilitate this process, which incidentally, constitutes an important cornerstone of its recommendations, the Task Force recommends that soft loan support be provided to institutions that do not have the wherewithal to return State Government equity. The Task Force believes that this will pave the way for cooperatives to return to their original mandate of member-driven and member centric institutions.

Technical Assistance

4.16 Elsewhere in this report, the various forms of impairment endemic to the CCS have been indicated. The need to design specific financial proforma for working out accumulated losses and to be able to confirm these losses through specially commissioned audits, has also been highlighted. The Task Force is of the view that special audits will enable true and fair assessment of the financial assistance to be provided to the CCS, but would not be able to ensure that the CCS remain on the same trajectory on a continuing basis.

4.17 Various other measures are required to inject method in the CCS accounting system, like developing and implementing a software-based common accounting system, dovetailed into an appropriate MIS (management information system), to facilitate proper and timely decisions at all levels. The system would also require appropriate hardware support. During its discussions, the Task Force was of the unanimous view that provision for hardware needs to be consistent with the requirements of cooperatives at rural centres. Members felt that providing sophisticated equipment at centres where requirements could be met with simpler hardware options, would be a waste of money.

4.18 The Task Force also discussed at length, the issue of training and capacity building in cooperatives. It was felt that the training available in the system had largely ignored credit cooperatives at the ground level. Most of the training has traditionally focused on officers in the intermediate and senior executive levels of the cooperatives. The desirable training strategy would meet the needs for training and skills development of a balanced mix of staff, elected representatives and members.

4.19 The existing training programmes are, moreover, archaic and outdated, focused more on issues like the history of cooperation and legal enactments, than on matters pertaining to business and operations. This trend too needs to be set right. The extant training facilities are provided through various channels, including institutions sponsored by the State Governments, CCS (which are substantially supported by NABARD), College of Agricultural Banking, Bankers' Institute of Rural Development, National Institute of Bank Management, etc.

4.20 Taking into account, the number and range of cooperative credit institutions in the country, there is space for all these institutions to play a meaningful role. Having said this, the Task Force would like to clearly state that in the light of the resource support now being recommended by it, the nature and scope of cooperative training cannot be left to the whims and fancies of individual institutions. There is a need to standardize the training programmes and curricula, so that the programmes can be replicated and implemented across the country.

4.21 To operationalise these recommendations, the Task Force suggests that a joint group be set up under the chairmanship of NABARD, comprising representatives of the RBI, select government sponsored institutions and those promoted by the cooperative structure, with a mandate to finalise the training strategy by the end of June 2005.

Eligible Institutions

4.22 Having determined the purposes qualifying for resource support, the Task Force now discusses the methodology for identifying institutions eligible for it. It was argued that all units of the cooperative credit structure (CCS) must be capitalised. The Task Force is unable to accept this line of reasoning, because even preliminary data clearly indicate the existence of cooperatives at different levels, whose performance is so poor that no amount of capitalisation can address their basic infirmities.

4.23 The Task Force is inexorably led to the conclusion that capitalisation must first be conditional to a rigorous classification of the CCS into institutions which deserve capital support and those that do not. Having said this, the Task Force would like to draw attention to the fact that the CCS in India constitutes a very large network of outlets, spread across the length and breadth of the country.

4.24 The criteria for classifying ground level institutions in the past were business size, availability of paid Secretary, own premises, etc. While these criteria do indicate certain information about the institutions concerned, they are not suitable for assessing financial viability, which is at the heart of the present exercise. The Task Force is of the view that in principle, the eligibility of institutions should be determined on the basis of criteria which are uncomplicated and empirically

verifiable. The criteria for identifying institutions that deserve resource support should also be able to be dovetailed with a simple methodology, for obtaining data necessary for deciding on their eligibility and for working out the desirable quantum of resource support.

4.25 During the discussions, it was pointed out that the criteria for all institutions should be the same, for the purpose of uniformity. The Task Force is, however, of the view that institutions at the ground level, viz., PACS (primary agricultural cooperative societies) are mainly conducting their business through borrowed funds. As a result, a criterion which combines interest margins vis a vis operating costs and the level of recovery would be more relevant in their case. At the same time, net worth and erosion are more applicable to upper tier institutions, which conduct business wholly or partly through public deposits.

4.26 It needs to be mentioned here, that eligibility of the DCCBs (and the SCBs too) for the Revival Package, would be determined after factoring in the impact of capitalisation of all the PACS affiliated to them⁵. The chart below indicates the criteria suggested by the Task Force for classifying institutions in the CCS eligible for resource support :

Institutions	Criteria
PACS	1) Gross Interest Margin \geq 50% of operating expenses ⁶ and 2) Recovery \geq 50% of demand
DCCBs	Positive net worth and those with negative net worth with deposit erosion of less than 25%
SCBs	Positive net worth and those with negative net worth with deposit erosion of less than 25%

Quantum of Assistance

4.27 The Task Force recommends that the actual amount of assistance be based on audited balance sheets as at the end of March 2004. Suitable arrangements should, therefore, be made for a special audit, especially of PACS. The assessment in the following paragraphs is, however, based on data available as on March 2003 and, therefore, is only indicative at this stage.

4.28 In working out the requirements of resource support for cooperatives, the Task Force has followed the bottom up approach. It has first reviewed the extent of impairment at the level of the primary societies and estimated the resources required for cleansing it. The strategy is based on the logic that once the losses at the primary level are met, there would be a resultant downward impact on the accumulated losses at the level of the DCCB. The same reasoning would apply to capitalisation of DCCBs and SCBs.

⁵ Thus, in case some of the PACS affiliated to a particular DCCB do not get covered under the package, as they are ineligible, the notional amount of capitalisation of such PACS would have to be factored in the capitalisation of that DCCB. The same logic would follow for capitalisation of SCBs.

⁶ Operating expenses for the purpose of this exercise would include all administrative and management expenses and would not include provisions required to be made.

Losses at the level of PACS

4.29 The accumulated losses of PACS as at the end of March 2003, aggregated to Rs 4,595 crore⁷. The classification of these losses into those attributable to agricultural loans, non-agricultural loans, other loans, and non-credit business, is not available in the existing database.

4.30 A rough estimate, however, is possible at the macro level. The losses have been classified by first arriving at the break-up between credit and non-credit losses, on the basis of the proportion of loans outstanding to working capital. The losses attributable to loans for agricultural business, non-agricultural business and loans for other purposes (like jewel loans etc.) have then been estimated on the basis of the proportion of purpose-wise loans outstanding⁸. However, to get such an exercise done at the level of each society would involve enormous time and effort, delaying the entire re-capitalisation process, without any significant value addition. The Task Force, therefore, suggests that accumulated losses at the level of PACS be divided into those arising out of credit business and non-credit business.

The estimated magnitudes of the accumulated losses of the PACs on this basis are tabulated below.

(Rs. Crore)

Total Accumulated Losses	4,595
Losses on account of credit business	3,170
Losses attributed to non-credit business (e.g., PDS etc.)	1,425

Losses at the level of DCCBs

4.31 The accumulated losses of DCCBs aggregate Rs 4,401 crore as on March 2003⁹. As mentioned earlier, cleansing the balance sheets of PACS would automatically reduce the accumulated losses of the DCCBs. The Task Force has, consequently estimated the losses of the DCCBs, by setting off the credit losses of the PACS on account of their loans for agriculture and non-agricultural business operations (estimated at Rs. 2,314¹⁰ crore), against the accumulated losses of DCCBs. The balance of losses at the DCCB level represents :

- residual losses on account of loans to PACS for other purposes,
- DCCB's lendings to societies other than PACS
- Direct lending by DCCBs to individuals and units for agriculture or non- agriculture purposes

4.32 A precise estimate, however, can only be made after the Balance Sheets are trued based on prescribed NPA norms, through special audit by supervising officials of the NABARD.

⁷ Based on data specifically obtained from DCCBs through regional offices of NABARD. Estimates relate to position as at the end of 2002-03.

⁸ As per the above criteria, credit & non-credit related losses at the PACS level aggregate Rs.3,170 crore and Rs. 1,425 crore respectively. The credit losses can further be bifurcated into losses due to agri loans (Rs.1,744 cr.), non-agri loans (Rs. 571 cr.) and other loans (Rs.856 cr.) on the basis of proportion of these types of loans to total loans outstanding.

⁹ Data by NABARD

Losses at the level of SCBs

4.33 The accumulated losses of SCBs (apex cooperative banks at the state level) aggregate Rs 281 crore. A precise estimate, here too, can only be made after the Balance Sheets are tried based on prescribed NPA norms, through special audit by supervising officials of NABARD.

Invoked Guarantees

4.34 The Task Force was given to understand that as of end March 2004, State Governments had extended guarantees to the extent of Rs 4,495 crore in favour of DCCBs and SCBs, for loans issued by them to various agencies and units. These guarantees comprise those aggregating Rs 3,181 crore in favour of SCBs, and Rs 1,314 crore in favour of DCCBs. The Task Force noted with concern that guarantees aggregating Rs 827 crore and Rs 337 crore had been invoked by SCBs and DCCBs respectively, because of defaults by the borrowing agencies. These amounts had not, however, been paid by the respective State Governments to the concerned banks.

4.35 The Task Force would like to impress on the State Governments that not paying funds to the SCBs and DCCBs would seriously impact their financial viability. It, therefore, urges State Governments to pay these monies to the respective banks immediately, with accumulated interest. However, State Government representatives, who interfaced with the Task Force pointed out that in most cases, the financial position of State Governments did not enable them to meet these commitments immediately.

4.36 So that the financial position of the State Governments does not put the recapitalisation process at risk, the Task Force recommends resource support for them. It recommends that soft loans be made available to the concerned State Governments on a specific application being made to the implementing agency, as part of the MOU framework designed by the Task Force, to enable them to pay these dues, with accumulated interest to the CCS units concerned, as the first step towards recapitalisation.

Other Receivables from State Governments

4.37 The Task Force notes with concern the propensity of State Governments to announce loan and interest waivers and other subsidy schemes from time to time, which affect the cash flow of the lending agencies and seriously vitiate the repayment climate. The Task Force does not deem it appropriate to review the complexities of the issues involved, but from a purely financial standpoint, it has no hesitation in saying that the sooner these practices are brought to an end, the better it is for the system.

4.38 In the interest of the recapitalisation initiative, the Task Force, albeit reluctantly, recommends that the outstanding amount of Rs 720 crore announced by various State Governments from time to time for such interest waiver and subsidy schemes, be immediately paid by the State Governments, along with the accumulated interest. Here too, however, the

¹⁰ For the purposes of these aggregate estimates, it is presumed that most of the loans for 'other purposes' are made by PACS out of their own resources. However, if a DCCB has provided credit limits to PACS for such purposes, the same would have to be factored in its losses.

Task Force recommends a soft loan support to the State Governments in the light of the state of their finances. Once again, the soft loan will be available on a specific application to the implementing agency within the MOU framework.

4.39 As mentioned earlier in the report, these amounts (invoked but unpaid guarantees + other dues) are generally shown as receivables from the Government and hence, are not reflected in the losses shown in the balance sheets of cooperative banks.

CRAR

4.40 Earlier in the report, the Task Force noted that cooperative credit institutions, including cooperative banks were beyond the CRAR (capital at risk weighted asset ratio) framework. It recommended that all CCS units, including cooperative banks, may initially be supported with external resources. The support would be through a soft loan in the form of a Tier II capital, wherever necessary, to achieve a CRAR of a minimum of 7%, to be taken up by internal accretions to 9% within three years from the date of capitalisation, and further to 12% in the next two years.

4.41 The amount required for taking the CRAR of cooperative institutions to a minimum of 7%, can only be arrived at after the recapitalised balance sheets are available. In the light of the fact that the system has an inherent linking of share capital contribution to loans and that the accumulated losses of the system would have been wiped out at the end of the cleansing process, the amount required is not expected to be large.

Retirement of Government Share Capital

4.42 As at the end of March 2003, the contribution of State Governments to the share capital of CCS institutions aggregated Rs 1,243 crore, as shown below:

Share capital contribution by State Governments

(Rs. crore)

Agency	Amount
PACS	619
DCCBs	521
SCBs	103
TOTAL	1,243

4.43 Elsewhere in the report, the Task Force has recommended that “the time has now come for cooperative credit institutions to return the equity received by them from the State Governments over time. To facilitate this process, which constitutes an important cornerstone of its recommendations, the Task Force recommends that soft loan support be provided to institutions which do not have the wherewithal to return State Government equity”.

4.44 The Task Force hopes that the CCS institutions at different levels will understand the justification for and implications of the recommendations made by it, and find the resources for returning State Government equity. However, a sum of Rs 1,243 core has been factored in, as part of the recapitalisation, as soft loan assistance to CCS units, just in case they are unable to do so.

Technical Assistance

4.45 The recommendations of the Task Force for Technical Assistance have been delineated at various places in the report. The major components under this head, including the amounts required, are detailed below:

(Rs. Crore)

Item	Amount
• Pre-capitalisation audit	46.00
○ Designing of special balance sheets and training manuals, training of trainers for the special audit	0.50
○ Training of auditors for conduct of special audit	0.50
○ Special audit costs and vetting by CAs	45.00
• Accounting and Technological support	516.00
○ Designing of standard common accounting system and accounting manual, translation into local languages and printing, training of trainers	1.00
○ Designing standardised accounting software based audit and information systems and , development of common software etc.	215.00
○ Designing of hardware configurations (Personal Computer, dot-matrix printer, modem, networking arrangements, UPS), installation and AMC and funding for supplying the same under a need based arrangement	300.00
• Human Resource Development	108.00
○ Designing standardised training manuals, training materials, translation and printing costs	2.00
○ Training of Trainers	1.00
○ Conduct of Training Programmes for Board members, staff, and members of PACS, DCCBs and SCBs	105.00
• TOTAL	670.00

Implementation Costs

4.46 The process of implementing the recommendations of the Task Force was considered at length. One view was that it could be left to the various stakeholders. Another view was to assign the responsibility of implementing the recommendations to various State Governments. The Task Force rejected both these options, on the ground that there would be a serious conflict of interest if the stakeholders were also to be the implementing agencies. To safeguard the resources being made available, it is necessary to identify an institution at the national level, that enjoys the confidence of stakeholders and has a track record for impartial functioning.

4.47 The National Bank for Agriculture and Rural Development (NABARD) is the natural choice and may be designated to carry out this task, both as pass through and implementing agency. Elsewhere in the report, the Task Force has made recommendations on the responsibilities, which will devolve on NABARD. Suffice it to say at this stage, that in the fitness of things, it would be appropriate to reimburse the institution of all the costs involved in discharging these responsibilities.

4.48 In addition to providing the manpower necessary for conceptualising, guiding, handholding, monitoring and reporting on the initiative, NABARD will also implement the entire technical assistance package in collaboration with suitable partners. The aggregate amount estimated under this head, therefore, has a certain overlap with technical assistance. However, bifurcating the costs on a notional basis, the Task Force estimates a support of Rs 360 crore to NABARD over a five year period.

Overall magnitude of the Financial Package

4.49 On the basis of the data as on 30 March, 2003 and in view of the observations above, the resource support recommended by the Task Force aggregates Rs. 10,839 crore. As mentioned earlier, these estimates are based on data available as on March 2003, and the knowledge that balance sheets, especially of PACS, may not be portraying a true and fair picture of their financial status. The exact amounts would, therefore, be known only after special audits prescribed by the Task Force are over. The aggregate amount may, consequently, be larger than that estimated here. Accordingly, the Task Force recommends a contingency amount of Rs 4000 crore.

Sharing of Liability and Financing

4.50 Having arrived at the aggregate amount involved in the Revival Package, the Task Force turned to the question of sharing the liability. The Task Force is clear in its perception that theoretically recapitalisation is the responsibility of the owners; who in this case are the members of the CCS and the State Governments concerned. The Task Force noted that both the committees prior to it, have recommended the involvement of the Government of India on various grounds, including the fact that a similar exercise had been funded by it for the public sector commercial banks (PSBs) and regional rural banks (RRBs).

4.51 The Task Force would like to clarify that the recapitalisation of PSBs was done by the Union government, in its capacity as the owner. In the case of the RRBs, other stakeholders had also participated in proportion to their equity. Therefore, on the face of it, there does not seem to be any legal ground for the participation of the Union government in the recapitalisation process for cooperatives. However, in view of the fact that historically the Union Government has played a significant role in the development of cooperatives and indeed mentored them over time, a moral responsibility also seems to be involved. Moreover, there is indeed, an urgent need to rapidly expand agricultural credit to boost productivity and production in the agricultural sector. Taking these factors into account, as well as the fact that only a strong CCS can play a major role towards this end, the Union Government needs to involve itself in the revival of the CCS in national interest.

4.52 During discussions on the sharing pattern, it was submitted that the simplest methodology for doing so, would be to devise a formula based on fixed percentages as suggested by earlier Committees. Issues involved were debated and it was felt that formula based sharing patterns tended to become points of contention between the various stakeholders, jeopardizing the broader objective of reviving the CCS. The Task Force was of the view that the sharing pattern, above all, should be based on a formulation which is empirically verifiable, transparent, and relatively simple to implement. The consensus of the Task Force is that the sharing pattern should be based on the origin of loss, rather than an arbitrary proportion for sharing the liability.

4.53 The two arguments made above lead to the conclusion that in the fitness of things, losses arising out of loans for agricultural purposes at all the levels may be fully borne by the Union Government and an appropriate mechanism on a similar logic may be used for losses from other loans and activities. While this method can fairly easily be implemented at the level of DCCBs and SCBs, it has been mentioned earlier, that determining accumulated losses arising from different

types of loans issued by PACS may be very difficult and not really commensurate with the effort involved, as the principal credit business of PACS is agricultural loans.

Sharing Pattern – PACS

4.54 Taking into account the fact that there are almost a lakh PACS at the ground level, undertaking both credit and non-credit businesses, the simplest empirically verifiable sharing formula between the Union government and stakeholders, therefore, would be one, in which the former picks up the bill for losses arising out of all the credit business of PACS. The State Governments will have to bear the losses on account of non-credit businesses (PDS, sale of fertilisers, procurement, etc.), on the ground that such non-credit business is largely driven by them.

Sharing Pattern – DCCBs and SCBs

4.55 As already mentioned, once the losses of retail outlets have been met, the losses at the level of DCCBs from their lendings to PACS at the ground level, would automatically stand reduced. It has already been mentioned that State Governments would be required to pay upfront for their existing liabilities in respect of invoked guarantees and other dues. These liabilities are not reflected in the traditional balance sheets of the cooperative banks, as they are merely shown as receivables from the government. The DCCBs also have losses pertaining to loans given by them to other cooperative societies (like marketing, handloom, consumer societies etc.), with or without government guarantees, and their direct loans to individuals for agricultural and non-agricultural businesses and loans for consumer goods etc.

4.56 As mentioned earlier, the accumulated losses arising from the loans of the DCCB's for agriculture, including their direct loans to individuals and units other than PACS, would be borne by the Union

government. The DCCBs, however, would have to bear losses arising out of any other direct loans made by them, on the ground that all decisions pertaining to such loans have been taken by them.

4.57 The accumulated losses from the loans of DCCBs to other cooperatives, should be shared by the State Governments as a part of these losses in proportion of (uninvoked) guaranteed loans to total outstanding loans of the same category with the Union government taking on the balance. A similar method is proposed for the accumulated losses of the SCBs.

4.58 The recommendations of The Task Force on the sharing of the accumulated losses is not based on artificially fixed proportions, but on the origin of such losses within a flexible matrix.

4.59 Based on the above recommendations, the aggregate liability of the Revival Package of Rs 14,839 crore would be shared as follows:

(Rs crore)

Elements	Responsibility of		
	Gol	State Govt.	CCS units
Accumulated losses due to			
• All credit business of PACS + agricultural credit business of DCCBs/SCBs	3,922		
• Non-agricultural credit business of DCCBs/SCBs	841	93	401
• Non-credit business of PACS (PDS etc.)		1,425	
• Unpaid invoked guarantees		1,164	
• Other receivables from state governments		720	
Return of government equity			1,243
Minimum CRAR of 7%			**
Human resource development + special audits	154		
Computerisation including software	516		
Implementation costs	360		
Total	5,793	3,402	1,644
Share of liability	53 %	31 %	16 %
Means of Financing	Grant by Gol	Soft loan by Gol to state govt. if needed	Soft loan by Gol to CCS units if needed
Total	10,839		
Add Contingencies	4,000		
Grand Total	14,839		

** This amount can be estimated only after recapitalised balance sheets for the CCS units are available

4.60 The percentage shares indicated represent the aggregated approximations at the macro level. It is clarified that these percentage shares at the state level would depend on the pattern of loan portfolio and accumulated losses in each CCS unit, the extent of guarantees issued by state government and the amounts of other receivables from the state government.

Chapter-5

Institutional, Legal and Regulatory Reforms

The need for Reforms

5.01 Financial assistance alone cannot revive cooperatives and empower them to realise their full potential to reach adequate credit to villages and the rural population there (especially the asset-poor, the asset-less and the disadvantaged). Cooperatives can only be revived if they become democratic, self-governing, self-reliant organisations for mutual thrift and credit. The scope for the government's involvement and interference in their internal functioning should be eliminated. Enactment of a liberal law by the State Governments to enable cooperatives to function as fully member driven institutions is an essential and critical requirement.

5.02 The responsibility for using resources of societies (made up of members' funds and borrowings) efficiently and prudently, must be left to democratically elected managements, accountable to members. At present, most institutions of the Cooperative Credit Structure restrict membership, with full voting rights to borrowers. Depositors are categorised as nominal members without voting rights, or are not given any membership status. This is not only inconsistent with cooperative principles and democratic functioning. It is also logically inconsistent, as those whose money is intermediated have no say in the management of their own money. It is, therefore, essential that all users – depositors and borrowers – be made full members with equal voting rights. This is also essential to strengthen the mechanisms of internal supervision and enforcement of credit discipline.

5.03 Ideally, mutual thrift and credit societies are supposed to operate on the principle that members should deposit their savings with the society to be lent to members in need of credit. Failure on the part of members to keep a close watch on the working of the society could erode resources they have put into the society. A strong incentive exists, therefore, for members to take an active interest in the working of their societies. If that happened, there would be no need for external regulation of internal management of cooperatives at the primary level.

5.04 However, the reality is that even if all villagers were to be members and were willing to deposit their savings with the cooperative, the magnitude of resources available may not, and in most cases will not, be adequate to meet all the credit needs of the community. This is all the more likely when those who have savings do not choose to be members and even when they do, may not want to put all their savings in the society. The cooperatives, therefore, must be free to borrow from other financial institutions, to supplement their own resources on the basis of their credit worthiness in the market.

5.05 The quantum of such borrowings and the terms is best determined by the quality of credit portfolio, financial performance and repayment record of the societies. Direct state funding or interference in the financial management of the system, rampant at present, is inimical to the health of the system, and must be eliminated. Restrictions on availability of and access to NABARD refinance for the thrift and credit societies (that have come up under the new parallel Acts), should, also be removed. While there is no justification for external regulation of the financial matters of such societies, it is desirable to lay down clear norms of capital adequacy and provisioning, to ensure their good health.

5.06 In principle, higher tier institutions (DCCBs and SCBs) can also choose to adopt this model and accept deposits only from members. Once they cease to have public deposits (defined as deposits by people who have no voting rights), they need no longer be subject to licensing and regulation under the Banking Regulation (BR) Act. As long as cooperative banks accept public deposits, however, they should be licensed and observe prudential norms applicable to banking institutions.

5.07 The State Governments need to make legislative amendments to enable the Reserve Bank of India (RBI) to exercise its regulatory powers under the BR Act directly, and not through the Registrar of Cooperative Societies (RCS), if the cooperative banks are to be regulated effectively. The State Governments should in the meantime, enter into an appropriate memorandum of understanding (MOU), agreeing to desist from interfering directly or indirectly in the management of the finances of these banks.

5.08 In short, a radical change is necessary in the way cooperative credit societies are constituted, managed and regulated at present. That such change is essential for reviving and revitalising the system has been strongly emphasised by the Capoor, Vikhe Patil and Vyas Committees. The need for change in the Cooperative Credit Structure (CCS) has also been widely appreciated by chairmen and chief executives of cooperative institutions, senior officials of state cooperative departments, and leading public figures, who have argued for reform, as well as representatives of trade unions of cooperative sector employees – all of which has been of little avail. State Governments have shown little inclination towards the needed reforms. There is, as a matter of fact, a strong opposition to reforms from entrenched vested interests, who stand to lose control over the very considerable resources channelled through the cooperatives.

5.09 Exhortation will not lead us far. Strong inducements are imperative. To break the impasse and induce essential and basic institutional reforms, it is essential to link eligibility for assistance and its release to the implementation of reforms in the Revival Package. The vision of the Task Force is that in the long run, the financial cooperatives should turn into the self reliant, member centric institutions, envisaged by the Self Reliant/Mutually Aided Cooperative Societies Act. It has to, however, take into account that the Cooperative Societies Act (CSA) has been in vogue for so long, that it has acquired a settled status.

5.10 The Task Force is of the view that rural financial cooperatives should be dealt with as a distinct and separate class and recommends incorporation of a separate chapter in the extant Cooperative Societies Act, for the cooperative banks. The Task Force believes that the introduction of a separate chapter will at last pave the way for focused attention on cooperative banks and their superintendence and governance. Having said this, the Task Force reiterates, indeed exhorts, State Governments to take steps to ensure that the suggested measures acquire the force of law, as expeditiously as possible.

5.11 In the interregnum and in view of the fact that the process of revitalising the CCS cannot be delayed, the Task Force recommends that the State Governments enter into MOUs with Regulatory and Supervisory agencies, for facilitating an appropriate governance and superintendent structure. Accordingly, the Task Force, has prescribed a working draft of a Model Bill (Annexure XX). The Task Force has also prescribed the provisions to be incorporated as a special chapter in

the extant Cooperative Societies Act in Annexure XXI, and an indicative list of items which should be included in the MOU between the State Government and RBI in Annexure XXII.

Conditionalities relating to Reform measures

5.12 The Revival Package for the CCS entails assistance for financial restructuring of the cooperative societies, provided of course their State Governments agree to participate in the package. It is also imperative that the State Governments make a formal commitment to make specified changes in their legal and administrative framework, relating to the functioning of cooperative credit institutions. Although, the willingness for participating in the Revival Package will be totally optional, once exercised, the concerned State Government and the CCS units will have to accept the entire package in toto. There cannot be a pick and choose method for various components of the package. The key elements of which are :

- State Governments should accept the Union Government's scheme in full, including the legal and regulatory changes, institutional reform, and their share of financial commitment
- State Governments not in agreement now may be given two years to consider, after which participation in the Union Government's scheme may stand closed
- PACS, DCCBs and SCBs to also have the option to exercise options available in the scheme

5.13 Release of funds will be linked to the progress in actually implementing the Revival Package, by taking the following steps on credit societies in their jurisdiction:

- (i) State governments retire their contribution to the share capital of such credit societies.
- (ii) Boards of management are reconstituted to ensure that they are elected, and that they do not include any State Government nominees.
- (iii) DCCBs and SCBs accept the fit and proper criteria (to be prescribed by the RBI) of eligibility for Board membership and for co-option of a specified number of professionals as full members with voting rights, if members with such qualifications do not get elected.
- (iv) Professionally qualified CEOs (qualifications to be prescribed by RBI and selected candidates, to be also approved by the RBI) are appointed at cooperative banks and properly trained personnel as secretaries to PACS.
- (v) Abolish the cadre system of all employees at all levels
- (vi) Ensure that CEOs and all staff of credit cooperatives (including cooperative banks) at all levels, are appointed by the cooperatives themselves and that they also decide on their service conditions. All employees are answerable only to the Boards of the credit cooperatives.
- (vii) In all cases limit the powers of the Board to overall policy and reviewing loan decisions, leaving the CEO and his staff free to screen, appraise and decide on individual loan applications and to take such action as is necessary, to ensure prompt and full recoveries.

- 5.14 The Task Force also recommends that, in the interests of prudent management,
- All thrift and credit cooperatives including primaries and their federal structures be required to increase owned capital, so as to ensure a minimum CRAR of seven per cent to begin with, and to raise it to 12 per cent within another five years;
 - Encourage the Cooperative Credit Structure to set up its own system of technical support, supervision, and even deposit protection;
 - Societies to have full freedom to choose institutions from which they can borrow and in which they can deposit their funds, and also to decide on affiliating with, or abstaining from a federated structure of their choice;
 - Entrust audit to chartered accountants at all levels of CCS

The State Governments and CCS institutions should further agree to:

- The principle that assistance will be available only to viable or potentially viable societies (as prescribed by the Task Force) and that those which are defunct or non-viable should be liquidated;
- The determination of the quantum of assistance to which individual institutions are eligible, will be based on a special audit of their accounts for the year 2003-2004, under the supervision of the implementing authority to be created for the purpose;
- Participate in programmes to train personnel, upgrade internal accounting, reporting and control systems at different levels to better equip them for credit management.

5.15 Extensive direct or indirect interference by State Governments have been a major cause for the deterioration of the cooperative credit system. Interference in the credit cooperative system occurs through directives on deposit and lending rates, lending priorities, investment decisions, taking up non-credit activities etc. or granting interest subsidies, postponing waiver of recovery of interest on loans and repayment of loans given by cooperatives. It is, therefore, important that governments, both at the Centre and in the States, desist from these practices and adopt a firm policy to prevent these practices and introduce appropriate changes in law .

5.16 States should formally agree, through an explicit MOU with the Reserve Bank of India, to be formalised by appropriate amendments to their cooperative laws, to leave all financial regulatory functions to the designated authority under the BR Act, and to abide by their decisions in these matters.

5.17 For its part, the central regulatory authority should take steps to

- (i) Let cooperative societies in all tiers choose not to take any public (or non-voting member) deposits and thereby, be free from the purview of the BR Act; and at the same time
- (ii) Tighten the financial regulation, including prudential norms and procedures applicable to cooperatives accepting public deposits, by bringing the norms (relating to minimum capital adequacy, NPA, CRR-SLR) closer to, or identical with, those applicable to commercial banks; and

- (iii) Consider linking premium rates for deposit insurance cover under DICGC, the scale and terms of refinance through NABARD (or commercial banks/RRBs) as well as access to the national payments system to the financial health of the cooperatives as well as degree of compliance with regulatory norms.

5.18 Each participating State must take credible steps to fulfill these conditions. The Task Force recognises that all these issues cannot be tackled immediately or at one stroke. The Reforms will, therefore, have to be phased. The release of assistance should, however, be linked to progress in fulfilling the agreed sequence of reforms, within a clear time frame. In specifying these, it is important to recognise that the situation (in terms of legal and administrative framework, and the nature and severity of the problems) vary widely from state to state. It is also important to recognise the fact that, there can be no “one-size-fits-all” model. The States, therefore, should have reasonable freedom to decide the pattern they want to follow to realise the basic aims of the Restructuring Programme within a reasonable period.

Main features of the Proposed Legal and Regulatory Reforms

5.19 Fulfilling the conditions of the Restructuring Programme will require drastic changes in the State laws, that govern Cooperative Credit Societies and a clear undertaking by the State Governments to accept the authority of the Reserve Bank of India (RBI) in all matters concerning financial regulation of cooperative banks.

5.20 Some conditions, like retiring the State’s contribution to equity and withdrawing nominees from the boards can be done by Executive Order, pending formal amendment of the existing law and through voluntary restraint. So can training and tightening of audit. The changes meant to redefine and limit the role of RCS to registration, conducting regular elections and annual general meetings, ensuring independent audit and liquidation proceedings, as well as those precluding government interference in matters relating to financial management, will call for drastic amendments to the existing law. Implementing the prudential regulation of DCCBs and SCBs can be achieved to some extent, in the meantime, through appropriate MOUs between the State Government and the RBI.

5.21 Since a new enactment is a time consuming process, the Task Force has identified and recommended specific parameters on actions that can be initiated, by participating State Governments, by means of Executive Orders issued under the extant CSA. Such an Executive Order would cover the following :

- Ensuring full voting membership rights on all users of financial services including deposits
- Removing State intervention in administration and financial matters
- Withdrawing restrictive orders, if any, on financial matters
- Permitting cooperatives wider access to financial institutions
- Permitting cooperatives registered under parallel Acts (in States applicable) to be members of cooperatives, registered under the CSA and vice versa
- Limiting the exercise of powers of the State Governments to supersede Boards
- Ensuring timely elections and audits
- Facilitating effective exercise of the regulatory authority of the RBI, in case of cooperative banks
- Exiting state equity and participation on Boards of financial cooperatives
- Prescribing prudential norms, including CRAR for PACS on lines suggested

5.22 The Task Force has analysed the reasons for the opposition to amendments earlier proposed to the B R Act. It has concluded that the opposition was because of apprehension that the proposed amendments sought to bring in improvements in the governance of the banking cooperatives, by disregarding the cooperative character of the banking cooperatives, which is distinct from banking companies.

5.23 The Task Force has, therefore, recommended that while professionalism is necessary in the governance and management of financial cooperatives, it needs to be done with due regard for the characteristics of the membership of the financial cooperatives. The Task Force recommends that steps be taken by the RBI to have the B R Act suitably amended to ensure the following :

- Bringing cooperative banks on par with commercial banks in terms of prudent financial regulation
- Prescribing fit and proper criteria consistent with the membership of cooperatives for election to the Boards. To ensure professionalism in the Boards, however, three or four members with prescribed qualifications should be co-opted with voting rights in case members with prescribed qualifications do not get elected
- Prescribing minimum qualifications for CEOs of the cooperative banks and approving their names
- Prescribing capital adequacy norms for cooperative banks (to be implemented in a phased manner)
- Prohibiting any cooperative other than a cooperative bank from accepting public deposits from any person other than its members.
- Prohibiting any cooperative other than a cooperative bank, from using the words “bank”, “banker”, “banking”, or any other derivative of the word “bank”, in its registered name.

5.24 As cooperative banks are at present, being concurrently supervised by the NABARD, the Task Force also recommends that NABARD be empowered suitably to improve the effectiveness of its supervision.

Changes in cooperative laws

5.25 While some of the necessary changes can be implemented through Executive Order, under the existing State laws, formal legislation to repeal or modify existing laws will be necessary. The Model Coop law, suggested by the Brahm Perkash Committee, and endorsed by all recent committees which have gone into this issue, is consistent with the kind of regime, which we think is necessary for healthy functioning of cooperatives as democratic, member-driven and self reliant organisations.

5.26 Even though several States have enacted new laws on this pattern, they have not made much of an impact. In all these States, most societies continue to operate under the regime of the extant CSAs, with hardly any effort to enable or encourage existing societies to come under the new law. Part of the reason is the absence of provisions in the pre-existing law to permit and enable existing societies to come under the new law. A stronger reason is, perhaps, the non-availability of refinance to such cooperatives, registered under the new Acts.

5.27 The draft law suggested by the Task Force, is based on the Constitutional right of citizens to form associations. It provides space for citizens (especially disadvantaged communities who need to work in cohesion for their own advancement), to work together on the economic front. As in the case of the Companies Act, potential members are required to register their agreement with one another, their Memorandum and Articles of Association, and thereby to acquire body corporate status. The power of the RCS should be limited to ensuring that the memorandum and bylaws are consistent with the basic principles of governance laid down in the law. There should be no requirement that the details and specifics of these documents be subject to government approval.

5.28 During interactions, it was pointed out to the Task Force that the Acts governing credit cooperatives need not be detailed legislation. In the light of the complexities in the existing legislations, however, the Task Force is of the opinion that the legislation for financial cooperatives needs to be simple, but comprehensive. It should also preclude any subordinate legislation, while ensuring that decisions on financial matters are vested only with the cooperatives and their regulation fully vested with the RBI, in case they are cooperative banks.

5.29 The proposed Model Law indicates (a) the essential basic principles of constitution and internal governance which societies must observe; (b) specifies the governments' role in ensuring that the spirit of the law is observed, that elections and annual meetings are held regularly and audited accounts of prescribed standard are presented at these meetings; and (c) should restrict the State Government from interfering directly or indirectly in the internal management of societies, especially in matters affecting the financial health of the societies. It should explicitly recognise the RBI as the sole authority to use its powers under the BR Act to ensure observance of prudential norms by Cooperative Credit Societies, that accepting public (i.e. non-member) deposits.

5.30 It is an enabling, not a regulatory law. Considering the almost non-existent rate of conviction under most cooperative laws, other regulatory laws will be fully applicable in cases of criminal action. At any rate, an enabling piece of legislation ought not to transgress on what specialised regulatory laws are better equipped to deal with.

- (i) The law is based on internationally accepted principles of cooperation and ensures that cooperatives function in a democratic manner.
- (ii) The draft is member-centric. It ensures that members are in control of their organisation, and that they can hold accountable those they elect. It places responsibilities on members, and it gives them the right to manage their own affairs, based on the responsibilities that they choose to fix for themselves.
- (iii) It places responsibilities on elected Directors in such a manner, that elected positions are positions of responsibility and not of power and authority. Accountability of the Directors to the General Body is in-built, and any lapse is treated seriously. Director behaviour is expected to be reported to the General Body for its scrutiny.
- (iv) The Model Law makes it clear that cooperative societies are not creatures of the State – nor are they statutory creatures. Membership in these societies is voluntary, not involuntary as in a Gram Panchayat. The question of establishing Election Commissions for holding their elections, therefore, was considered inappropriate by this Committee. As in the case of companies, societies, trade unions, and unincorporated associations, elections will be an internal affair of each organisation.
- (v) For similar reasons, an Audit Board is not envisaged under this law. The General Body of each cooperative society will appoint an auditor, and the responsibilities of the auditor have been made explicit. Presentation of copies of

the audited statements of accounts for the previous year, along with audit objections, to each member has been made compulsory.

- (vi) Recruitment of staff will be the responsibility of each cooperative society. Common cadres, and recruitment boards are not envisaged. Just as other forms of citizen organisations (companies, societies, trade unions, unincorporated associations) take responsibility for staff recruitment and personnel management, so, too, cooperative societies should have the right to make all staff related decisions. Labour laws are expected to apply.
- (vii) Profit (surplus) and loss (deficit) are to be shared among members. Cooperatives are expected to be professionally managed in the truest sense of the phrase, as Directors have to face their General Body each year and recommend surplus/deficit sharing to members.
- (viii) The law is for cooperative societies based on mutual aid among members. While cooperative societies are permitted to accept member savings and deposits, and borrowings from others, they are not permitted to accept savings from non-members. In case a cooperative wishes to accept public (non-voting member) deposits, however, it will have to be licensed by the RBI and follow such other regulatory norms as prescribed by the RBI.
- (ix) The manner of recovery of dues from members is required to be in-built in the articles of association.

5.31 The special chapter to be included in the existing State Cooperative Societies Acts as given in Annexure XXI contains overriding provisions for ensuring proper financial regulation of cooperative banks. This chapter provides that notwithstanding any provisions to the contrary in the existing Cooperative Societies Acts -

- (i) the provisions of the Banking Regulation Act (as applicable to cooperative societies) shall apply to a cooperative bank
- (ii) no cooperative society, other than a cooperative bank, shall use, as part of its name, the words "bank" , "banker" or "banking".
- (iii) no cooperative society, other than a cooperative bank shall accept deposits from any person other than its members, or accept deposits withdrawable by cheque.
- (iv) no cooperative bank shall change its name, open a new place of business or change its existing place of business outside the city, town or village where it is located without the prior approval of the Reserve Bank.
- (v) every cooperative bank shall have at least three of its directors who have special knowledge or experience in the field of accountancy, law, banking, management, agriculture or rural economy.
- (vi) the Chief Executive Officer, by whatever name called, of a cooperative bank shall have such qualifications as may be specified by the Reserve Bank .
- (vii) every cooperative bank shall have its account audited by a qualified chartered accountant in each financial year, subject to such directions as the Reserve Bank may issue from time to time.
- (viii) every cooperative bank shall abide by the directions, guidelines and prudential norms issued by the Reserve Bank from time to time, in acceptance of deposits, borrowing, lending, investment or any other financial matter.
- (ix) no cooperative bank shall be given exemption from the provisions of this chapter by the State Government in exercise of its powers to exempt societies from the provision of the Act, without the prior approval of the Reserve Bank.
- (x) the Reserve Bank may in public interest, or for preventing the affairs of the cooperative bank from being conducted in a manner detrimental to the interests of the depositors, or for securing the proper management of the bank, order the supersession of the board and appointment of an Administrator for such period or periods, not exceeding

five years, as may from time to time be specified by the Reserve Bank. The Administrator so appointed shall, continue in office after the expiry of his term of office, until the day immediately preceding the date of the first meeting of the new committee.

- (xi) no order for supersession of the board of a cooperative bank shall be made by the Registrar, without the prior approval in writing of the Reserve Bank.
- (xii) an order of supersession of the board and appointment of an Administrator by the Reserve Bank shall not be liable to be called in question in any manner .

5.32 To facilitate the passage of the Model Law, the Task Force recommends the following course of action for the State Governments:

- First, the introduction of a parallel liberal law (similar to the working draft of the Act provided as an Annexure XX to the report)
- Second, States which do not pass the Model Law should include a Special Chapter for Agricultural and Rural Credit Societies in the extant Cooperative Societies Act incorporating the provisions of the Model Law. The said chapter shall also include the provisions for DCCBs and SCBs as set out in Annexure XXI.
- Third, the entering into an MOU with Regulatory and Supervisory Agencies as indicated in Annexure XXII .

Chapter - 6

Implementation Mechanism

6.01 To ensure success in restructuring the weak cooperative credit institutions, it has been recommended that the National Bank for Agriculture and Rural Development (NABARD) be designated the Nodal Implementing and Pass Through Agency (NIPTA). It will coordinate and monitor the progress of the programme. It will represent the Government of India (GoI). Vested with due authority from the government, it will be able to give the cooperative banks and primary agricultural cooperative societies (PACS) undergoing restructuring, guidance and instructions for proper implementation of the programme, including mid course corrections, wherever necessary.

6.02 The NABARD will guide the field level implementation teams in approving bank specific restructuring programmes, enter into agreements with individual banks covering the terms and conditions of the programmes, and follow up its progress with the bank and other concerned agencies. Among other things, it will also have the authority to operate the Funds earmarked by the GoI and ensure its proper use. To provide overall guidance and to monitor the progress of the process at the national and State levels, however, it is necessary to have independent committees of stakeholders with defined responsibilities.

National level

6.03 At the national level, there would be a National Guidance and Monitoring Committee. This committee will be chaired by Secretary (FS), GoI, and will include as its members Additional Secretary, Ministry of Agriculture, GoI, Chairman, NABARD, two eminent cooperators, one representative from the Reserve Bank of India (RBI) and one representative from the State under review. This Committee will act as the clearing house for policy references and monitor the implementation of the Scheme, on an All India basis. The National Committee will report to the Finance Minister on a quarterly basis. A dedicated team in NABARD's headquarters (HQs) will support this committee. The secretariat to the committee will also be provided by NABARD.

6.04 At the field level, i.e., at the level of the PACS, DCCBs and SCBs, the programme will be implemented by a two tier structure, one at the State level and the second at the district level.

State level

6.05 A State level Implementation and Monitoring Committee will be put in position with Secretary, Finance (State Government), as Chairman and Secretary, Cooperation (State Government), Executive Director, NABARD, State RCS, MD, SCB and a chartered accountant as members. The task to be attended by this Committee will include, signing an MOU between the State Government, SCB, DCCBs and the RBI, ensuring drawing up of balance sheet and its vetting, assessment of financial assistance required at SCB level, recommending release of assistance on fulfillment of the prescribed conditionalities, and overall supervision and control of the implementation of the scheme in the State. A dedicated team in the NABARD regional office will assist this Committee.

District level

6.06 A district level Planning and Implementation Committee, working under the overall guidance and supervision of the State Level Committee, would be set up in each district. Each district committee would be chaired by NABARD and comprise representatives of the State Government, the concerned DCCB, and a Chartered Accountant. Their work will relate to ensuring conduct of special audit as on March 2004 for all PACS and the DCCB, drawing up and vetting of balance sheets of these PACS and DCCB, getting MOUs signed, institution-wise assessment of financial assistance required, recommending release of such assistance on fulfillment of the prescribed conditionalities and overseeing implementation. The committee will also ensure establishing and stabilising of accounting systems, MIS, and computerisation, and required HRD over a period of two years. A two or three member team of dedicated officers, drawn from NABARD or contracted especially for the purpose, and working full time on implementation of the Revival Package (RP) will support the Committee.

Role of NABARD

6.07 The NABARD will prepare model MOUs, model balance sheet proforma for PACS and DCCBs, get accounting systems designed, get common software and hardware plan prepared, and design training modules and manuals. All implementation costs, including costs of dedicated teams at the district, State and national levels, will be fully met through Gol grant support.

Implementation Time frame

6.08 Once the Gol announces the scheme, it is expected that some States may agree to participate immediately, while some others may do so later. Similarly, CCS units may also take some time to true their balance sheets as on March 2004. The implementation of the scheme is, therefore, likely to be staggered in different States. It is expected that the process, once started in any State, will take between two to three years to complete all the stages of legal and institutional reforms, capitalisation, and institutional and human resources capacity building.

6.09 It is recommended that the scheme be kept open for a period of two years for the State Governments to decide on their participation, and may be closed, for the purpose of accepting participation in the scheme, on 31 March 2008. Similarly, the scheme may be closed for the purpose of any disbursement of assistance after three years from the date of signing of the initial MOU by the State Government with the Gol.

6.10 The Task Force would like to clarify that given the uncertainties involved in State Governments opting to participate in the scheme, the pace at which the reform process progresses, the completion of formalities involved in the documentation processes, it is not possible for the Task Force to predict with certainty the amounts required under the Revitalisation Package. It is also possible that the amount, even when released, may not be utilised in the year concerned. The Task Force, therefore, suggests that Gol may evolve a suitable mechanism for ensuring the continued flow of funds and carry over unspent balances in the Revitalisation Package.

6.11 Restructuring Process - PACS

Phase I

- All PACS to sign MoU with DLIC as per standard format
- Technical Assistance Support to be provided to ensure PACS furnish to the DLIC audited balance sheets as on March 2004 with an estimate of accumulated losses and provisions as prescribed by the Task Force
- DLIC to categorise PACS as per norms prescribed and recommend winding up of unviable PACS to the SLIC for action by RCS
- Action plan to provide for assets and liabilities of such PACS to be taken over by another PACS, coverage of the area if merger is not possible

Phase II

Unviable PACS

- Agreement by all stakeholders on action plan on transferring assets and liabilities and how the area is to be served

Viable and potentially viable PACS

- Retire GoS capital; if required avail a loan under the scheme
- Move to the parallel Act or to amend bye-laws to provide for a uniform membership for all users of the cooperative characterised by voting rights
- Hold elections as per the applicable Act after voting rights issue is addressed
- Amend bye-laws to enable PACS to borrow from any financial institution
- Amend bye-laws to facilitate PACS to affiliate with or abstain from a federal structure of its choice
- Recruit / appoint critical staff as per MOU after cadre system is abolished
- Avail TA assistance to develop institutional action plans to achieve sustainable financial viability in three years

Phase III

- Release of first tranche of financial assistance to PACS which have completed all Phase I and II actions
- Implement agreed institutional actions, including installation of computerisation Plan to be supported through Technical Assistance grant
- Devise and institute staffing and salary structure in tune with margins
- Train staff and elected Board members as programmed under the scheme

- Implement internal control procedures and regular audits
- Second and third tranche financial assistance released on achievement of agreed performance benchmarks

6.12 Restructuring Process - DCCBs

Phase I

- DCCB to indicate willingness to participate in the Revitalisation Package
- Sign required MOU with DLIC and SLIC
- DCCB to furnish to the DLIC audited balance sheet as on March, 2004 with an estimate of accumulated losses and provisions as prescribed by the Task Force after factoring in the impact of the recapitalisation of the PACS affiliated to it
- DLIC to categorise DCCB as per norms prescribed and recommend winding up of unviable DCCB to the SLIC for action by RCS and RBI
- Action plan to provide for assets and liabilities of such DCCB to be taken over by another DCCB, coverage of the area if merger is not possible
- Other DCCBs to sign MOUs with all PACS, SCB, and SLIC

Phase II

- Hold elections as per the applicable Act after voting rights issue addressed
- Retire GoS capital, avail a soft loan under the scheme if needed
- Enable cooperatives under parallel Acts to be members of DCCB and to get equal treatment
- To have the option to convert itself into a cooperative under the parallel or MSCS Acts and stop taking retail public deposits as well as stop giving loans to non members
- To have the option of merging itself with one or more CCBs or dividing itself into suitable federal units at the secondary level
- To have an option of affiliating or disaffiliating itself with an apex tier of its choice
- To have an option of borrowing directly from any financial institution
- Strengthen supervision over PACS
- Develop detailed institutional action plans focusing on sustainable financial viability over a five year period

Phase III

- Release of first tranche of financial assistance to DCCB which has completed all phase I and II actions
- Implement agreed institutional actions by including
 - ? Co-opting professionals on the Board, if necessary, as per requirements suggested by RBI
 - ? Appointing CEO as per norms prescribed by RBI
- Install automation for accounting and MIS to be supported through TA grant.
- Devise and institute staffing and salary structure in tune with margins available.
- Train staff and elected Board members on a continuous basis on lines of the recommended package.
- Implement internal controls and professional audits

- Implement an internal supervisory system for PACS
- Second and third tranche financial assistance released on achievement of agreed performance benchmarks

6.13 Restructuring Process - SCBs

Phase I

- Sign MoU with SLIC and DCCBs
- SCB to furnish to the SLIC audited balance sheet as on March, 2004 with an estimate of accumulated losses and provisions as prescribed by the Task Force
- Enable second tier coops under parallel Act to be its member and get equal treatment
- To have the option to convert itself into a cooperative under the parallel or MSCS Acts and stop taking retail public deposits as well as stop giving loans to non members.
- To have the option to merge itself with any similar federal structure or to divide itself into suitable federal units
- Develop business plans focusing, while avoiding competition with lower tiers, for sustainable financial viability over a five year period
- Recruit key personnel and develop phased plan for replacing State employees with SCB employees

Phase II

- Hold elections if needed
- Retire GoS capital, avail a loan under the scheme if needed
- Install professional governance and management by
 - o co-opting professionals on the Board, if necessary, as per requirements suggested by RBI
 - o appointing CEO as per norms prescribed by RBI
- Implement agreed institutional actions including
- Devise and institute staffing and salary structure in tune with margins available
- Implement internal controls and professional audits

Phase III

- First and second tranches of financial assistance released on achievements of agreed performance benchmarks
- Implement agreed institutional actions including
- Install automation for accounting and MIS to be supported through TA grant
- Train staff and elected Board members on a continuous basis on lines of the recommended package.
- Implement an internal supervisory system for DCCBs
- Nurture DCCBs and PACS as a professional federated structure. Provide efficient services on human resources, processes, product development, and standardisation
- Refinance PACS directly where DCCBs are weak and not being provided refinance
- Third tranche financial assistance released upon achievement of agreed performance benchmarks

CHAPTER- 7

Transitional Problems and Long term Outlook

7.01 There are several issues relating to the transition for ensuring that it is as smooth as possible and with minimum disruption in the flow of credit to rural areas. The exact number of societies at different levels that will be eligible for assistance and the quantum of assistance they are entitled to can be determined only after their latest accounts are properly audited. The number of dormant and non-viable societies is likely to be large. The mechanisms and processes by which they are to be liquidated is one issue. There are several alternatives: merger with nearby healthy societies; take over of ground level lending in the service area of liquidated PACs by neighbouring PACS, DCCBs, CBs and RRBs; or as a last resort take over by the DCCBs as their extension counters functioning under the supervision of their nearest branch.

7.02 All these should be viewed as basically a transition phase to ensure that credit flow to the areas served by dormant and non-viable societies is not impeded. The expectation is that in due course new societies under the model law will come into being and take over the function of providing credit at the local level. The aim should be to create conditions in which the new model cooperatives can emerge in their place, without any restrictions on the number of villages they can serve or on their membership.

7.03 In the case of DCCBs and SCBs, although at present almost two out of five are non-compliant with Section 11, a number of them may become compliant once the accumulated losses of the PACS are taken care of. Even so, they will need close attention and supervision to ensure that they continue to perform to prescribe standard. There may still remain several, that need to be liquidated or merged with the nearest restructured DCCB, which will serve the needs of their service areas.

7.04 To facilitate the above, the Task Force recommends (1) appropriate amendment of existing laws to enable PACs to borrow from CCBs outside their district as well as from CBs and RRBs; and (b) set up a special task force at the State level to actively promote these linkages, so that credit flow to ground level institutions is maintained. Under such an arrangement, PACs will have a wider choice of sources from which they can borrow. The resulting competition between the latter will improve the range and quality of services PACs receive. At the same time when lending institutions decide, as they should, the volume and terms of finance on commercial considerations, PACs will be under pressure to observe stricter credit discipline.

7.05 Over the longer run, while we favour a federal cooperative credit structure, there are questions about the justification for some features of the existing system and in particular about the need for three tiers, the functional and economic viability of the huge (and often overlapping) network of branches of DCCBs and SCBs. There is clearly considerable scope for rationalisation in this respect, both for reducing costs and to improve service quality. We are, however, in favour of this issue being left to be decided, after due study, according to the circumstances and experience of each State.

7.06 The Task Force would like to underscore the fact that institutional credit to rural areas, tend to serve mostly those who have some land and/or other productive assets to offer as collateral. Lending is skewed markedly in favour of the larger and better off segments of rural society. There is reason to believe that available statistics tend to overstate the coverage (in terms of proportion of numbers and credit needs) of small and marginal farmers met by cooperatives. This bias is much more marked with CBs and RRBs.

7.07 Those who have little or no productive assets of their own - consisting of those who own very small amount of land, tenant farmers and the landless - who constitute the large majority of the rural population, hardly benefit from cooperative credit. Remedying this deficiency will be a major challenge for the future. Assessing the credit-worthiness of borrowers in this class, supervising their use of credit and ensuring prompt repayments individually is extraordinarily difficult and costly; and risks are inherently high. We have to find an effective strategy to deal with this problem. Group lending seems to offer a promising solution.

7.08 Self help groups have spread rapidly, grown to impressive dimensions in some parts of the country and demonstrated their efficacy as a medium for encouraging thrift, meeting a wider spectrum of credit needs (including consumption credit) of the group members, ensuring prudent use of credit and prompt repayments among the disadvantaged. These groups have been mostly oriented to women, but there is no reason why the principle cannot be extended to effectively cater to their credit needs.

7.09 Experience of attempts to promote institutional lending to joint liability groups for small and marginal farmers and small non-agricultural enterprises in rural areas are reported to be both limited and mixed. A closer study of this experience to understand the nature of the problems involved and devising ways to overcome them could help to devise strategies to make them more acceptable and capable of widespread application.

7.10 A deeper problem and one which is viewed with much concern is that of "imbalances", the currently widespread practice, whereby upper tier institutions appropriate repayments first against interest dues and only the balance against principal, is believed to be the main reason for this phenomenon. However this is basically a reflection of low rates of recovery, the failure to make adequate provisions against risk of delay and default, and (in the lower tiers) the use of recoveries to fund part of operational expenses.

7.11 The Task Force would like to emphasise the importance of addressing these root causes.

7.12 The current practice is to make provisions on the basis of actual repayment record. There are doubts whether prescribed provisioning norms even on this basis is done systematically and adequately. No such norms have been prescribed for PACS. Moreover, the actual repayments are heavily influenced by ad hoc policy decisions, usually at the behest of the government, to suspend, delay or even waive recovery. These decisions are based on particular events of crop shortfall or failure without considering whether the extent of shortfall is within the normal risk band.

7.13 It is important to recognise that risks involved in agricultural lending arise essentially because of the propensity of agricultural production to vary, depending on rainfall and other extraneous factors. While these factors are not controllable,

the risks associated with them are amenable to objective measurement. Ideally, lending institutions should make adequate appropriations against this measurable normal risk irrespective of the actual recoveries from year to year and earmark them in a fully funded reserve.

7.14 It is also to be recognised that agriculture is subject to a relatively higher degree of risk than other sectors, and that this risk is variable across space, between crops and between rain-fed and irrigated farms. It would be impractical to assess risks by crops, a category of farm and at village, or perhaps, even taluk levels. But it is possible to estimate objectively the pooled risk on these accounts at the district level, based on statistical analyses of long time series of output behaviour.

7.15 The extent of provisioning should be based on the estimated normal risk rather than the extant practice. Prudential management requires that the risk cost be passed on the borrower. This would mean that the lending rate to the borrower should cover costs of funds, transaction costs as well as the risk cost. Notwithstanding deregulation of interest rates, the Task Force notes that the State Governments continue to prescribe artificial rates which do not factor in the normal risk costs. This should cease.

7.16 The above would cover only normal risks. But there could be, and often are, shortfalls in output well beyond the normal range of variation. In such event, the defaults due to more-than-normal variation should be shared by the CCs and the State, the share of the State increasing as the deviation from the normal increases.

7.17 It is obvious that the magnitude of normal risk will vary across regions. It is, therefore, necessary to think of ways in which they can be pooled over larger areas. It is also possible to think of arrangements for pooling risks across regions. This can be in several ways. By way of illustration, one possibility is for the lower tier institutions to contribute to a common risk fund at higher tiers or through insurance/derivative products through a specialised agency.

7.18 In conclusion, the Task Force would like to emphasise that its recommendations for legal and institutional reforms are means to bring about a big improvement in credit discipline and financial management of the CCS. They seek to enable and induce rejuvenation of the Cooperative Credit Structure constituted by voluntary, democratic and member-centric, self-governing mutual thrift and credit institutions. We would only reiterate the necessity to shift the government's role radically from one of intrusive patronage to one of training, up-gradation of personnel, accounting and audit systems essential for good management, and limiting its role to registration and liquidation, ensuring regular conduct of elections, annual meetings and compliance with essential prudential norms.

7.19 This process cannot and should not be hastened by artificial feeding or under hothouse conditions but allowed to develop organically. The process may be slower than one would wish, but it is likely to result in a stronger, healthier structure.

Annexure I

F.No.3(54)/2004-AC
Ministry of Finance
Government of India
Department of Economic Affairs
(Financial Sector Division)

Jeevan Deep Building,
New Delhi - 110 001
Dated, the August 5, 2004

ORDER

Rural Cooperative Credit Institutions play an important role as financial intermediaries, particularly for the agriculture sector and rural development. However, the health of the Cooperative Credit Structure continues to be indifferent. These institutions also require an effective regulatory framework. In this context, Government has decided to appoint a Task Force with the following terms of reference and composition:

a) Terms of Reference

- I. To recommend an implementable action plan for reviving the Rural Cooperative Banking Institutions, taking into consideration, *inter alia*, the main recommendations made by various committees in this regard.
- II. To suggest an appropriate regulatory framework and the amendments which may be necessary for the purpose in the relevant laws.
- III. To make an assessment of the financial assistance that the Cooperative Banking Institutions will require for revival, the mode of such assistance, its sharing pattern and phasing.
- IV. To suggest any other measures required for improving the efficiency and viability of Rural Cooperative Credit Institutions.

b) Composition :

Chairman :

- i. Prof. A. Vaidyanathan, Madras Institute of Development Studies, Chennai.

Members :

- ii. Mr. Rama Reddy, President, Sahavikasa Cooperative Development Foundation, Hyderabad.
- iii. Prof. M.S. Sriram, Indian Institute of Management, Ahmedabad.
- iv. Representative of Department of Agriculture and Cooperation.
- v. Representative of Government of Orissa.
- vi. Representative of Government of Uttar Pradesh.
- vii. Representative of Government of Maharashtra.
- viii. Dr. Y.S.P. Thorat, MD, NABARD – Member Secretary.

Permanent Invitees :

- i. Shri A.V.Sardesai, Executive Director, RBI, Mumbai.
- ii. The Legal Officer, Reserve Bank of India, Mumbai.

The Task Force will be provided secretarial assistance by the NABARD.

The Task Force will submit its report by 31.10.2004.

Sd/-

(P BOLINA)
Director
Phone No. 23362782

To

1. Prof. A. Vaidyanathan, Madras Institute of Development Studies, New Number 22, Second Main Road, Gandhi Nagar, Adayar, Chennai 600 020
2. Mr. Rama Reddy, President, Sahavikasa Cooperative Development Foundation, Post Box No. 1465, Hyderabad 500 059 (Fax No. 040 – 24531903)
3. Prof. M.S. Sriram, Sing 6, Indian Institute of Management, Vastrapur, Ahmedabad - 380 015 (Fax No. 079 – 26306896)
4. The Secretary, Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi is requested to nominate a representative of Department of Agriculture and Cooperation.
5. The Chief Secretary, Government of Orissa
6. The Chief Secretary, Government of Uttar Pradesh
7. The Chief Secretary, Government of Maharashtra
8. Dr. Y.S.P. Thorat, Managing Director, NABARD, Mumbai
9. Shri A V Sardesai, Executive Director, RBI, Central Office, Mumbai
10. The Legal Officer, RBI, Central Office, Mumbai

Copy to :

1. The Governor, Reserve Bank of India, Central Office, Mumbai
2. The Chairperson, NABARD, Mumbai
3. PS to FM

Sd/-
(P BOLINA)
Director

Annexure II
Venue of Meetings of the Task Force

Sr.No	Date	Venue	States Covered
1	06 & 07 Sep 2004	Mumbai	Gujarat, Maharashtra, Karnataka
2	11 & 12 Sep 2004	Chennai	Andhra Pradesh, Karnataka, Kerala, Tamilnadu
3	27 & 28 Sep 2004	Kolkata	Bihar, Jharkhand, North Eastern States, West Bengal
4	08 & 09 Oct 2004	Delhi	Chandigarh, Delhi, Haryana, Punjab, Uttaranchal, Uttar Pradesh
5	18 & 19 Oct 2004	Bhopal	Chattisgarh, Madhya Pradesh, Rajasthan,
6	31 Oct 2004 & 01 Nov 2004	Kolhapur	Maharashtra
7	04 & 05 Dec 2004	Hyderabad	Andhra Pradesh

List of Venues of Sub Committee Meetings

Sr.No.	Date	Venue	States covered
1	22.09.2004	Ahmedabad	Gujarat
2	29.09.2004	Guwahati	North Eastern States
3	30.09.2004	Bhubaneswar	Orissa
4	25.10.2004	Hyderabad	Andhra Pradesh
5	26.10.2004	Bangalore	Karnataka

List of Venues of Sub-Committee (Legal)

Sr.No	Date	Venue
1	24 & 25 Oct 2004	Hyderabad
2	19 & 20 Nov 2004	Hyderabad
3	22 & 23 Dec 2004	Chennai

Annexure III

**LIST OF COOPERATORS/ACADEMICIANS/BANKERS INVITED
FOR INTERACTION WITH THE TASK FORCE**

First Meeting held at Mumbai on 7 September 2004

Sr. No	Name	Designation	Institution
1.	Shri Balasaheb Vikhe Patil	Former minister of State (Banking), Grassroots Cooperator	Gol
2.	Shri Balasaheb Wasande	Chairman	Chandrapur DCCB
3.	Shri B. V. Patil	Chairman	Kolhapur DCCB
4.	Shri Bal Godbole	Ex-Chief, Asia and Pacific Service	FAO
5.	Shri M. G. Bhide		
6.	Shri Nathabhai H. Patel	Chairman	Banaskantha DCCB
7.	Shri Anand Sinha	CGM	DICGC

Second Meeting held at Chennai on 12 September 2004

Sr. No	Name	Designation	Institution
1.	Shri Monai	President	Ernakulam DCCB
2.	Shri M B N V V Prasad	Ex-CGM	APCOB
3.	Shri M M Rajappan	GM	Idukki DCCB Ltd
4.	Shri Machendranathan	Special Secretary (Coop)	Govt. of Tamil Nadu
5.	Shri Paulose	President	Pathanamtitta DCCB
6.	B Ghosh Philipose	Regional Director	RBI, Chennai

Third Meeting held at Kolkata on 27 September 2004

Sr. No.	Name	Designation	Institution
1.	Shri Ashok Bandyopadhyay	Chairman	NAFSCOB
2.	Shri Subrahmanyam		NAFSCOB
3.	Shri J B Dutta	MD	Meghalaya Coop Apex Bank Ltd
4.	Shri Sukhdeb Jana	Chairman	Mugberia DCCB
5.	Shri Mandira Nath Jana	Chairman	Hooghly DCCB
6.	Shri C R Bandopadhyay	Chairman	Burdwan DCCB
7.	Shri T K Panda	Chief General Manager	Orissa SCB
8.	Prof. Baidyanath Mishra	Former Vice- Chancellor	OUAT
9	Shri Sanjeev Chopra	Ex-MD	Orissa SCB

Fourth Meeting held at New Delhi on 8 October 2004

Sr. No	Name	Designation	Institution
1.	Shri Natha Singh	Chairman	Himachal Pradesh SCB
2.	Shri Sohan Singh	Addl. MD (Retd)	Punjab SCB
3.	Shri J P Yadav	MD	Haryana SCB
4.	Shri Kailash Yadav	Chairman	Etah CCB
5.	Shri Jitendra Kumar	Secretary-cum-GM	Muzzafarnagar CCB
6.	Shri P S Hooda	MD	Uttaranchal Rajya Sahakari Bank Ltd
7.	Shri Lekh Raj Rana	Director	Kangra CCB Ltd
8.	Shri Ashraf	MD	J &K SCB
9.	Shri Chote Singh Yadav	Ex MP and Ex Chairman	Uttar Pradesh SCB
10.	Dr. J S Tomar	Managing Director	Cashpor Financial Services (NGO)

Fifth Meeting held at Bhopal on 18 October 2004

Sr. No	Name	Designation	Institution
1.	Shri K R Sahu	Former CGM	MP SCB
2.	Shri Kriparam Sahu	Ex-Minister (Coop)	Govt. of MP
3.	Shri Radheshyam Sharma	Chairman	Raipur DCCB
4.	Shri Anup Jain	GM	Khandwa DCCB
5.	Shri Dinesh Bomb	MD	Udaipur Central Coop Bank Ltd
6.	Shri Behrual Patidar	Vice Chairman, State Planning Commission	Govt. of MP
7.	Shri Mahendra Singh Jawala	Jt. RCS and MD	Ajmer CCB
8.	Shri V G Dharmadhikari	RCS	Madhya Pradesh
9.	Dr. Rajan	Regional Director, RBI	Bhopal

Sixth Meeting held at Kolhapur on 1 November 2004

Sr. No	Name	Designation	Institution
1.	Prof. J F Patil	Member	Maharashtra State Planning Board
2.	Shri Bapusaheb Pujari	Chairman	Sangli Urban Bank Ltd
3.	Shri Suryakant Patil	Chairman	Veershaiv Coop Bank Ltd
4.	Dr. P B Kulkarni	Principal	Balasaheb Chitale College
5.	Prof. Shamrao Patil	Chairman	Rajarambapu Patil Bank
6.	Prof. V B Jugale	Head, Dept. of Economics	Shivaji University
7.	Prof. A A Dange	Dept. of Economics	Shivaji University
8.	Prof. P A Koli	Dept. of Economics	Shivaji University
9.	Prof. V B Kakade	Dept. of Economics	Shivaji University

Seventh Meeting held at Hyderabad on 4-5 December 2004

Sr. No	Name	Designation	Institution
1.	Prof. B S Baviskar	Senior Fellow	Institute of Social Studies
2.	Shri Sudarshan Srinivas	State Director	NDDB
3.	Shri Deepak Sanan	Secretary-Rur. Dev	Govt. of HP
4.	Shri Sanjeev Chopra	Secretary-Indl Dev	Govt. of Uttaranchal
5.	Shri Jitesh Panda	Programme Director	Shristi
6.	Dr. Subhash Sharma	Director	Ind, Instt of Plantation Mgmt
7.	Shri S K Arora	Addl. Secy.	Min. of Information & Broadcasting
8.	Shri L C Jain	Ex Member of Planning Commission	Gol
9.	Shri P V A Rama Rao	Ex-MD	NABARD
10.	Shri Ramkrishnayya	Ex-Chairman	NABARD
11.	Shri T R K Rao	Ex-CGM	NABARD
12.	Shri Harish Damodaran	Special Correspondent	Hindu Business Line

MEETINGS OF THE SUB-COMMITTEE OF THE TASK FORCE

First Meeting of Sub-committee held on 22 September 2004 at Ahmedabad

Sr. No	Name	Designation	Institution
1.	Shri J P Gupta	RCS	Govt. of Gujarat
2.	Shri R C Panda	CEO	Guj. SCB
3.	Shri Jairambhai Patel	Chairman	Guj. SCB
4.	Shri N G Ahir	Jt. RCS	Govt. of Gujarat
5.	Shri J J Gajjar	GM	Guj. SCB
6.	Shri D V Rawal	GM	Ahmedabad DCCB
7.	Shri D N Pathak	Manager	Guj. SCB
8.	Shri A R Mankodi	DGM	Ahmedabad dCCB
9.	Shri Rajivbhai G Raval	Secretary	SSML (PACS)
10.	Shri M S Patel	Secretary	Piplee SSML
11.	Shri Girish C Patel	Chairman	Piplee SSML
12.	Shri Bhurabhai Nagajibhai	Chairman	Seva Sahakari Mandli Ltd
13.	Shri D V Solanki	Chairman	Kamala SSML
14.	Shri R S Goswami	Secretary	Kamla SSML
15.	Haribhai D Patel	Chairman	Chorwad Group SSML
16.	Manoj S Patel	GM	Kaira DCCB
17.	Harish M Patel	MD	Sabarkantha DCCB
18.	Shri M D Dixit	Manager	Bhavnagar DCCB
19.	Shri Nanubhai Vaghani	Chairman	Bhavnagar DCCB
20.	Shri Amichandbhai Patel	Director	Sabarkantha DCCB
21.	Shri N C Patel	Secretary	SSML
22.	Shri N K Shah	Officer	Khaira DCCB
23.	Shri V N Patel	Secretary	Churiwad SSML
24.	Shri Jitendra U Bhatt	Secretary	Vasavav SSML
25.	Shri P P Dharavi	Officer	Bhavnagar DCCB

Second Meeting of Sub-committee held on 29 September 2004 at Guwahati.

Sr.No	Name	Designation	Institution
1.	Dr. Jayant Madhav	Adviser to Govt	Govt of Assam
2.	Shri J I Kathar	Secretary, Cooperation	Govt of Assam
3.	Shri G Phatowali	RCS	Govt of Assam
4.	Shri J Choudhary	Addl RCS	Govt of Assam
5.	Shri D K Sharma	Joint RCS	Govt of Assam
6.	Shri Swapan Saha	RCS	Govt of Tripura
7.	Shri A B Das	MD	Assam SCB
8.	Shri Rabimdkan Kalai	ADO	Tripura SCB
9.	Shri D F War	Dy. MD	Meghalaya SCB
10.	Shri A N Dutta	General Manager	Meghalay SCB
11.	Shri Bhadreswar Das	Chairman	Dakshin Chayani GPSS, Assam
12.	Shri Sarbeswar Das	Secretary	..do..
13.	Shri Jayanta Bhuyan	Asst. Secretary	Bholaguri Satra SS
14.	Shri Bhubaneswar Sanu	Joint Inspector	Sonapur GPSS
15.	Shri Nagendra Nath Halli	Secretary	Dakshin Rampur GPSS
16.	Shri Jone Das	Chairman	..do..
17.	Shri Lakshmikant Saikia	Chairman	Mamgalda Wholesale Consumers Coop Socy.
18.	Shri Nupurdev Goswami	Chairman	Lanka Coop. Marketing & Processing Society
19.	Shri Sankeswar Barhoi	Chairman	Pachim Baghmar SSS
20.	Shri Naren Sarmah	Secretary	Pavoi Trading Coop
21.	Shri L S Khyan Dut	Secretary	Nongthutt SCS Ltd, Meghalay
22.	Smt A Surong	Secretary	Pahamrioh SCS, Meghalay

Third Meeting of Sub-committee held on 30 September 2004 at Bhubaneswar

Sr.No	Name	Designation	Institution
1.	Shri Sudershan Naik	RCS	Govt of Orissa
2.	Shri R N Dash	MD	Orissa State Coop Bank
3.	Shri Jagneswar	President	..do..
4.	Shri C L Praharaj	President	Kotasahi SCS
5.	Shri D Sahoo	Secretary	Kotasahi SCS
6.	Shri Basant Nanda	Secretary	Purushottam SCS
7.	Smt Chhavirani Giri	President	..do..
8.	Shri Narendra Singh	President	Kalemuchhun SCS
9.	Smt A K Jena	Secretary	Sisupalgarh SCS
10.	Shri Joginath Nayak	President	..do..
11.	Shri Gopabandhu Satpathy	Secretary	Sundargarh DCCB
12.	Shri Ram Chandra Panda	President	..do..
13.	Shri Prasanna Kumar Dash	President	Nayagarh DCCB
14.	Shri Babaji Charan Prusty	Secretary	..do..
15.	Shri Choudhary B K Das	Secretary	AUCCB
16.	Dr. Saroj Misra	President	..do..
17.	Shri Sitakanth Misra	President	UPNCC Bank, Puri
18.	Shri M S Behera	Secretary	UPNCC Bank, Puri

Fourth Meeting of the Sub-committee held on 25 October 2004 at Hyderabad

Sr.No	Name	Designation	Institution
1.	Shri G Sudhir	Principal Secretary (Coop)	Govt of Andhra Pradesh
2.	Dr. Uma Malleswara Rao	RCS	Govt of Andhra Pradesh
3.	Shri M Veerabhadraiah	Managing Director	Andhra Pradesh State Cooperative Bank
4.	Shri M S Rama Rao	General Manager	Andhra Pradesh State Cooperative Bank
5.	Shri B K Swamy	General Manager	Andhra Pradesh State Cooperative Bank
6.	Shri G V Subba Reddy	General Manager	Mahaboob Nagar DCCB
7.	Smt K S Jayasimha	GM	Nizamabad DCCB
8.	Shri CMSVSSRK Ravi Kumar	Secretary	Yandagandi PACS
9.	Shri P Yesu Rathnam	Secretary	Achanta PACS
10.	Shri P Ramaiah	Secretary	Gattududdenapalli PACS
11.	Shri Praveen	Secretary	Mulkanoor PACS

Fifth Meeting of the Sub-committee held on 26 October 2004 at Bangalore

Sr.No	Name	Designation	Institution
1.	Shri R Shirdharan	MD	Apex Bank, Karnataka
2.	Shri K H G Gowda	RCS	Govt. of Karnataka
3.	Shri Hucha Chari	OSD, Coop Dept	Govt. of Karnataka
4.	Shri K Nagaraja	Jt. Registrar	Govt. of Karnataka
5.	Shri A P Sastry	President	Bukkasagara PACS
6.	Shri Ramchandra	Secretary	Madderi PACS
7.	Shri Halappa	President	Uchangidurga PACS
8.	Shri Deshpande	Secretary	Hirepadasalgi PACS
9.	Shri M N Rajendra Kumar	President	South Canara DCCB
10.	Shri K Dinakar	MD	South Canara DCCB
11.	Shri L M Hegde	MD	North Canara DCCB
12.	Shri M G Patil	MD	Bijapur DCCB
13.	Shri S S Shintri	Administrator	Dharwad DCCB
14.	Shri S B Bennur	MD	Gulbarga DCCB
15.	Shri Mohan	Director	Hassan DCCB

ANNEXURE IV

Classification of PACS as per their financial position (2002-03)

Sr.No.	State/ Union Territory	Viable	Potentially Viable	Dormant	Defunct	Others	Total PACS
1	ANDAMAN AND NICOBAR	37	8	0	0	0	45
2	ANDHRA PRADESH	2445	1382	36	2	494	4359
3	ARUNACHAL PRADESH	31	0	0	0	0	31
4	ASSAM	583	170	5	39	12	809
5	BIHAR	4215	2842	0	0	0	7057
6	CHANDIGARH	17	0	0	0	15	32
7	DADRANAGAR HAVELI	7	0	0	0	1	8
8	DELHI	0	0	0	0	0	0
9	GOA	72	11	4	0	0	87
10	GUJARAT	4672	2699	648	93	64	8176
11	HARYANA	2176	242	0	0	0	2418
12	HIMACHAL PRADESH	472	1562	34	0	36	2104
13	JAMMU AND KASHMIR	183	113	25	104	0	425
14	KARNATAKA	2573	1014	193	73	241	4094
15	KERALA	1497	349	54	10	51	1961
16	MADHYA PRADESH	3096	1371	3	0	98	4568
17	MAHARASHTRA	14157	8435	258	44	446	23340
18	MANIPUR	186	0	0	0	0	186
19	MEGHALAYA	179	167	12	0	0	358
20	MIZORAM	20	46	19	0	80	165
21	NAGALAND	457	228	655	379	0	1719
22	ORISSA	2673	1088	45	6	52	3864
23	PONDICHERRY	37	13	3	1	0	54
24	PUNJAB	3198	267	500	9	28	4002
25	RAJASTHAN	3896	1587	89	168	201	5941
26	TAMIL NADU	1668	2256	319	131	1007	5381
27	TRIPURA	230	32	7	1	0	270
28	UTTAR PRADESH	7115	1269	382	163	0	8929
29	WEST BENGAL	12157	5503	624	645	404	19333
30	CHHATTISGARH	1405	444	20	0	70	1939
31	JHARKHAND	60	85	29	0	34	208
32	UTTARANCHAL	211	192	15	14	14	446
	ALL INDIA TOTAL	69725	33375	3979	1882	3348	112309
<i>Note:</i>	<i>Dormant PACS may have some chance of revival.</i>						
	<i>Defunct PACS have no chances of revival.</i>						
<i>Source: NAFSCOB</i>							

ANNEXURE V

State-wise/Agency-wise Ground Level Credit (GLC) Disbursements for
Agriculture and Allied Activities (2002-2003)

Sr.No.	State / Territory	Union	CBs	DCCBs	LDBs	RRBs	Other Agencies	(Rs. lakh)	% share to total	
								Total	CBs	DCCBs
1	Chandigarh		17840	NA				17840	100.00	0.00
2	New Delhi		182201	NA				182201	100.00	0.00
3	Haryana		132937	269856	32986	27493		463272	28.70	58.25
4	Himachal Pradesh		21542	3518	1607	2207		28874	74.61	12.18
5	Jammu & Kashmir		1495	2219	228	1708		5650	26.46	39.27
6	Punjab		417869	283204	26468	23108		750649	55.67	37.73
7	Rajasthan		112486	180626	18215	31076	92	342495	32.84	52.74
	Northern Region		886370	739423	79504	85592	92	1790981	49.49	41.29
8	Arunachal Pradesh		530	NA	NA			530	100.00	0.00
9	Assam		8437	30	NA	1580		10047	83.98	0.30
10	Manipur		183	NA	NA	35	8	226	80.97	0.00
11	Meghalaya		304	NA	NA	161		465	65.38	0.00
12	Mizoram		262	NA	NA	271		533	49.16	0.00
13	Nagaland		343	NA	NA	8		351	97.72	0.00
14	Tripura		1025	NA	56	497		1578	64.96	0.00
15	Sikkim		287	NA	NA			287	100.00	0.00
	North Eastern Region		11371	30	56	2552	8	14017	81.12	0.21
16	Bihar		46716	10754		15384		72854	64.12	14.76
17	Jharkhand		12142	383		2332		14857	81.73	2.58
18	Orissa		32809	59832	912	15910	28	109491	29.97	54.65
19	West Bengal		133961	37775	5021	6442	403	183602	72.96	20.57
20	Andaman & Nicobar		55	NA				55	100.00	0.00
	Eastern Region		225683	108744	5933	40068	431	380859	59.26	28.55
21	Madhya Pradesh		117844	161542	22491	30016		331893	35.51	48.67
22	Chattisgarh		8711	55708	3809	5486		73714	11.82	75.57
23	Uttar Pradesh		267546	198976	95416	135700		697638	38.35	28.52
24	Uttaranchal		29084	15134	2450	3835		50503	57.59	29.97
	Central Region		423185	431360	124166	175037	0	1153748	36.68	37.39
25	Dadra & Nagar Haveli		12	NA	NA			12	100.00	0.00
26	Daman & Diu		0	NA	NA			0	#DIV/0!	0.00
27	Gujarat		178519	300342	6595	23477	3235	512168	34.86	58.64
28	Goa		1700	NA	NA		64	1764	96.37	0.00
29	Maharashtra		225670	354590		26957		607217	37.16	58.40
	Western Region		405901	654932	6595	50434	3299	1121161	36.20	58.42
30	Andhra Pradesh		452439	192863	14944	101895	354	762495	59.34	25.29
31	Karnataka		267436	113383	8934	72689	353	462795	57.79	24.50
32	Kerala		142688	51336	9985	54171	3	258183	55.27	19.88
33	Lakshadweep		26	NA				26	100.00	0.00
34	Pondichery		3862	NA	8			3870	99.79	0.00
35	Tamil Nadu		423159	161001	19483	24541	3466	631650	66.99	25.49
	Southern Region		1289610	518583	53354	253296	4176	2119019	60.86	24.47
	Total		3242120	2453072	269608	606979	8006	6579785	49.27	37.28

Note: Commercial Banks data excludes private sector banks and RIDF contributions by CBs

Sources: DCCBs data - NAFSCOB; All Other Agencies - NABARD

													(Rs. Crore)	
Particulars/Agency	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04 *	2004-05 \$	
I. Production (ST) Credit														
Co-operative Banks	7170	7839	7250	8331	9328	10877	12514	14771	16528	18787	19668	23920	27137	
RRBs	489	732	688	849	1121	1396	1710	2423	3245	3777	4775	4680	7956	
Commercial Banks	2432	2700	@	5345	6549	8349	9622	11697	13486	17904	21104	23400	25392	
Other Agencies	0	0	0	0	0	18	57	74	55	41	39	0	0	
Total ST Credit(A)	10091	11271	7938	14525	16998	20640	23903	28965	33314	40509	45586	52000	60485	
<i>Share of ST credit(%)</i>	<i>67</i>	<i>68</i>	<i>42</i>	<i>66</i>	<i>64</i>	<i>65</i>	<i>65</i>	<i>63</i>	<i>63</i>	<i>65</i>	<i>66</i>	<i>65</i>	<i>63</i>	
<i>Growth (%)</i>		<i>12</i>	<i>-30</i>	<i>83</i>	<i>17</i>	<i>21</i>	<i>16</i>	<i>21</i>	<i>15</i>	<i>22</i>	<i>13</i>	<i>14</i>	<i>16</i>	
II. MT/LT Credit														
Co-operative Banks	2208	2278	2156	2148	2616	3098	3356	3489	4190	4737	3968	6160	9545	
RRBs	342	245	395	532	563	644	750	749	974	1077	1295	1400	2520	
Commercial Banks	2528	2700	8255	4827	6234	7482	8821	13036	14321	15683	18670	20440	22734	
Other Agencies	0	0	0	0	0	92	30	29	28	39	41	0	0	
Total MT/LT Credit(B)	5078	5223	10806	7507	9413	11316	12957	17303	19513	21536	23974	28000	34799	
<i>Share of MT/LT Credit(%)</i>	<i>33</i>	<i>32</i>	<i>58</i>	<i>34</i>	<i>36</i>	<i>35</i>	<i>35</i>	<i>37</i>	<i>37</i>	<i>35</i>	<i>34</i>	<i>35</i>	<i>37</i>	
<i>Growth (%)</i>		<i>2.9</i>	<i>106.9</i>	<i>-30.5</i>	<i>25.4</i>	<i>20.2</i>	<i>14.5</i>	<i>33.5</i>	<i>12.8</i>	<i>10.4</i>	<i>11.3</i>	<i>16.8</i>	<i>24.3</i>	
Total Credit														
Co-operative Banks	9378	10117	9406	10479	11944	13975	15870	18260	20718	23524	23636	30080	36682	
RRBs	831	977	1083	1381	1684	2040	2460	3172	4219	4854	6070	6080	10476	
Commercial Banks	4960	5400	8255	10172	12783	15831	18443	24733	27807	33587	39774	43840	48126	
Other Agencies	0	0	0	0	0	110	87	103	83	80	80	0	0	
Grand Total (A+B)	15169	16494	18744	22032	26411	31956	36860	46268	52827	62045	69560	80000	95284	
<i>Growth Rate(%)</i>		<i>8.7</i>	<i>13.6</i>	<i>17.5</i>	<i>19.9</i>	<i>21</i>	<i>15.3</i>	<i>25.5</i>	<i>14.2</i>	<i>17.4</i>	<i>12.1</i>	<i>15</i>	<i>19.1</i>	
*Estimated	\$Projection		@	Figures not available										
Source : (i) Commercial Banks - RBI, RPCD; (ii) Cooperatives and RRBs - SLBC, through ROs of NABARD														

ANNEXURE VB

Ground Level Credit Flow of various agencies for Agriculture Sector - Selected Years

(Share of Cooperative Banks in Agricultural Credit and its overall growth rate)

				(Rs. Crore)
Particulars/Agency	1993-94	1997-98	2001-02	2002-03
I. Production (ST) Credit				
Co-operative Banks (A)	7839	10877	18787	19668
RRBs	732	1396	3777	4775
Commercial Banks	2700	8349	17904	21104
Other Agencies	0	18	41	39
Total ST Credit(B)	11271	20640	40509	45586
<i>Share of (A) to (B) in %</i>	<i>70</i>	<i>53</i>	<i>46</i>	<i>43</i>
II. MT/LT Credit				
Co-operative Banks (C)	2278	3098	4737	3968
RRBs	245	644	1077	1295
Commercial Banks	2700	7482	15683	18670
Other Agencies	0	92	39	41
Total MT/LT Credit (D)	5223	11316	21536	23974
<i>Share of (C) to (D) in %</i>	<i>44</i>	<i>27</i>	<i>22</i>	<i>17</i>
Total Credit				
Co-operative Banks (E)	10117	13975	23524	23636
RRBs	977	2040	4854	6070
Commercial Banks	5400	15831	33587	39774
Other Agencies	0	110	80	80
Total (F)	16494	31956	62045	69560
<i>Share of (E) to (F) in %</i>	<i>61</i>	<i>44</i>	<i>38</i>	<i>34</i>
<i>Growth of Coop Credit(%)\$</i>	<i>7.9</i>	<i>17.0</i>	<i>13.5</i>	<i>0.5</i>
<i>\$ Annual growth rate in that year</i>				
<i>Source : (I) Commercial Banks - RBI, RPCD; (ii) Cooperatives and RRBs - SLBC, through ROs of NABARD</i>				

ANNEXURE VC

Ground Level Credit Flow from various Agencies to Agriculture Sector during 1992-93 to 2004-05

(Share of Cooperative Banks in Agricultural Credit and its overall growth rate)

													(Rs. Crore)
Particulars/Agency	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04 *	2004-05 \$
I. Production (ST) Credit													
Co-operative Banks (A)	7170	7839	7250	8331	9328	10877	12514	14771	16528	18787	19668	23920	27137
RRBs	489	732	688	849	1121	1396	1710	2423	3245	3777	4775	4680	7956
Commercial Banks	2432	2700	@	5345	6549	8349	9622	11697	13486	17904	21104	23400	25392
Other Agencies	0	0	0	0	0	18	57	74	55	41	39	0	0
Total ST Credit(B)	10091	11271	7938	14525	16998	20640	23903	28965	33314	40509	45586	52000	60485
<i>Share of (A) to (B) in %</i>	<i>71</i>	<i>70</i>	<i>91</i>	<i>57</i>	<i>55</i>	<i>53</i>	<i>52</i>	<i>51</i>	<i>50</i>	<i>46</i>	<i>43</i>	<i>46</i>	<i>45</i>
II. MT/LT Credit													
Co-operative Banks (C)	2208	2278	2156	2148	2616	3098	3356	3489	4190	4737	3968	6160	9545
RRBs	342	245	395	532	563	644	750	749	974	1077	1295	1400	2520
Commercial Banks	2528	2700	8255	4827	6234	7482	8821	13036	14321	15683	18670	20440	22734
Other Agencies	0	0	0	0	0	92	30	29	28	39	41	0	0
Total MT/LT Credit (D)	5078	5223	10806	7507	9413	11316	12957	17303	19513	21536	23974	28000	34799
<i>Share of (C) to (D) in %</i>	<i>43</i>	<i>44</i>	<i>20</i>	<i>29</i>	<i>28</i>	<i>27</i>	<i>26</i>	<i>20</i>	<i>21</i>	<i>22</i>	<i>17</i>	<i>22</i>	<i>27</i>
Total Credit													
Co-operative Banks (E)	9378	10117	9406	10479	11944	13975	15870	18260	20718	23524	23636	30080	36682
RRBs	831	977	1083	1381	1684	2040	2460	3172	4219	4854	6070	6080	10476
Commercial Banks	4960	5400	8255	10172	12783	15831	18443	24733	27807	33587	39774	43840	48126
Other Agencies	0	0	0	0	0	110	87	103	83	80	80	0	0
Total (F)	15169	16494	18744	22032	26411	31956	36860	46268	52827	62045	69560	80000	95284
<i>Share of (E) to (F) in %</i>	<i>62</i>	<i>61</i>	<i>50</i>	<i>48</i>	<i>45</i>	<i>44</i>	<i>43</i>	<i>39</i>	<i>39</i>	<i>38</i>	<i>34</i>	<i>38</i>	<i>38</i>
<i>Growth of Coop Credit(%)</i>		<i>7.9</i>	<i>-7.0</i>	<i>11.4</i>	<i>14.0</i>	<i>17.0</i>	<i>13.6</i>	<i>15.1</i>	<i>13.5</i>	<i>13.5</i>	<i>0.5</i>	<i>27.3</i>	<i>21.9</i>
*Estimated	\$Projection		@	Figures not available									
Source : (i) Commercial Banks - RBI, RPCD; (ii) Cooperatives and RRBs - SLBC, through ROs of NABARD													

ANNEXURE VI

Management in SCBs/DCCBs

Sr. No.	Particulars/State	Andhra Pradesh (SCB)	Andhra Pradesh (DCCBs)	Bihar (SCB)	Bihar (DCCBs)	Arunachal Pradesh	Mizoram
1	Circumstances under which Board can be superseded as per the Coop Law of the State - List Special circumstances, whether omnibus clause exists for supersession.	In RCS opinion if the Board is not functioning properly or wilfully disobeys or fails to comply wilfully with any order or direction issued by the RCS under the Act or Rules after providing a hearing supersede the Committee.		Board can be superseded if (I) it is mismanaging the affairs of society (ii) if the society is negligent in the performance of the duties imposed on it by the Bihar Coop Societies Act, Rules or bye laws and (iii) if the affairs of bank are being conducted in a manner detrimental to the interest of the depositors or for securing the proper management of the bank.		Board can be superseded when (I) it persistently makes defaultts of duties imposed on it by the Act / rules / bye laws (ii) the working is detrimental to the interest of the society (iii) where it wilfully disobeys the directions issued by the RCS	The Registrar may by order (in writing) dissolve such body n the condition that the society is not functioning properly or according to the Act, Rules or Bye laws
2	Whether presently board is in place	No	No	Yes. Elections to SCB were conducted during 2003 after a gap of 15 years	Yes (But of 22 DCCBs Board in not in place in 2 DCCBs). Elections were conducted in 2003 after gap of 15 yrs	No	No
3	If the board is superseded, when was it so. How long can the supersession continue as per the extant Coop Law.	The term of the Board expired in 2000 and had been on extension till 2004. Supersession is for a period not extending 2 years. From time to time supersession can be extended but total period of superssion shallnot exceed 3 years	The term of the Board expired in 2000 and had been on extension till 2004. Supersessi on is for a period not extending 2 years. From time to time supersessi on can be extended but total period of superssion shallnot exceed 3 years	The Board is in place. The Board can be superseded for a maximm period of 6 months	The Board is in place. The Board can be superseded for a maximm period of 6 months	Board was superseded on 22.10.2003	The Board was supersede d in 2002. The Board can be supersede d for a period of 1 year and not exceeding 3 years

4	When was the last election for the board held	27.12.1995	10.08.1995	2003	2003		
5	Total No of DCCBs	-	22	-	22	-	-
6	No of Directors on Board			10	182 (in 19 out of 22 DCCBs for which details are available)		
7	Educational background of the Presidents of the Board (give total no. for DCCBs)	NA	NA			Not applicable	
(i)	Below Graduation			3	89		4
(ii)	Graduates			4	46		1
(iii)	Post Graduates				4		1
8	Principal Profession of the President and the Directors	NA	NA			Not applicable	
(i)	Farming			4	155		
(ii)	Advocate			2	5		
(iii)	Other			1	15		6
9	Involvement in political activities	NA	NA			Not applicable	
(i)	State Level			3	11		6
(ii)	District Level			4	34		-
(iii)	Taluka				37		-
10	Of the Chairmen presently in position, period of position held as Chairman					Not applicable	
(i)	Upto 5 year			1	19		1
(ii)	5-10 years			-	-		
(iii)	More than 10 years			-	-		
11	Whether holding a political posting of the State Government (Ministership/Chairmanship of Zilla Parishad or Govt. Corporation, etc., by the Directors/Chairman permitted?)	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.
12	Staff (CEOs/GMs/AGMs in SCB and DCCB and Secretary/Manager in PACS)						
(i)	Whether from the cadre	The CEO of the bank is from State Govt	The CEO of the bank is from State Govt	From State Govt	From State Govt	The CEO of the bank is from State Govt	From State Govt
(ii)	Sanctioned strength in	1026	6694				

	SCB/DCCBs/PACS (All staff)						
(iii)	Staff in position presently (All Staff)	864	5290			758	
(iv)	Age of Staff	Officers: 50-55 Other staff: 45 - 50	More than 50	45	45		40
(v)	How is the subordinate staff recruited (below AGMs upto level of substaff)	With prior approval of RCS	With prior approval of RCS	With prior approval of RCS	With prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS
Sr.No	Particulars/State	Chattisgarh (SCB)	Chattisgarh (DCCBs)	Gujarat (SCB)	Gujarat (DCCBs)	Haryana (SCB)	Haryana (DCCBs)
1	Circumstances under which Board can be superseded as per the Coop Law of the State - List Special circumstances, whether omnibus clause exists for supersession.	The elected Board of Management can be superseded if it (I) does not function as per prescribed procedure (ii) acts against the interests of the societies or members, (iii) violates provisions of the Act / Rules / Bye laws or order of RCS.		The elected Board of Management can be superseded if it (I) does not function as per prescribed procedure (ii) acts against the interests of the societies or members, (iii) violates provisions of the Act / Rules / Bye laws or order of RCS.		The elected Board of Management can be superseded if it (I) does not function as per prescribed procedure (ii) acts against the interests of the societies or members, (iii) violates provisions of the Act / Rules / Bye laws or order of RCS.	
2	Whether presently board is in place	Yes	Yes	Yes	Yes	Yes	Yes
3	If the board is superseded, when was it so. How long can the supersession continue as per the extant Coop Law.	The maximum period of supersession can be 3 years		NA	NA	NA	NA
4	When was the last election for the board held	NA	NA				
5	No of DCCBs in State	-	6	-	18	-	19
6	No of Directors on Board (elected/Total)	5/13	71/94	18/26	253/321		
7	Educational background of the Presidents of the Board (give total no. for DCCBs)						
(i)	Below Graduation	1	42		129	10	
(ii)	Graduates	1	12		72	5	
(iii)	Post Graduates	3	16		5	1	
8	Principal Profession of the President and the Directors						

(i)	Farming	5	67		169	14	
(ii)	Advocate		1		6	1	
(iii)	Other	1	2		32	1	
9	Involvement in political activities						
(i)	State Level	-	1		24	1	
(ii)	District Level	4	12		41	15	
(iii)	Taluka	1	58		66		
10	Of the Chairmen presently in position, period of position held as Chairman						
(i)	Upto 5 year	1	1		102	1	
(ii)	5-10 years	-			40		
(iii)	More than 10 years	-		1	31		
11	Whether holding a political posting of the State Government (Ministership/Chairmanship of Zilla Parishad or Govt. Corporation, etc., by the Directors/Chairman permitted?)	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.
12	Staff (CEOs/GMs/AGMs in SCB and DCCB and Secretary/Manager in PACS)						
(i)	Whether from the cadre	CEO is from State Govt & the GM is from bank's cadre	CEO is from State Govt & the GM is from bank's cadre	CEO is from State Govt	Yes	CEO is from State Govt	CEO is from State Govt
(ii)	Sanctioned strength in SCB/DCCBs/PACS (All staff)			There is no system of having sanctioned strength			
(iii)	Staff in position presently (All Staff)				758		
(iv)	Average age of staff	46	46				
(v)	How is the subordinate staff recruited (below AGMs upto level of substaff)	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS

Sr.No	Particulars/State	Jammu & Kashmir(SCB)	Jammu CCB	Karnataka (SCB)	Karnataka (DCCBs)	Kerala(SCB)	Kerala(DCCBs)
1	Circumstances under which Board can be superseded as per the Coop Law of the State - List Special circumstances, whether omnibus clause exists for supersession.	The elected Board of Management can be superseded if it (I) does not function as per prescribed procedure (ii) acts against the interests of the societies or members, (iii) violates provisions of the Act / Rules / Bye laws or order of RCS.	The elected Board of Management can be superseded if it (I) does not function as per prescribed procedure (ii) acts against the interests of the societies or members, (iii) violates provisions of the Act / Rules / Bye laws or order of RCS.	The elected Board of Management can be superseded if it (I) does not function as per prescribed procedure (ii) acts against the interests of the societies or members, (iii) violates provisions of the Act / Rules / Bye laws or order of RCS.	The RCS can supersede the Board if the Board disobeys or fails to comply with the lawful order / directions issued under the Act or negligent in the performance of duties imposed on it by the Act or by the Bye laws		
2	Whether presently board is in place	No	yes	Yes	All except 2 banks	Yes	Yes
3	If the board is superseded, when was it so. How long can the supersession continue as per the extant Coop Law.	The Boards were superseded in Jan 2003			Kolar DCCB Board was superseded on 24.08.2004	NA	NA
4	When was the last election for the board held	Elections were held only once in Sep 2001				2003	2003
5	Total No of DCCBs in the State			-	21	-	14
6	No. of directors on Board (Elected / Total)						
7	Educational background of the Presidents of the Board (give total no. for DCCBs)	NA					
(I)	Below Graduation		8	7	60		34
(ii)	Graduates		3	11	60		11
(iii)	Post Graduates		1		4		5
8	Principal Profession of the President and the Directors	NA					
(I)	Farming		6	17	72		10
(ii)	Advocate		-		8		4
(iii)	Other		6	1	44		36
9	Involvement in political activities						
(I)	State Level		1	1	17		4
(ii)	District Level		-	-	27		11

Sr.No	Particulars/State	Orissa (SCB)	Orissa (DCCBs)	Punjab(SCB)	Punjab (DCCBs)	Rajasthan (SCB)	Rajasthan (DCCB)
1	Circumstances under which Board can be superseded as per the Coop Law of the State - List Special circumstances, whether omnibus clause exists for supersession.	If in the opinion of the RCS, the Board persistently makes default or is negligent in performance of duties imposed on it by the Act or bye laws or commit any act which is prejudicial to the interest of the society/bank or its members or is otherwise not functioning properly.	If in the opinion of the RCS, the Board persistently makes default or is negligent in performance of duties imposed on it by the Act or bye laws or commit any act which is prejudicial to the interest of the society/bank or its members or is otherwise not functioning properly.			In terms of Sec.30(1) of the RCS Act 2001, in the opinion of the REC, the Committee / Board of a Cooperative Society or any member of such committee persistently makes default or is negligent in the performance of the duties imposed on it or him by this Act, or the rules or byelaws or commits any act which is prejudicial to the interest of the society or its members or willfully disobeys directions issued by the RCS , the RCS may propose removal of such committee / Board	
2	Whether presently board is in place	No	No	No	No	No	No
3	If the board is superseded, when was it so. How long can the supersession continue as per the extant Coop Law.	The Board was superseded 4 times between 1994 and 2004 and nominated officers / non official boards were allowed to continue by the State Govt. The Board can be superseded for a period of 6 months at a time and 4 years at a stretch.	The Boards were superseded 4 times between 1994 and 2004 and nominated officers / non official boards were allowed to continue by the State Govt. The Board can be superseded for a period of 6 months at a time and 4 years at a stretch.			The Board was superseded on 03.04.1996 before the expiry of the full term of the elected board	The term of Board of all DCCBs expired in 1996 and after that no elections were held. In case of PACS the committees elected in 1991 are still continuing without holding fresh elections even after expiry of their term
4	When was the last election for the board held					1991	1991
5	Total No. of DCCBs in State		17		18		27
6	No of Directors on Board (elected / Total)						
7	Educational background of the Presidents of the Board (give total no. for DCCBs)					NA	NA
(i)	Below Graduation						
(ii)	Graduates						
(iii)	Post Graduates						

8	Principal Profession of the President and the Directors					NA	NA
(i)	Farming						
(ii)	Advocate						
(iii)	Other						
9	Involvement in political activities					NA	NA
(i)	State Level						
(ii)	District Level						
(iii)	Taluka						
10	Of the Chairmen presently in position, period of position held as Chairman					NA	NA
(i)	Upto 5 year						
(ii)	5-10 years						
(iii)	More than 10 years						
11	Whether holding a political posting of the State Government	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.
12	Staff (CEOs/GMs/AGMs in SCB and DCCB and Secretary/Manager in PACS)						
(i)	Whether from the cadre	The CEO is appointed by the Managing Committee subject to the approval of RCS	From State Govt	From State Govt	From State Govt	The CEO of the bank is appointed from the office of RCS	The CEO of the bank is appointed from the office of RCS
(ii)	Sanctioned strength in SCB/DCCBs/PACS (All staff)						
(iii)	Staff in position presently (All Staff)						
(iv)	Average age of staff	45 - 50 years	45 - 50 years	> 50 Yrs	>50 Yrs		
(v)	How is the subordinate staff recruited (below AGMs upto level of substaff)	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS

Sr.No.	Particulars/State	Tamil Nadu	Tamil Nadu (DCCBs)	Uttar Pradesh (SCB)	Uttar Pradesh (DCCBs)	Uttaranchal (SCB)	Uttaranchal (DCCBs)
1	Circumstances under which Board can be superseded as per the Coop Law of the State - List Special circumstances, whether omnibus clause exists for supersession.	The Boards can be superseded (i) If the RCS is of the opinion that the Board of any registered society is not functioning properly or wilfully disobeys or wilfully fails to comply with any order or direction issued by the RCS under the Act or the rules (ii) if more than 60% of the total dues of the bank from its members remain unpaid or the number of defaulting members of such financing bank exceeds 60% of total numbers of members indebted to such bank and (iii) in the case of other registered societies more than 70% of the total dues to the registered society from its members remain unpaid or the numbers of defaulting members of such registered society exceeds 70% of the total numbers of members indebted to such society.		Where in the opinion of the Registrar, the committee of management of any cooperative society persistently makes default or is negligent in the performance of the duties imposed on it by the Act or the rules or the bye laws of the society or commits any act which is prejudicial to the interest of the society or its members, or is otherwise is not functioning properly, the Registrar after affording the committee of management a reasonable opportunity of being heard and obtaining the opinion of the general body of the society in a general body meeting called for the purpose in the manner prescribed may, by order in writing, supersede the committee of management		Where in the opinion of the Registrar, the committee of management of any cooperative society persistently makes default or is negligent in the performance of the duties imposed on it by the Act or the rules or the bye laws of the society or commits any act which is prejudicial to the interest of the society or its members, or is otherwise is not functioning properly, the Registrar after affording the committee of management a reasonable opportunity of being heard and obtaining the opinion of the general body of the society in a general body meeting called for the purpose in the manner prescribed may, by order in writing, supersede the committee of management	
2	Whether presently board is in place	No	No			Yes	Yes
3	If the board is superseded, when was it so. How long can the supersession continue as per the extant Coop Law.	The Board was superseded on 25.02.2001	The Boards of all DCCBs were superseded in May 2001.			The Board can be superseded for a period of 6 months, which can be extended for a period of 1 year	The Board can be superseded for a period of 6 months, which can be extended for a period of 1 year
4	When was the last election for the board held	The elections in the Cooperatives banks were last held in 1996 and the Boards were in place till 25.05.2001.				The Bank was registered on 04.06.2001 and started formal operations w.e.f. 27.02.2004. Elections are scheduled to be held on 25 & 26 April 2004	Elections to all 9 DCCBs are scheduled to be held in February 2005 and elections to PACS were held on 30.09.2004
5	Total No. of DCCBs in State		25		50		9
5	Total No. of directors on Board	Not applicable	Not applicable			The SCB is new bank and elections are scheduled in April 2005	All 32 directors are nominated by Govt.
6	Educational background of the Presidents of the	NA	NA			Not applicable	Not applicable

	Board (give total no. for DCCBs)						
(l)	Below Graduation						
(ii)	Graduates						
(iii)	Post Graduates						
7	Principal Profession of the President and the Directors	Not applicable	Not applicable			Not applicable	Not applicable
(l)	Farming						
(ii)	Advocate						
(iii)	Other						
8	Involvement in political activities	Not applicable	Not applicable			Not applicable	Not applicable
(l)	State Level						
(ii)	District Level						
(iii)	Taluka						
9	Of the Chairmen presently in position, period of position held as Chairman	Not applicable	Not applicable			Not applicable	Not applicable
(l)	Upto 5 year						
(ii)	5-10 years						
(iii)	More than 10 years						
10	Whether holding a political posting of the State Government (Ministership/Chairmanship of Zilla Parishad or Govt. Corporation, etc., by the Directors/Chairman permitted?)	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.
11	Staff (CEOs/GMs/AGMs in SCB and DCCB and Secretary/Manager in PACS)						
(l)	Whether from the cadre	The No. 1 position in SCN is normally held by an officer from IAS / Dept of Coop Societies of Additional Registrar rank and number 2 position (GM) is held by an officer from the bank itself.	The CEO is from State Govt			The CEO is on deputation from a nationalised bank	DNA
(ii)	Sanctioned strength in SCB/DCCBs/PACS (All staff)		DCCBs:8159 PACS:18563			DNA	DNA
(iii)	Staff in position presently (All		DCCB: 5530 PACS: 24491			DNA	DNA

	Staff)						
(iv)	Average age of the Staff	49	49			DNA	DNA
(v)	How is the subordinate staff recruited (below AGMs upto level of substaff)	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS	By the bank with prior approval of RCS
Sr.No.	Particulars/State	Delhi	Himachal Pradesh				
1	Circumstances under which Board can be superseded as per the Coop Law of the State - List Special circumstances, whether omnibus clause exists for supersession.	If the functioning of the Board is not satisfactory, RCS is empowered to supersede the Board by nominating an administrator.	The elected Board of Management can be superseded if it (i) does not function as per prescribed procedure (ii) acts against the interests of the societies or members, (iii) violates provisions of the Act / Rules / Bye laws or order of RCS.				
2	Whether presently board is in place	Yes	Yes				
3	If the board is superseded, when was it so. How long can the supersession continue as per the extant Coop Law.	There is no maximum period for supersession	DNA				
4	When was the last election for the board held	Sep 2001					
5	No of DCCBs in State	-	2				
6	No of Directors on Board (elected/Total)		6/19				
7	Educational background of the Presidents of the Board (give total no. for DCCBs)						
(i)	Below Graduation	7	8				
(ii)	Graduates	3	6				
(iii)	Post Graduates	2	5				
8	Principal Profession of the President and the Directors						
(i)	Farming	6	7				
(ii)	Advocate	2	1				
(iii)	Other	4	11				
9	Involvement in political activities						
(i)	State Level	2	4				
(ii)	District Level	10	1				
(iii)	Taluka	-					

10	Of the Chairmen presently in position, period of position held as Chairman					
(i)	Upto 5 year	1	1			
(ii)	5-10 years					
(iii)	More than 10 years					
11	Whether holding a political posting of the State Government (Ministership/Chairmanship of Zilla Parishad or Govt. Corporation, etc., by the Directors/Chairman permitted?)	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.	There is no prohibition of holding political posting of State Govt by the Directors or by the Chairman.			
12	Staff (CEOs/GMs/AGMs in SCB and DCCB and Secretary/Manager in PACS)					
(i)	Whether from the cadre	CEO is on deputation from NABARD				
(ii)	Sanctioned strength in SCB/DCCBs/PACS (All staff)					
(iii)	Staff in position presently (All Staff)					
(iv)	Average age of staff		41			
(v)	How is the subordinate staff recruited (below AGMs upto level of substaff)	By the bank with prior approval of RCS	By the bank with prior approval of RCS			

ANNEXURE VII

Involvement of the State Government in the management of the Cooperative Credit Institutions

Sr. No	State	Andhra Pradesh	Arunachal Pradesh	Assam	Bihar
1	Whether Sector-wise priorities are fixed by the State Government		No		
2	In the last three years (upto March 2004) has State announced any waivers of (Principal/interest/penal interest etc.)	Yes. (1) Due to drought during 2002, SG vide GO dated 25/6/2003 ordered 100% interest waiver in drought affected areas, waiver of penal interest upto 3% and reduction of 3% on overdue loans of ST, MT and LT loans in all areas of the State. Vide orders dated 21/6/2003 5% interest rebate on Kharif 2002 loans and MT, LT instalments in areas other than drought affected areas was also announced. (2) Vide orders dated 19/2/2004 interest rebate at 5% on current demand on short term crop loans, MT agri and LT loans to farmer members of PACS was announced.	No	No waiver schemes has been announced by SG	No waiver schemes has been announced by SG during last 4-5 years.
(i)	Dates of announcement	(1) 21/25 June 2003 19/2/2004	(2) Not applicable		Not applicable
(ii)	Amount involved	(1) Rs.287.19 crore. Rs. 65.99 crore	(2) Not applicable		Not applicable
(iii)	Amount Released	(1) Rs.265.76 crore Rs.32.50 crore	(2) Not applicable		Not applicable
(iv)	Amount still not released	(1) Rs.21.43 crore 33.49 crore as on 23/11/04	(2) Rs Not applicable		Not applicable
3	Involvement of the Government in Recovery of loans		SG assists coop banks/PACS in recovery drives.		
4	Does State Government/RCS/Ministers fix rate of interest on Deposits and loans.		No	No. SG has not interfered in day to day financial matters.	No direct interference in financial management of societies by SG. However posting of MDs of SCBs and DCCBs are decided by SG.

					ANNEXURE	(contd)
Involvement of the State Government in the management of the Cooperative Credit Institutions						
Sr. No	State Particulars	Chattisgarh	Delhi	Goa	Gujarat	Haryana
1	Whether Sector-wise priorities are fixed by the State Government	No. Banks decide sector-wise priorities	No	No	No. Banks decide sector-wise priorities	No.
2	In the last three years (upto March 2004) has State announced any waivers of (Principal/interest/penal interest etc.)	SG on 5.1.2004 had announced a loan waiver scheme for SF/MF to the extent of Rs 2,500	Yes. Relief measures were announced during Kharif 2002. While interest for SF/MF was waived, recovery of principal was waived for one year.	No	No.	No.
(i)	Dates of announcement	5.1.2004		Not applicable	Not applicable	Not applicable
(ii)	Amount involved	Rs 105.57 cr	Rs 58 lakh	Not applicable	Not applicable	Not applicable
(iii)	Amount Released	Rs 93.13 cr (as on 31.7.04)	Nil	Not applicable	Not applicable	Not applicable
(iv)	Amount still not released	Rs 12.44 cr	Rs 58 lakh	Not applicable	Not applicable	Not applicable
3	Involvement of the Government in Recovery of loans	As per the Chattisgarh CSA, SG has to assist cooperative banks in their recovery process. In practice however, such assistance is not very effective.	SG has delegated powers to officials of SCB to collect dues of defaulter borrowers.	SG do not assist banks/PACS in recovery process.	SG assists banks in recovery by posting special recovery officers in DCCBs as also by granting recovery powers to CEOs of banks	SG assists cooperative banks /PACS in recovery drive when cases for recovery are filed.
4	Does State Government/RCS/Ministers fix rate of interest on Deposits and loans.	Yes. SG has recently started to interfere in financial management of coop banks. SG has announced that ROI on loans to borrowers would be 9% p.a. ROI on deposits are fixed by banks.	No	No		

ANNEXURE (contd)

Involvement of the State Government in the management of the Cooperative Credit Institutions

Sr. No	State Particulars	Jammu & Kashmir	Jharkhand	Karnataka	Kerala
1	Whether Sector-wise priorities are fixed by the State Government	No	While no sector wise priorities are fixed, RCS issues restrictions on issue of loans by DCCBs on account of poor financial health of most of the DCCBs.	No	No.
2	In the last three years (upto March 2004) has State announced any waivers of (Principal/interest/penal interest etc.)	No. However GOI had extended debt relief scheme in 1996 for write off of non-agrl loans upto Rs 50,000 outstanding as on 30.6.1996. While, such assistance has reduced the overdues, the recovery climate under agrl sector has received a setback as borrowers are expecting a similar package for agrl loans also.	SG has announced waiver of principal upto Rs 10,000 and interest thereon on SAO loans given by Coop banks. Waiver will help nearly 3 lakh SF/MF.	SG announced interest waiver scheme under Kharif 2002/Rabi 2002-03 crop loans	SG vide orders dated 3/8/2004 decided to take over interest liability for 3 years on Agrl loans upto Rs.50,000/- taken after 2000 in Waynad district of the state. Interest will be paid to banks.
(i)	Dates of announcement	Not applicable			3-Aug-04
(ii)	Amount involved	Not applicable	Rs 137.61 cr	Rs.127.80 crore	
(iii)	Amount Released	Not applicable	Nil Proposal for release and routing mechanism is under consideration.	Rs.78.00 crore	
(iv)	Amount still not released	Not applicable	Rs 137.61 cr	Rs.49.80 crore	

3	Involvement of the Government in Recovery of loans	Generally, no assistance is provided to banks in recovery. The arbitration cases filed with RCS are generally decided very late and often awards were given against banks	Assistance extended by SG to Cop banks/PACS in recovery is barely adequate.	Govt. support for recovery has been inadequate. Performance of recovery officers (Asstt.RCS) posted in DCCB is not satisfactory. Lot of pendency exists in clearance of cases brought before cooperative officials for disposal (ARCS/DRCS/JRCS/Courts). Since August 2003, there is a ban on attachment and auctioning of immovable assets of defaulters. This has totally vitiated the recovery climate. Appellate powers of ministers for cooperatives under KCS Act also hampers recovery of loan amounts of prestigious/VIP borrowers.	SG helps cooperative banks/PACS in recovery through sale officers of cooperative department. However during current year, formal orders dated 10 March 2004 were issued to stall recovery/legal procedures for six months. Considering the drought condition, revenue recovery procedures have also been stopped by SG upto 2005.
4	Does State Government/RCS/Ministers fix rate of interest on Deposits and loans.	BOD of DCCBs decide ROI on deposits and loans. In case of superseded board, interest rates are decided in consultation with administrator of the bank concerned.	SG as a rule does not dictate ROI on deposits/loans. However, in State budget for 2004-05, Finance Minister announced that crop loans will be lent at 6%. The scheme has not yet come into force. Nevertheless, it has vitiated the recovery and lending climate.	Yes. ROI on deposit and loans are decided by the "Central Banks Conference (CBC)" without looking into viability of banks. Based on the benchmarks fixed by CBC, RCS issues circular fixing ROI.	

				ANNEXURE I (contd)	
		Involvement of the State Government in the management of the Cooperative Credit Institutions			
Sr. No	State Particulars	Madhya Pradesh	Maharashtra	Meghalaya	Mizoram
1	Whether Sector-wise priorities are fixed by the State Government	While no sector-wise priorities are fixed, DCCBs are compulsorily required to provide credit limits to PACS for PDS.	Yes. SG fixes priority for disbursement of crop loans by DCCBs. For this purpose, it fixes annual targets.	No	
2	In the last three years (upto March 2004) has State announced any waivers of (Principal/interest/penal interest etc.)	Yes. Loan/interest waiver schemes were implemented during Kharif 2002 wherein, dues of farmers upto 2 ha were waived.	Yes. (1) An interest rebate scheme was started vide GR dated 2.11.91. Scheme provides 4% rebate (prin+int) to farmers who have repaid entire crop loans in time. Thus, scheme is incentive in nature. Crop loans below Rs 25000 eligible. Initially, GoM and MSCB was to bear the financial burden equally. However, MSCB expressed its unwillingness on a/c of its weak financial position. SG did not pressurise. Scheme is being implemented through RCS wherein, claims are received by DRCS from PACS. Thus, MSCB/DCCBs are not involved. PACS are also not burdened as rebate is required to be passed on on receipt of sums from SG. (2)GoM vide GR dated 24.8.2004 has announced relief measures to farmers owing to drought during last 5 years. As per this scheme, interest on Rabi 2003 and Kharif 2004 loans will be reimbursed by SG. Borr of Coop banks, CBs and RRBs also covered.	No.	No
(i)	Dates of announcement		(1) 2.11.91 (2) 24.8.04	Not applicable	Not applicable
(ii)	Amount involved	Rs 104 cr	(1) Rs 91.37 cr (2) Rs 345 cr	Not applicable	Not applicable
(iii)	Amount Released	Rs 74 cr		Not applicable	Not applicable
(iv)	Amount still not released	Rs 30 cr	(1) Rs 91.37 cr. Coops are not involved. Money is to be passed on to farmers. (2) Rs 345 cr.	Not applicable	Not applicable

3	Involvement of the Government in Recovery of loans	There are provisions in MP Coop Soc Act for recovery of Cooperative dues, attachment of movable/immovable property. SG nominates recovery officers from the Dept. Role of State Govt mainly relates to monitoring recovery of DCCBs. SG has also formulated an incentive scheme for encouraging participation of revenue authorities in recovery of Coop dues but the scheme has not picked up.	Yes. Under Sec 101 of MCSA 1960, a certificate is issued by ARCS identifying defaulters, extent of default, progress of recovery. Sec 156 enables delegation of powers to bank officials for recovery of dues. Orders are obtained from DRCS for auction of immovable property. Review meetings are held jointly by dept and bank officials at taluka and district levels to monitor progress in recovery. Despite a system being in place, recovery climate is often vitiated by political announcements, informal ban on recovery etc.	SG assists coop institutions in recovery. But such assistance is not upto the desired level.	
4	Does State Government/RCS/Ministers fix rate of interest on Deposits and loans.	No. ROI decided by Apex bank and DCCBs concerned at their level.	Yes. SG vide orders 4.8.2004 has indicated the ROI to be charged under crop loans. The objective is to restrict the ROI to farmers to 11% p.a. ROI structure has been prescribed under Section 79 of MCSA Act 1960. ROI by SCB to DCCBs is 7/7.25%; depending on NPA (20%), DCCBs to PACS is 8% and PACS to borr is 11%	No	

					ANNEXURE (contd)	
		Involvement of the State Government in the management of the Cooperative Credit Institutions				
Sr.No.	State Particulars	Nagaland	Orissa	Punjab		
1	Whether Sector-wise priorities are fixed by the State Government	Although, no sector-wise priorities are fixed, the directives of SG for providing credit for agri and allied activities is taken care of by the Board as the Chairman is the Finance Commissioner of the State Govt.		No.		
2	In the last three years (upto March 2004) has State announced any waivers of (Principal/interest/penal interest etc.)	No	No	No.		
(i)	Dates of announcement	Not applicable	Not applicable	Not applicable		
(ii)	Amount involved	Not applicable	Not applicable	Not applicable		
(iii)	Amount Released	Not applicable	Not applicable	Not applicable		
(iv)	Amount still not released	Not applicable	Not applicable	Not applicable		
3	Involvement of the Government in Recovery of loans	Yes. Services of officers of Coop dept in recovery efforts are availed by SCB as and when needed.		SG assists cooperative banks /PACS in recovery drive when cases for recovery are filed.		
4	Does State Government/RCS/Ministers fix rate of interest on Deposits and loans.	No. ROI fixed by bank with approval of Board.	No.			

ANNEXURE (contd)						
Involvement of the State Government in the management of the Cooperative Credit Institutions						
Sr.No.	State Particulars	Tamil Nadu	Tripura	Uttar Pradesh	Uttaranchal	West Bengal
1	Whether Sector-wise priorities are fixed by the State Government	By and large, SG does not fix any sectoral exposure limits. However, for financing individuals, RCS has fixed a limit of Rs 100 lakh per unit subject to instructions by RBI/NABARD.	Yes. In respect of Centrally sponsored schemes.	No.	Generally no. Govt however lays emphasis on financing sugar mills, both in Cooperative and private sector.	No
2	In the last three years (upto March 2004) has State announced any waivers of (Principal/interest/penal interest etc.)	Yes. From 1999 to 2004, SG have announced seven schemes regarding waiver of interest/penal interest. Of the above schemes, a penal interest waiver scheme (2000) for Rs 13.62 crore was fully borne by banks. Besides, in 2004, MTC and MT R loans have been transferred to a blocked a/c.	No	No.	No.	There is a scheme for giving interest subsidy to SF/MF. In respect of Handloom Weavers, there is a scheme for providing interest subsidy and sales rebate to primary handloom weavers societies. SG has however not announced any waiver schemes.
(I)	Dates of announcement	At different dates during 99-2004	Not applicable	Not applicable	Not applicable	Not applicable
(ii)	Amount involved	Rs 422.40 cr	Not applicable	Not applicable	Not applicable	Not applicable
(iii)	Amount Released	Rs 396.83 cr	Not applicable	Not applicable	Not applicable	Not applicable
(iv)	Amount still not released	Rs 25.57 cr	Not applicable	Not applicable	Not applicable	Not applicable
3	Involvement of the Government in Recovery of loans	Yes. SG deposes DRCS to DCCBs. The officer is vested with responsibilities for recovery through arbitration proceedings and EPs to enable PACS to recover dues. Although a system is in place, it does not function smoothly as SG often issues instructions to go slow on recovery. A ban on recovery is lifted only after constant persuasion by NABARD.	SG do assist coop institutions in recovery.	Yes. SG assists coop banks/PACS in recovery drives.	No significant contribution by SG machinery in assisting coop banks/PACS in recovery drives has been observed.	Specific rules and regulations for recovering cooperative dues are laid down by State Govt. Assistance of Govt agencies in recovery drives is available as and when required at district level.

4	Does State Government/RCS/Ministers fix rate of interest on Deposits and loans.	Yes. A committee chaired by Principal secretary Cooperation fixes the ROI on loans. The Committee meeting is held once a year and is attended by officers of TNSCB. ROI on loans as fixed by the Committee is then circulated to all cooperatives. ROI on deposits are fixed by respective DCCBs and PACS after obtaining approval from JRCS.	No	Yes. ROI on loans is governed by rules 191 and 193 of UPSCA 1960. According to this, except with prior permission from RCS, neither any DCCB can increase its ROI to PACS nor can charge a ROI exceeding 3% over its average borrowing rate (rule 191). No coop society, other than a DCCB, can charge from its members interest on loan at a rate higher than the maximum rate that may be fixed by RCS from time to time(rule 193)	Yes ROI on loans are fixed by RCS. ROI on deposits are decided by banks.	No. ROI on loans and deposits are decided by Apex Bank in consultation with DCCBs in the quarterly DCCB conference.
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ANNEXURE VIII

PACS in Profit during 2001-02 and 2002-03

Sr No	State	2001-02			2002-03		
		No. of PACS	PACS in Profit	Percentage	No. of PACS	PACS in Profit	Percentage
1	Andhra Pradesh	4470	1191	26.6	4359	1146	26.3
2	Assam	714	258	36.1	809	309	38.2
3	Bihar	7057	3532	50.0	7057	3532	50.0
4	Chhattisgarh	1333	5	0.4	1939	1113	57.4
5	Gujarat	8250	4152	50.3	8176	4272	52.3
6	Haryana	2413	685	28.4	2418	614	25.4
7	Himachal Pradesh	2117	1628	76.9	2104	1670	79.4
8	Jammu & Kashmir	461	203	44.0	425	171	40.2
9	Jharkhand	208	203	97.6	208	203	97.6
10	Karnataka	5077	1758	34.6	4094	1396	34.1
11	Kerala	1988	719	36.2	1961	752	38.3
12	Madhya Pradesh	4475	1968	44.0	4568	1884	41.2
13	Maharashtra	20726	8168	39.4	23340	10104	43.3
14	Manipur	191	108	56.5	186	0	0.0
15	Meghalaya	197	140	71.1	358	65	18.2
16	Mizoram	320	69	21.6	165	59	35.8
17	Nagaland	1719		0.0	1719	0	0.0
18	Orissa	3867	1496	38.7	3864	1220	31.6
19	Punjab	4001	2658	66.4	4002	1880	47.0
20	Rajasthan	5153	3615	70.2	5941	332	5.6
21	Tamil Nadu	4586	700	15.3	5381	1019	18.9
22	Tripura	270	48	17.8	270	42	15.6
23	Uttar Pradesh	8929	4536	50.8	8929	4536	50.8
24	Uttaranchal	446	203	45.5	446	262	58.7
25	West Bengal	8968	7115	79.3	*	*	*
26	Andaman & Nicobar	45	7	15.6	45	9	20.0
27	Arunachal Pradesh	31	20	64.5	31	20	64.5
28	Daman & Diu	13	9	69.2	*	*	*
29	Goa	87	65	74.7	87	63	72.4
30	Pondicherry	53	12	22.6	54	12	22.2
31	Dadra & Nagar Haveli	8	6	75.0	8	6	75.0
32	Delhi	42	0	0.0	0	0	\$
33	Chandigarh	32	15	46.9	32	15	46.9
	All India Total	98247	45292	46.1	112309	36706	32.7
<i>Note: The profit making PACS are the ones which are making current profit.</i>							
	* Data not available						
	\$ All societies defunct						
	Source: NAFSCOB						

Table D: Selected Indicators of DCCBs according to Region and Recovery Rate Class

Sr. No.	Parameter	Recovery < 40%				40% < Recovery < 60%				60% < Recovery < 80%				Recovery > 80%				(Rs. lakh)
		East	North	South	West	East	North	South	West	East	North	South	West	East	North	South	West	
	Number of DCCBs	29	22	10	10	20	20	16	37	16	42	34	28	4	39	18	11	
1	Working Funds	5233.7	9612.9	24059.3	28336.1	11958.5	10339.6	25143.0	3202.6	1871.9	17397.3	3602.6	50567.0	20241.1	1957.1	4957.1	68684.7	
2	OwnFunds*100/TotFunds	-18.0	-17.7	-11.7	-6.1	-2.9	-2.4	0.3	-5.9	1.7	2.5	2.8	1.4	3.2	5.3	4.3	4.7	
3	Dep*100/Borr	6623.4	822.6	256.3	1831.6	556.4	1023.2	175.4	625.8	1136.1	987.1	835.4	10281.6	2504.6	1366.0	1868.3	3269.5	
4	T.Loans*100/WF	44.6	48.1	70.9	60.5	58.0	51.5	70.4	63.3	44.6	59.2	62.1	56.5	28.5	62.0	58.9	56.8	
5	Invest*100/WF	18.6	28.2	11.2	21.0	21.0	30.2	12.2	18.2	34.7	27.4	19.9	27.7	53.2	26.9	25.0	32.3	
6	ST.Loans*100/T.Loans	87.2	85.5	57.0	76.2	66.0	81.1	58.2	73.0	60.0	73.7	64.4	69.7	53.5	81.5	64.5	60.9	
7	IndiDep*100/T.Dep	88.5	92.3	63.6	54.8	70.9	81.7	64.1	71.3	67.5	80.5	53.5	61.2	59.1	78.1	50.2	59.3	
8	Dep*100/WF	46.6	76.3	38.4	62.5	59.4	68.3	41.3	63.9	71.2	59.9	63.1	66.1	74.7	61.2	64.1	74.5	
9	Borr*100/WF	28.8	16.0	46.0	19.5	23.1	19.1	41.5	21.9	11.4	26.6	19.1	17.4	4.3	25.9	18.7	11.6	
10	Margin (= (IntInc-IntExp)*100/WF)	1.8	2.3	1.5	3.6	3.4	3.2	2.0	3.7	3.0	3.2	2.8	3.9	2.3	3.6	2.9	3.6	
11	AdmnExp*100/WF	2.1	2.8	1.9	2.3	2.1	2.3	1.8	2.6	1.8	2.1	1.8	2.2	1.5	2.2	1.6	2.2	
	Performance Indicators																	
12	Net Profit/Loss	-117.0	-126.2	-624.5	-173.2	-68.4	-2.6	-206.9	-396.2	0.5	164.0	-58.7	97.1	162.0	245.6	429.7	518.9	
13	Net Worth	-778.2	-1475.8	-2109.6	-1351.1	-38.0	-198.0	74.3	-676.2	-465.8	697.2	1040.7	1551.2	736.3	1037.0	2576.4	2880.0	
14	NW*100/(Dep+Borr)	-24.7	-18.6	-13.3	-6.9	-3.5	-2.3	0.4	-6.6	2.1	3.1	3.4	1.9	4.1	6.2	5.3	5.6	
15	NPA%	67.4	53.3	41.0	41.5	30.1	34.3	19.7	32.7	22.0	15.5	18.0	19.3	15.8	7.0	9.5	6.7	
16	Recovery Rate	18.9	31.7	34.0	32.7	52.4	48.1	51.9	52.1	70.1	70.8	69.8	70.2	82.7	87.7	86.3	88.2	
	Profitability Indicators																	
17	Profit*100	-34.9	-17.3	-30.9	-9.7	-9.8	0.5	-8.8	-18.0	-1.9	4.3	-2.0	-4.7	6.4	12.1	5.7	7.1	

	/Int.Inc.																
18	Operating Cost (=OpExp/ IntInc)	26.8	31.4	20.5	22.8	20.5	25.9	19.1	25.0	18.8	21.9	17.2	21.1	14.0	22.6	15.6	19.6
19	BadDebt & Provisioning /IntInc	249.2	19.7	27.6	20.8	26.3	13.4	13.7	26.9	14.8	7.2	13.1	18.1	3.8	3.1	7.3	3.7
20	IntExp/ IntInc	77.5	74.7	84.3	63.5	67.4	64.0	79.2	64.9	69.7	66.4	73.7	63.7	77.9	62.8	72.5	68.2
21	AccuLoss *100/WF	25.8	23.7	18.3	10.9	8.5	8.7	5.5	11.0	2.6	3.5	1.5	3.4	0.1	0.7	0.6	0.0
	Stability indicators																
22	Cap Adequacy	8.8	3.1	2.9	10.1	8.0	8.5	7.5	8.4	8.6	10.1	9.3	11.2	8.8	10.6	9.4	10.1
23	Member Funds	11.7	6.9	10.1	30.7	22.2	15.5	17.7	20.7	27.3	18.4	34.2	32.4	39.9	20.7	35.5	36.4
24	LTFunds/ TotLia	11.8	4.9	24.0	13.0	13.9	10.0	28.8	13.2	13.3	14.7	15.5	15.7	11.3	14.2	13.9	18.5
25	LTLia/ LTAsset	81.8	27.0	101.1	126.8	77.1	73.1	110.8	87.7	69.0	72.9	107. 7	102.6	62.7	78.4	102. 6	92.5

Annexure IX

Highlights of Regional performance of DCCBs (Based on the average performance of 5 years)

The highlights of Regional behaviour of District Central Cooperative banks presented below is prepared by dividing the country into four regions and using data for five years from the audited accounts of DCCB from 1998-99 to 2002-03. There were 356 banks for which the data was available for all five years. The averages of various variables were calculated and the following analysis is based on the average data of five years. The analysis therefore does not indicate the yearly change in behaviour.

The All India DCCBs were divided into 4 regions to find out the trends, which are region specific between the performance indicators and in the behaviour of other variables. The states that belong to each region are listed at the end of the section. The major highlights are:

Region wise behaviour of Performance Indicators:

The three indicators that were used to measure overall performance of DCCBs viz., Profitability, NPA% and Recovery Rate, show similarity in behaviour across the four regions. The table of inter correlations between these indicators is given below.

It can be seen that the direction of association between the indicators is same for all regions. The magnitude of association, however, differs. While the Southern and Northern regions have higher correlation between Profitability and NPA%, for the Western region banks, Profitability has relatively lower correlation with other two variables. A similar difference was also seen for the correlation between Profitability and Recovery Rate across regions. Across regions, the NPA and Recovery Rate were having highest and negative correlation for the Northern region DCCBs, followed by the Eastern Region both of which were above the national average, while the Western DCCBs displayed relatively weaker association.

<i>(Correlation Coefficients)</i>				
Regions	N	Prof x NPA	Prof x Rec	NPA x Rec
East	69	-0.66	0.55	-0.86
North	123	-0.71	0.66	-0.88
South	78	-0.76	0.70	-0.70
West	86	-0.55	0.40	-0.63

N-# of DCCBs; Prof- Profitability; Rec- Recovery rate

Overall performance:

The overall performance across regions in terms of selected financial indicators is presented in Table-A. The Table presents the minimum, maximum, sum and means of these indicators. The observations from the table are as under:

Size: The Western Region DCCBs were biggest, with average Working Funds of Rs. 423 crore, followed by Southern Region at Rs. 354 crore. The all India average was Rs. 255 crore and the average size of the Northern and Eastern Region DCCB was way below the national average at Rs. 155 and Rs. 112 crore respectively. The smallest DCCB was in the Eastern Region (Rs. 16.5 crore) while Western Region had the largest DCCB (Rs. 2517 crore).

Profits: Only the DCCBs in Northern Region made overall net profits (of Rs. 1 crore) while the banks of other regions made on an average net loss (a loss of Rs. 93 lakh by Western DCCBs, followed by Rs. 59 lakh by Eastern DCCBs and Rs. 49 lakh by Southern DCCBs).

Deposit size: The average size of deposits held by banks varied widely across regions. While the average deposit per bank in Western Region was Rs. 308 crore, the Southern region followed next with their average deposit at Rs. 205 crore. The Northern DCCBs were half the size with average deposit of Rs. 102 crore while for the Eastern DCCBs, this average was only Rs. 71 crore.

Loan size: Though the Western region was far ahead of the Southern region in average deposit per bank, the average loans per bank for these two regions was relatively close at Rs. 229 and Rs. 221 crore respectively. The Northern DCCBs were much below half the size of Southern DCCBs at Rs. 87 crore, followed by the Eastern DCCBs at Rs. 51 crore.

Deposits vs. Borrowings: Both the Western and Northern DCCBs had a high proportion of Deposit to WF at 66% and 65% respectively, while this proportion was lowest at 56% for Southern DCCBs. The average dependence on borrowing was lowest in Western DCCB at 19% and highest for Southern DCCBs at 27%.

Loans vs. Investments: The Southern region extended highest proportion of loans to WF at 64%, this ratio being lowest for Eastern DCCBs at 47.5%. The Northern DCCBs kept about 28% of their funds in investments whereas the investment portfolio of Southern DCCBs much lower at 18%.

Selected Indicators and Ratios as per Profitability class:

The profit making and loss making banks were split into separate groups and then into four regions and are presented in Table-B. Clear differences emerge for different regions. Some of the interesting observations are as under:

- The banks making profit in Northern region are lending more than the banks under loss, while the trend was reverse for other regions where it was the banks making losses that were lending more.
- In the Eastern and Western regions, it is the short-term loans that have negative impact on profitability, as the proportion of ST loans to total loans is much higher in these regions for loss making banks than for profit making banks. However, for the Northern & Southern region DCCBs, the decline in ST loan to total loans between loss making and profit making banks is only marginal.
- The DCCBs of Eastern and Western Region that make profit make much larger investments as against their loss making counterparts, while the difference is not so sharp for DCCBs of other regions.
- In the Northern region, the profit making DCCBs have a lower proportion of deposit and higher proportion of borrowings as compared to their loss making counter part, while the trend is just the reverse for other three regions.
- The Eastern and Western Region DCCBs also show similarity in the proportion of individual deposit to total deposits. For both these regions the share of individual deposits is very high for loss making banks and declines sharply for profit making banks. The profit making DCCBs of Northern and Southern region, also hold a lower proportion of individual deposits as compared to their loss making banks, but the difference is less sharp.

Selected Indicators and Ratios as per NPA class:

The regional differences in various indicators for different classes of NPA% are presented in Table-C. Some of the prominent observations are listed below:

- The Western and Southern Region DCCBs that have low level of NPA also have relatively low loans to WF and comparatively high investments to WF as against their banks in high NPA class. On the other hand a reverse behaviour is observed for Northern Region DCCBs, where it is the banks with low levels of NPA that have high loans and low investments as against the banks having high levels of NPA.
- For Southern Region DCCBs, it is the bigger loans that contribute more towards NPA as the proportion of small loans to total loans reduces from 66% (for the class NPA < 10%) to 60% (for NPA>40%). The other regions behave the other way round.
- The DCCBs of Eastern, Southern and Western regions hold a higher proportion of deposits and lower proportion of borrowings for the Low-NPA group as compared to the highest NPA group. Thus the healthy banks (low NPA) of

these regions are able to collect more deposits and rely less on borrowings. However, for the Northern region, this picture is the other way round.

- The Western Region banks that have low NPA rate work at lower margin of 3.5% while the banks where NPA>40% have a much higher margin of 4.4%. All other regions the banks that are work at high margins are the ones that have their NPA low.

Selected Indicators and Ratios as per Recovery class:

The Table-D presents the differences in regional behaviour according to various recovery classes. The broad observations from the table are as under:

- As noticed for NPA classifications in case of recovery class classifications also, the Northern Region behaves different from the other regions as for this region, the banks having high proportion of loans to WF are also able to have high recoveries while the low recovery class group has relatively low loans to WF. This trend reverses for the other regions.
- The Southern region DCCBs differs from those of other regions with respect to the ST loans in their loan portfolio as the banks that have high proportion of ST loans to total loans make high recoveries as against the banks having low ST loans. The banks of other regions those are able to make high recoveries have relatively lower ST loans in their portfolio, though for Northern Region this difference is not very prominent.
- The banks with high recovery rates work at higher margin for all regions except West, where this level is same.
- The banks making high recoveries also attract high deposits and rely less on borrowings for all regions except the Northern region. In case of Northern region, the banks making high recovery have lower deposits and higher borrowings as against the banks making low recovery.

Table A: Regional Description of DCCBs*(Rs. In lakh)*

REGION	VARIABLE	Minimum	Maximum	Sum	Mean
EAST (69)	Working Funds	1654.9	62752.8	771418.5	11180.0
	Net Profit/ Loss	-944.2	725.4	-4104.1	-59.5
	Deposits	470.3	43937.1	489320.3	7091.6
	Total Loans	911.2	21358.6	351511.8	5094.4
	Dep*100/ WF	11.4	89.8	3976.0	57.6
	Borr*100/ WF	0.0	60.4	1498.7	21.7
	T.Loans* 100/ WF	16.4	81.8	3280.6	47.5
	Invest*100/ WF	0.3	64.1	1727.3	25.0
	CD Ratio	18.9	460.5	--	71.8
NORTH (123)	Working Funds	3043.7	147660.9	1912258.3	15546.8
	Net Profit/ Loss	-533.8	3689.3	13637.5	110.9
	Deposits	1159.5	113095.0	1259908.3	10243.2
	Total Loans	1575.8	33143.6	1064866.2	8657.4
	Dep*100/ WF	27.5	91.0	7946.2	64.6
	Borr*100/ WF	0.6	61.2	2863.5	23.3
	T.Loans* 100/ WF	13.4	87.9	6991.7	56.8
	Invest*100/ WF	2.4	69.8	3421.6	27.8
	CD Ratio	16.3	309.7	--	84.5
SOUTH (78)	Working Funds	4409.3	114539.5	2759940.8	35383.9
	Net Profit/ Loss	-1712.2	3813.3	-3819.6	-49.0
	Deposits	1947.2	85323.3	1598609.4	20495.0
	Total Loans	3275.1	59330.6	1720181.6	22053.6
	Dep*100/ WF	12.5	92.9	4342.3	55.7
	Borr*100/ WF	0.8	65.4	2111.5	27.1
	T.Loans* 100/ WF	36.9	79.0	5006.2	64.2
	Invest*100/ WF	0.5	48.1	1434.2	18.4
	CD Ratio	42.0	558.2	--	107.6
WEST (86)	Working Funds	3821.2	251734.3	3639746.7	42322.6
	Net Profit/ Loss	-2626.2	1708.2	-7966.8	-92.6
	Deposits	1677.1	215202.7	2646568.0	30774.0
	Total Loans	2737.1	119553.0	1971426.4	22923.6
	Dep*100/ WF	29.1	89.1	5660.9	65.8
	Borr*100/ WF	0.0	49.4	1618.7	18.8
	T.Loans* 100/ WF	12.1	83.0	5155.8	60.0
	Invest*100/ WF	6.2	77.1	2012.6	23.4
	CD Ratio	14.7	268.5	--	74.5

Table B: Selected Indicators of DCCBs according to Region and Profit Class

(Rs. In lakh)

S.No.	Parameter	Loss Making Banks				Profit Making Banks			
		East	North	South	West	East	North	South	West
	Number of DCCBs	43	29	40	46	26	94	38	40
1	Working Funds	7612.0	9299.2	31502.4	22652.6	17080.8	17474.3	39469.6	64943.2
2	OwnFunds *100/ TotFunds	-14.6	-14.8	-2.6	-7.2	3.3	3.2	4.3	3.7
3	Dep*100/ Borr	731.3	608.4	608.3	506.2	7976.1	1230.3	1133.4	8550.8
4	T.Loans* 100/ WF	51.0	51.9	67.1	64.9	41.9	58.4	61.1	54.2
5	Invest*100/ WF	17.0	25.9	16.2	16.9	38.3	28.4	20.7	30.9
6	ST.Loans* 100/ T.Loans	76.0	80.9	63.2	74.2	67.5	79.1	61.2	66.8
7	IndiDep*100 /T.Dep	80.9	86.3	59.5	70.9	70.1	80.7	52.7	57.3
8	Dep*100/ WF	53.1	72.1	52.5	60.7	65.1	62.3	59.1	71.8
9	Borr*100/ WF	26.5	19.9	31.1	25.1	13.8	24.3	22.8	11.6
10	Margin (=IntInc-IntExp)* 100/WF)	2.3	2.4	2.0	3.8	3.1	3.4	3.0	3.6
11	AdmnExp *100/ WF	2.2	2.7	1.8	2.6	1.7	2.1	1.7	2.1

Performance Indicators

12	Net Profit/ Loss	-161.6	-175.6	-373.1	-520.5	109.4	199.3	292.2	399.4
13	Net Worth	-694.0	-1278.9	-268.4	-1191.9	650.4	748.8	1910.1	2285.3
14	NW*100/ (Dep+Borr)	-19.8	-15.5	-2.9	-8.2	4.4	3.9	5.4	4.4
15	NPA%	51.4	44.5	25.6	33.8	29.3	15.9	12.8	17.2
16	Recovery Rate	36.3	42.9	55.9	52.4	57.1	72.4	75.2	69.4

Profitability Indicators

17	Profit*100/Int.Inc.	-32.1	-21.3	-15.4	-23.0	6.4	9.6	5.2	6.0
18	Operating Cost (=OpExp/ IntInc)	25.1	30.4	18.1	25.3	17.8	22.6	17.2	19.9
19	BadDebt & Provisioning /IntInc	166.1	22.5	19.0	31.0	33.2	5.0	8.2	8.2
20	IntExp/ IntInc	75.5	74.5	80.4	64.0	68.3	63.8	71.2	65.7
21	AccuLoss *100/WF	21.3	21.0	7.7	12.5	1.8	2.7	0.7	0.9

Stability indicators

22	Cap Adequacy	6.5	3.6	6.5	8.4	11.8	10.3	9.8	11.3
23	Member Funds	14.1	10.5	21.7	19.9	29.7	18.5	34.7	36.6
24	LTFunds/ TotLia	11.0	7.0	20.0	13.2	15.5	13.6	17.9	16.3
25	LTLia/ LTAsset	79.1	41.6	106.1	93.0	71.8	74.1	106.5	103.1

Table C: Selected Indicators of DCCBs according to Region and NPA Class

		(Rs. In lakh)															
S.No.	Parameter	NPA < 10%				10% < NPA < 20%				20% < NPA < 40%				NPA > 40%			
		East	North	South	West	East	North	South	West	East	North	South	West	East	North	South	West
	Number of DCCBs	3	45	16	13	9	28	32	23	27	22	25	36	30	28	5	14
1	Working Funds	22633.0	24178.5	48099.1	79191.9	19330.7	12042.2	35141.9	41919.6	12304.2	10449.1	30304.9	35434.2	6577.7	9184.4	21638.7	26462.2
2	OwnFunds *100/ TotFunds	5.0	5.9	4.5	4.3	3.3	3.0	3.2	3.1	-1.6	-0.2	-1.3	-4.1	-18.0	-16.9	-16.3	-11.9
3	Dep*100/ Borr	543.0	1184.2	923.5	2946.6	1215.1	913.0	897.8	11719.1	942.2	1604.7	865.6	1368.6	6649.8	683.4	451.9	586.1
4	T.Loans* 100/ WF	47.6	67.5	63.1	56.8	40.0	52.4	64.9	59.6	54.0	50.1	63.0	60.8	44.0	49.5	69.0	61.4
5	Invest*100/ WF	38.3	23.3	23.9	31.2	43.2	31.3	17.6	27.0	24.2	33.1	16.8	20.4	19.0	27.6	13.3	18.0
6	ST.Loans* 100/ T.Loans	63.2	84.6	65.9	63.2	60.0	70.8	62.1	69.2	62.9	71.3	60.5	74.0	86.4	86.5	59.7	72.1
7	IndiDep*100 /T.Dep	62.1	78.6	52.6	57.5	62.5	80.2	57.2	67.8	73.2	81.5	57.4	65.4	85.9	89.8	54.9	63.7
8	Dep*100/ WF	60.4	56.3	60.6	74.6	66.6	64.7	55.4	66.8	63.9	67.8	54.3	63.7	49.0	75.4	48.7	61.6
9	Borr*100/ WF	21.4	30.6	23.2	12.0	11.8	21.6	27.7	17.0	20.5	18.9	26.5	21.6	25.8	16.6	38.2	21.1
10	Margin (=IntInc-IntExp)* 100/W	2.6	3.4	2.7	3.5	2.7	3.5	2.6	3.8	3.0	3.5	2.4	3.5	2.2	2.3	1.2	4.4
11	AdmnExp *100/ WF	1.5	2.1	1.7	2.2	1.5	2.1	1.7	2.3	2.0	2.2	1.9	2.5	2.1	2.8	2.2	2.5
	Performance Indicators																
12	Net Profit/ Loss	183.3	314.1	465.1	578.3	170.8	92.7	-23.9	196.2	-68.2	48.0	-289.6	-300.6	-145.0	-148.2	-651.0	-655.4
13	Net Worth	1077.2	1388.3	2733.2	3347.4	790.3	382.9	1084.6	1543.2	46.1	66.0	-64.5	-312.2	-817.3	-1476.8	-2995.1	-2227.9
14	NW*100/ (Dep+Borr)	6.2	6.9	5.6	5.1	4.4	3.6	3.9	3.8	-1.9	0.3	-1.4	-4.4	-24.8	-17.9	-18.3	-14.0
15	NPA%	8.6	5.1	6.7	6.7	15.0	15.0	14.9	15.1	27.4	29.5	27.2	28.8	69.0	53.1	49.2	55.0
16	Recovery Rate	69.4	84.5	79.8	84.4	70.8	69.4	68.8	68.2	57.0	58.4	58.1	52.2	22.1	36.6	33.0	46.1
	Profitability Indicators																
17	Profit*100/Int.Inc.	6.0	11.0	5.7	6.6	7.4	7.5	-0.7	2.1	-7.0	3.4	-12.7	-14.3	-37.0	-17.7	-33.8	-31.1
18	Operating Cost (=OpExp/ IntInc)	15.8	22.5	16.0	19.3	14.9	21.3	16.5	22.3	20.8	23.3	18.9	23.9	26.6	31.7	24.1	23.9
19	BadDebt & Provisioning /IntInc	5.9	2.3	5.3	4.3	6.2	7.5	11.1	11.4	39.6	10.4	20.9	21.9	228.8	20.9	21.8	46.3
20	IntExp/ IntInc	73.4	64.3	73.7	68.6	73.7	63.7	74.6	64.0	70.0	64.2	76.6	66.0	74.9	73.8	88.1	59.4
21	AccuLoss *100/WF	0.7	0.1	0.9	0.0	1.7	2.8	1.7	2.1	6.7	6.1	6.1	9.1	25.4	23.1	23.0	16.7
	Stability indicators																
22	Cap Adequacy	8.6	10.6	8.8	9.5	9.8	10.6	9.2	10.7	6.7	9.7	7.9	8.9	9.8	3.0	0.4	10.6
23	Member Funds	30.2	19.6	31.5	36.2	33.9	18.6	30.2	29.7	21.4	19.4	26.5	25.1	13.5	7.6	10.8	23.0
24	LTFunds/ TotLia	15.2	13.5	17.0	17.1	13.5	16.1	20.5	15.4	12.1	13.2	18.8	12.8	12.8	4.6	16.4	15.9
25	LT Lia/ LT Asset	68.0	87.2	99.5	102.9	67.7	72.5	108.6	84.8	68.8	59.2	107.3	97.6	86.7	32.8	108.0	114.6

Table D: Selected Indicators of DCCBs according to Region and Recovery Rate Class

S.No	Parameter	Recovery < 40%				40% < Recovery < 60%				60% < Recovery < 80%				Recovery > 80%		
		East	North	South	West	East	North	South	West	East	North	South	West	East	North	South
	Number of DCCBs	29	22	10	10	20	20	16	37	16	42	34	28	4	39	18
1	Working Funds	52337	96129	240593	283361	119585	103396	251430	320264	187192	173973	360226	505670	202411	195716	495718
2	Own Funds *100/ Tot Funds	-180	-177	-11.7	-6.1	-2.9	-2.4	0.3	-5.9	1.7	2.5	2.8	1.4	3.2	5.3	4.3
3	Dep*100/Borr	66234	8226	2563	18316	5564	10232	1754	6258	11361	9871	8354	102816	25046	13660	18683
4	TL loans* 100/WF	446	48.1	70.9	60.5	58.0	51.5	70.4	63.3	44.6	59.2	62.1	56.5	28.5	62.0	58.9
5	Invest*100/WF	186	282	11.2	21.0	21.0	30.2	122	182	34.7	27.4	19.9	27.7	53.2	26.9	25.0
6	ST Loans* 100/TL Loans	872	85.5	57.0	76.2	66.0	81.1	58.2	73.0	60.0	73.7	64.4	69.7	53.5	81.5	64.5
7	Ind Dep*100 /T.Dep	885	923	63.6	54.8	70.9	81.7	64.1	71.3	67.5	80.5	53.5	61.2	59.1	78.1	50.2
8	Dep*100/WF	466	763	38.4	62.5	59.4	68.3	41.3	63.9	71.2	59.9	63.1	66.1	74.7	61.2	64.1
9	Bor*100/WF	288	160	46.0	195	231	19.1	41.5	21.9	11.4	26.6	19.1	17.4	4.3	25.9	18.7
10	Margin (=IntInc/IntExp)* 100/WF	1.8	23	1.5	3.6	3.4	3.2	2.0	3.7	3.0	3.2	2.8	3.9	2.3	3.6	2.9
11	Adm Exp*100/WF	2.1	28	1.9	2.3	2.1	2.3	1.8	2.6	1.8	2.1	1.8	2.2	1.5	2.2	1.6

Performance Indicators

12	Net Profit/Loss	-117.0	-126.2	-624.5	-173.2	-68.4	-2.6	-206.9	-396.2	0.5	164.0	-58.7	97.1	162.0	245.6	429.7
13	Net Worth	-778.2	-1475.8	-2109.6	-1351.1	-38.0	-198.0	74.3	-676.2	465.8	697.2	1040.7	1551.2	736.3	1037.0	2576.4
14	NW*100/(Dep+Bor)	-24.7	-18.6	-13.3	-6.9	-3.5	-2.3	0.4	-6.6	2.1	3.1	3.4	1.9	4.1	6.2	5.3
15	NPA%	67.4	53.3	41.0	41.5	30.1	34.3	19.7	32.7	22.0	15.5	18.0	19.3	15.8	7.0	9.5
16	Recovery Rate	18.9	31.7	34.0	32.7	52.4	48.1	51.9	52.1	70.1	70.8	69.8	70.2	82.7	87.7	86.3

Profitability Indicators

17	Profit*100/IntInc	-34.9	-17.3	-30.9	-9.7	-9.8	0.5	-8.8	-18.0	-1.9	4.3	-2.0	-4.7	6.4	12.1	5.7
18	Operating Cost (=OpExp/IntInc)	26.8	31.4	20.5	22.8	20.5	25.9	19.1	25.0	18.8	21.9	17.2	21.1	14.0	22.6	15.6
19	Bad Debt & Provisioning/IntInc	249.2	19.7	27.6	20.8	26.3	13.4	13.7	26.9	14.8	7.2	13.1	18.1	3.8	3.1	7.3
20	IntExp/IntInc	77.5	74.7	84.3	63.5	67.4	64.0	79.2	64.9	69.7	66.4	73.7	63.7	77.9	62.8	72.5
21	Amr Loss *100/WF	25.8	23.7	18.3	10.9	8.5	8.7	5.5	11.0	2.6	3.5	1.5	3.4	0.1	0.7	0.6

Stability indicators

22	Cap Adequacy	8.8	3.1	2.9	10.1	8.0	8.5	7.5	8.4	8.6	10.1	9.3	11.2	8.8	10.6	9.4
23	Member Funds	11.7	6.9	10.1	30.7	22.2	15.5	17.7	20.7	27.3	18.4	34.2	32.4	39.9	20.7	35.5
24	LTFunds/ Tot lia	11.8	4.9	24.0	13.0	13.9	10.0	28.8	13.2	13.3	14.7	15.5	15.7	11.3	14.2	13.9
25	LTLia/LTAsset	81.8	27.0	101.1	126.8	77.1	73.1	110.8	87.7	69.0	72.9	107.7	102.6	62.7	78.4	102.6

The states were divided as under into different regions:

1. Southern Region:

- A. Andhra Pradesh
- B. Karnataka
- C. Kerala
- D. Tamil Nadu

2. Eastern Region:

- A. Bihar
- B. Jharkhand
- C. Orissa
- D. West Bengal

3. Western Region:

- A. Chattisgarh
- B. Gujarat
- C. Madhya Pradesh
- D. Maharashtra

4. Northern Region:

- A. Haryana
- B. Himachal Pradesh
- C. Jammu & Kashmir
- D. Punjab
- E. Rajasthan
- F. Uttaranchal
- G. Uttar Pradesh

ANNEXURE X

Costs and Margins of DCCBs - Range and Median values

											(%)
Name of State	Cost of Deposits	Cost of borrowings	Total cost of Funds	Yield on assets	Gross Financial Margin	Misc Income	Total margin	Transaction Cost	Risk Cost	Net Margin	
Tamil Nadu											
Maximum Value	10.74	5.07	12.44	15.24	4.78	0.80	4.94	2.19	4.18	3.22	
Minimum Value	4.47	0.05	6.00	8.01	1.20	0.16	1.58	0.83	0.17	-3.68	
Median Value	6.58	1.19	8.33	10.78	2.27	0.28	2.66	1.46	1.72	-0.05	
Andhra Pradesh											
Maximum Value	*	*	8.62	10.88	3.09	2.59	3.40	1.85	2.81	1.45	
Minimum Value	*	*	6.02	5.85	-2.33	0.10	-1.53	0.84	0.30	-6.11	
Median Value	*	*	7.69	9.09	1.22	0.32	1.52	1.51	1.05	-1.19	
Chattisgarh											
Maximum Value	7.63	13.68	6.60	10.17	4.74	0.20	4.84	2.93	4.57	0.07	
Minimum Value	5.77	8.62	4.42	5.66	1.24	0.09	1.35	2.22	0.98	-3.93	
Median Value	6.23	10.22	5.27	9.58	3.84	0.11	3.99	2.76	2.62	-1.38	
Gujarat											
Maximum Value	11.08	11.14	10.09	12.62	6.42	1.00	6.64	3.56	4.61	2.08	
Minimum Value	7.00	7.49	5.06	8.35	1.56	0.05	1.66	1.21	0.18	-1.36	
Median Value	9.11	8.83	7.56	11.20	3.30	0.11	3.45	1.73	0.53	0.41	
Rajasthan											
Maximum Value	8.94	10.77	8.34	11.76	5.63	0.54	6.01	3.09	2.69	2.13	
Minimum Value	1.91	6.72	5.90	9.37	2.49	0.12	2.70	1.73	0.11	-1.72	
Median Value	6.01	7.84	6.86	10.89	3.85	0.31	4.22	2.18	1.28	0.61	
West Bengal											
Maximum Value	13.57	14.15	10.25	11.32	3.76	2.70	4.43	3.00	1.00	2.10	
Minimum Value	5.61	3.63	6.42	8.16	0.78	0.11	1.09	1.00	0.00	-1.91	
Median Value	9.37	7.75	7.53	9.42	2.14	0.31	2.39	2.00	0.00	0.43	
Uttaranchal											
Maximum Value	9.19	8.93	7.83	11.20	4.06	0.69	4.13	2.19	0.54	2.20	
Minimum Value	7.26	5.85	6.19	9.02	2.67	0.05	2.77	1.31	0.06	0.42	
Median Value	7.76	7.50	6.66	10.23	3.53	0.10	3.70	1.83	0.13	1.75	
Karnataka											
Maximum Value	10.39	7.19	9.17	13.02	4.43	0.54	4.98	4.02	2.43	1.65	
Minimum Value	4.89	4.75	6.03	5.41	-0.90	0.08	-0.64	1.28	0.14	-3.52	
Median Value	7.73	5.72	7.18	10.21	3.15	0.26	3.42	2.39	0.51	0.32	
Madhya Pradesh											
Maximum Value	*	*	9.15	11.73	5.60	0.75	5.65	3.84	8.69	1.54	

ANNEXURE XI

Average Performance of DCCBs over 1999 to 2003 According to Profitability Classes

(Rs. lakh)

Sr.No.	Parameter	Profitability class in percent			
		<-2	-2 to 0	0 to 1	>1
	<i>Number of DCCBs</i>	71	87	144	54
1	Working Funds	15967.14	20292.43	32306.46	28372.71
2	OwnFunds *100/ TotFunds	-17.41	-2.90	2.85	5.33
3	Dep*100/ Borr	522.21	685.44	3907.81	2593.00
4	T.Loans* 100/ WF	58.36	60.04	57.54	51.51
5	Invest*100/ WF	15.19	21.02	27.22	32.75
6	ST.Loans* 100/ T.Loans	76.34	70.53	71.32	72.46
7	IndiDep*100 /T.Dep	76.15	71.48	67.39	74.03
8	Dep*100/ WF	57.60	59.44	63.21	65.95
9	Borr*100/ WF	26.72	25.52	21.36	16.63
10	Margin (=IntInc-IntExp)* 100/WF)	2.40	2.91	3.15	3.85
11	AdmnExp *100/ WF	2.53	2.15	2.02	1.93
	Performance Indicators				
12	Net Profit/ Loss	-534.37	-149.03	157.50	480.99
13	Net Worth	-1816.26	-40.68	1095.50	1732.26
14	NW*100/ (Dep+Borr)	-21.28	-3.26	3.52	6.54
15	NPA%	48.59	30.18	18.60	13.89
16	Recovery Rate	39.56	53.40	68.33	75.77
	Profitability Indicators				
17	Profit*100 /Int.Inc.	-41.72	-8.14	4.85	14.97
18	Operating Cost (=OpExp/ IntInc)	27.21	22.03	20.76	19.47
19	Bad Debt & Provisioning / IntInc	98.23	34.57	11.14	6.86
20	IntExp/ IntInc	75.79	71.07	67.98	61.40
21	AccuLoss *100/WF	23.44	8.55	2.10	1.14
	Stability Indicators				
22	Cap Adequacy	4.68	8.01	9.83	12.70
23	Member Funds	12.37	20.91	26.94	26.10
24	LTFunds/ TotLia	10.41	15.45	14.68	16.64
25	LTLia/ LTAsset	78.73	86.68	89.30	76.84
Note:	<i>The averages have been calculated by the bankwise DCCB data from NABARD</i>				
Source:	<i>NABARD</i>				

ANNEXURE XII

Average Performance of DCCBs over 1999 to 2003 according to NPA Classes

(Rs. lakh)

Sr.No.	Parameter	NPA class in percent			
		<10	10 to 20	20 to 40	>40
	<i>Number of DCCBs</i>	77	92	110	77
1	Working Funds	38376.79	28259.23	23594.05	12118.92
2	OwnFunds *100/ TotFunds	5.32	3.12	-2.07	-16.37
3	Dep*100/ Borr	1402.59	3638.79	1196.85	2926.87
4	T.Loans* 100/ WF	64.00	57.32	57.47	50.80
5	Invest*100/ WF	25.32	26.63	23.05	21.56
6	ST.Loans* 100/ T.Loans	76.26	66.29	67.68	82.11
7	IndiDep*100 /T.Dep	69.00	67.37	68.71	81.27
8	Dep*100/ WF	60.42	62.17	62.43	60.85
9	Borr*100/ WF	25.58	21.60	21.91	22.40
10	Margin (= (IntInc-IntExp)* 100/WF)	3.23	3.21	3.13	2.56
11	AdmnExp *100/ WF	2.01	1.95	2.19	2.43
	<i>Performance Indicators</i>				
12	Net Profit/ Loss	384.98	85.65	-171.33	-271.82
13	Net Worth	1986.42	956.92	-92.31	-1455.03
14	NW*100/ (Dep+Borr)	6.30	3.83	-2.18	-19.91
15	NPA%	5.82	14.98	28.23	59.39
16	Recovery Rate	82.92	69.01	55.95	32.43
	<i>Profitability Indicators</i>				
17	Profit*100 /Int.Inc.	8.98	3.30	-8.61	-28.71
18	Operating Cost (=OpExp/ IntInc)	20.38	19.23	21.90	27.82
19	BadDebt & Provisioning /IntInc	3.39	9.60	23.71	106.54
20	IntExp/ IntInc	67.36	68.54	69.00	72.57
21	AccuLoss *100/WF	0.29	2.13	7.23	22.84
	<i>Stability indicators</i>				
22	Cap Adequacy	9.97	10.05	8.28	6.85
23	Member Funds	25.28	26.92	23.38	12.88
24	LTFunds/ TotLia	14.92	17.21	14.07	10.61
25	LTLia/ LTAsset	91.63	87.68	85.04	73.54
Note:	The averages have been calculated by the bankwise DCCB data from NABARD				
Source: NABARD					

ANNEXURE XIII

Average Performance of DCCBs over 1999 to 2003 according to Recovery Classes

(Rs. lakh)					
Sr.No.	Parameter	Recovery Class in percent			
		<40	40 to 60	60 to 80	>80
	<i>Number of DCCBs</i>	71	93	120	72
1	Working Funds	12495.97	21862.67	30590.32	34612.27
2	OwnFunds *100/ TotFunds	-15.34	-3.40	2.22	4.85
3	Dep*100/ Borr	3254.30	619.54	3132.72	1845.62
4	T.Loans* 100/ WF	51.61	60.87	57.42	58.60
5	Invest*100/ WF	20.85	20.35	26.31	28.70
6	ST.Loans* 100/ T.Loans	80.86	70.71	68.31	72.57
7	IndiDep*100 /T.Dep	81.40	72.23	66.59	67.21
8	Dep*100/ WF	56.86	59.99	63.73	64.74
9	Borr*100/ WF	25.98	24.93	20.31	20.71
10	Margin (=(IntInc-IntExp)* 100/WF)	2.19	3.24	3.22	3.36
11	AdmnExp *100/ WF	2.31	2.29	2.00	2.01
	Performance Indicators				
12	Net Profit/ Loss	-199.24	-208.51	63.48	328.70
13	Net Worth	-1262.56	-307.01	962.92	1686.72
14	NW*100/ (Dep+Borr)	-18.71	-3.82	2.77	5.78
15	NPA%	55.69	30.25	17.95	8.09
16	Recovery Rate	26.94	51.27	70.25	87.16
	Profitability Indicators				
17	Profit*100 /Int.Inc.	-25.34	-10.70	-0.41	9.43
18	Operating Cost (=OpExp/ IntInc)	26.76	23.23	19.96	19.93
19	BadDebt & Provisioning /IntInc	114.73	21.62	12.45	4.25
20	IntExp/ IntInc	75.61	67.70	68.27	66.86
21	AccuLoss *100/WF	21.99	9.02	2.80	0.52
	Stability indicators				
22	Cap Adequacy	6.36	8.16	9.94	10.10
23	Member Funds	12.66	19.39	27.32	27.86
24	LTFunds/ TotLia	11.55	15.34	14.98	14.62
25	LTLia/ LTAsset	73.90	86.25	89.17	85.71
Note:	The averages have been calculated by the bankwise DCCB data from NABARD				
Source:	NABARD				

ANNEXURE XIV							
Amount of Loans Issued by PACS during 2002-03							
(Rs. Lakh)							
Sr.No.	States / Union Territories	Short Term Loans			Medium Term Loans		
		SC & ST	OTHERS	SC/ST share	SC & ST	OTHERS	SC/ST share
1	ANDAMAN AND NICOBAR	0.0	45.0	0.0	0.0	0.0	--
2	ANDHRA PRADESH	50561.5	118540.1	29.9	9156.8	32249.2	22.1
3	ARUNACHAL PRADESH	0.0	0.0	--	76.6	0.0	100.0
4	ASSAM	123.9	153.5	44.7	77.1	273.2	22.0
5	BIHAR	1059.7	0.0	100.0	0.0	0.0	--
6	CHANDIGARH	0.0	2.7	0.0	0.0	3.1	0.0
7	DADRANAGAR HAVELI	1.0	0.0	100.0	0.0	0.0	--
8	DELHI	0.0	0.0	--	0.0	0.0	--
9	GOA	0.0	505.5	0.0	0.0	773.6	0.0
10	GUJARAT	14326.1	187984.7	7.1	839.4	18703.2	4.3
11	HARYANA	17244.6	255913.0	6.3	1748.2	7113.7	19.7
12	HIMACHAL PRADESH	0.0	798.5	0.0	0.0	9336.7	0.0
13	JAMMU AND KASHMIR	165.7	267.3	38.3	95.0	187.6	33.6
14	KARNATAKA	25044.2	117371.9	17.6	31647.5	20823.5	60.3
15	KERALA	44837.7	350273.0	11.3	16163.9	165971.8	8.9
16	MADHYA PRADESH	22508.7	80710.8	21.8	3626.0	12262.7	22.8
17	MAHARASHTRA	9672.1	259347.2	3.6	3428.1	62859.2	5.2
18	MANIPUR	17433.0	16426.0	51.5	8.0	2070.0	0.4
19	MEGHALAYA	157.0	0.0	100.0	135.9	0.0	100.0
20	MIZORAM	0.0	0.0	--	0.0	0.0	--
21	NAGALAND	156.9	0.0	100.0	0.0	0.0	--
22	ORISSA	16420.5	182494.8	8.3	3476.3	52744.5	6.2
23	PONDICHERY	102.0	3023.7	3.3	9.8	374.8	2.5
24	PUNJAB	0.0	268688.7	0.0	0.0	8471.1	0.0
25	RAJASTHAN	30381.1	76258.2	28.5	7449.7	19850.5	27.3
26	TAMILNADU	41257.2	290196.5	12.4	10114.9	107898.6	8.6
27	TRIPURA	0.0	218.5	0.0	0.0	356.2	0.0
28	UTTAR PRADESH	9422.2	69157.8	12.0	554.6	612.4	47.5
29	WEST BENGAL	21158.0	77044.9	21.5	5522.9	29210.9	15.9
30	CHHATTISGARH	17238.9	20612.5	45.5	10209.2	12825.2	44.3
31	JHARKHAND	0.0	0.0	--	0.0	0.0	--
32	UTTRANCHAL	1201.2	3495.4	25.6	270.6	333.8	44.8
	ALL INDIA TOTAL	340473.8	2379530.0	12.5	104610.4	565305.4	15.6
Source: NAFSCOB							

ANNEXURE XIV A

Amount of Loans Outstanding in respect of PACS as on 31.03.2003

(Rs. Lakh)

Sr.No	State/ Union Territory	Short Term Loans			Medium Term Loans		
		SC & ST	Others	SC/ST share	SC & ST	Others	SC/ST share
1	ANDAMAN AND NICOBAR	0.0	227.0	0.0	0.0	0.0	--
2	ANDHRA PRADESH	66375.6	157723.7	29.6	25604.3	219334.1	10.5
3	ARUNACHAL PRADESH	27.5	0.0	100.0	59.5	0.0	100.0
4	ASSAM	691.5	559.1	55.3	509.7	302.1	62.8
5	BIHAR	16546.5	0.0	100.0	506.1	0.0	100.0
6	CHANDIGARH	0.0	7.1	0.0	0.0	51.3	0.0
7	DADRANAGAR HAVELI	0.0	13.0	0.0	0.0	0.0	--
8	DELHI \$	0.0	0.0	--	0.0	0.0	--
9	GOA	0.0	606.9	0.0	0.0	586.9	0.0
10	GUJARAT	26128.8	156847.2	14.3	3472.2	55249.4	5.9
11	HARYANA	20148.1	227574.0	8.1	3138.4	11002.0	22.2
12	HIMACHAL PRADESH	0.0	1302.4	0.0	0.0	15588.1	0.0
13	JAMMU & KASHMIR	569.9	841.5	40.4	297.3	983.9	23.2
14	KARNATAKA	39152.3	136513.0	22.3	26273.5	32153.7	45.0
15	KERALA	28985.1	305450.3	8.7	65828.4	240593.0	21.5
16	MADHYA PRADESH	27026.5	90577.0	23.0	17521.8	33907.0	34.1
17	MAHARASHTRA	21704.9	331199.3	6.2	10208.9	202621.1	4.8
18	MANIPUR	8066.0	36879.0	17.9	0.0	2078.0	0.0
19	MEGHALAYA	172.0	0.0	100.0	44.0	0.0	100.0
20	MIZORAM	66.9	0.0	100.0	78.8	0.0	100.0
21	NAGALAND	396.8	0.0	100.0	540.3	0.0	100.0
22	ORISSA	30173.9	171439.0	15.0	7776.5	71232.8	9.8
23	PONDICHERRY	85.8	2438.0	3.4	37.6	490.8	7.1
24	PUNJAB	0.0	191529.1	0.0	0.0	16860.3	0.0
25	RAJASTHAN	25729.0	67783.1	27.5	7430.5	25721.0	22.4
26	TAMILNADU	71961.4	347713.4	17.1	18182.5	141871.3	11.4
27	TRIPURA	0.0	1711.8	0.0	0.0	2568.2	0.0
28	UTTAR PRADESH	19188.4	142058.3	11.9	1502.4	426.5	77.9
29	WEST BENGAL	37385.9	74984.1	33.3	12617.5	31350.3	28.7
30	CHHATTISGARH	18602.0	20824.2	47.2	26563.3	31914.4	45.4
31	JHARKHAND	11.8	198.1	5.6	0.0	0.0	--
32	UTTRANCHAL	1189.0	3132.2	27.5	130.8	615.5	17.5
	ALL INDIA TOTAL	460385.5	2470131.6	15.7	228324.2	1137501.7	16.7
Note:	\$ All societies defunct						
Source:	NAFSCOB						

ANNEXURE XV**Number of PACS having Godowns during - 2002-03**

S.No.	State/ Union Territory	No. of Societies with Godowns
1		0
2	ANDHRA PRADESH	2638
3	ARUNACHAL PRADESH	25
4	ASSAM	622
5	BIHAR	1676
6	CHANDIGARH	0
7	CHHATTISGARH	2324
8	DADRANAGAR HAVELI	0
9	DELHI \$	0
10	GOA	53
11	GUJARAT	3735
12	HARYANA	1668
13	HIMACHAL PRADESH	1678
14	JAMMU AND KASHMIR	182
15	JHARKHAND	208
16	KARNATAKA	2944
17	KERALA	1356
18	MADHYA PRADESH	4321
19	MAHARASHTRA	6765
20	MANIPUR	0
21	MEGHALAYA	61
22	MIZORAM	18
23	NAGALAND	13
24	ORISSA	3722
25	PONDICHERY	36
26	PUNJAB	3259
27	RAJASTHAN	5000
28	TAMIL NADU	4562
29	TRIPURA	193
30	UTTAR PRADESH	7690
31	UTTARANCHAL	290
32	WEST BENGAL	9153
	ALL INDIA TOTAL	64192
Note:	\$ All societies defunct	
Source:	NAFSCOB	

ANNEXURE XVI

Composition of loans of PACS	
(using 5 district PACS data)	
Loan Purpose	Percentage
Loans Issued - Crop Loans	93.77
Loans Issued - Jewel Loans	0.17
Loans Issued - Others	6.06
Loans Issued - Total	100.00
Loans outstanding - Crop Loans	69.26
Loans outstanding - Jewel Loans	0.89
Loans outstanding - Others	29.86
Loans outstanding - Total Loans	100.00
<i>Note Data of PACS of 2 districts of Andhra Pradesh and 3 districts of Rajasthan are used</i>	
<i>Source: PACS data of 5 districts supplied by NABARD</i>	

ANNEXURE XVII			
Staff Productivity of PACS - State wise			
			(Rs. '000)
Sr. No.	State/ Union Territory	Business per staff	
		2001-02	2002-03
1	Arunachal Pradesh	0.046	0.146
2	Assam	0.556	0.416
3	Tripura	6.086	0.659
4	Meghalaya	5.334	1.099
5	Mizoram	2.321	1.902
6	Bihar	2.631	2.631
7	Jharkhand	2.747	2.747
8	Goa	15.201	4.079
9	Jammu & Kashmir	5.462	5.155
10	Chandigarh	5.843	5.858
11	West Bengal	4.425	6.513
12	Chhattisgarh	48.321	7.966
13	Uttaranchal	NA	8.521
14	Madhya Pradesh	11.030	11.882
15	Himachal Pradesh	13.332	14.697
16	Andaman & Nicobar	13.467	16.467
17	Rajasthan	15.505	17.408
18	Gujarat	20.274	18.780
19	Uttar Pradesh	21.131	21.131
20	Tamil Nadu	24.824	21.728
21	Punjab	18.955	23.064
22	Pondicherry	9.765	27.779
23	Maharashtra	25.653	28.665
24	Karnataka	21.130	35.840
25	Haryana	32.040	37.630
26	Andhra Pradesh	36.163	39.362
27	Orissa	49.954	50.564
28	Kerala	77.646	74.133
29	Nagaland	NA	565.853
30	Manipur	NA	NA
31	Daman & Diu	NA	NA
32	Dadra & Nagar Haveli	NA	NA
33	Delhi	NA	NA
	All India Total	26.936	23.993
<i>Note:</i>	<i>Business includes Deposits and Loans outstanding</i>		
	<i>The data source is NAFSCOB</i>		
	<i>The Staff includes staff engaged in other than financial activities also.</i>		
	<i>The data is arranged according to increasing order of productivity (2003).</i>		
Source: NAFSCOB			

ANNEXURE XVIII

Share of Deposits according to type for DCCBs

(Rs lakhs)							
State	Type of Deposit	State Total			Share in total Deposits (%)		
		2001	2002	2003	2001	2002	2003
Andhra Pradesh	Total Deposits	246058	245797	256216	100.0	100.0	99.6
	Current	9200	7881	7937	3.7	3.2	3.1
	Savings	33810	26894	29212	13.7	10.9	11.4
	Fixed Deposits	181999	181748	187615	74.0	73.9	73.2
	Reserve Funds	6825	7674	8527	2.8	3.1	3.3
	Other Deposits	14124	21600	21925	5.7	8.8	8.6
Karnataka	Total Deposits	312744	341275	333492	100.0	100.0	100.0
	Current	22685	24918	23143	7.3	7.3	6.9
	Savings	46853	52124	54875	15.0	15.3	16.5
	Fixed Deposits	216508	229358	221362	69.2	67.2	66.4
	Reserve Funds	18352	20570	22598	5.9	6.0	6.8
	Other Deposits	8346	14305	11514	2.7	4.2	3.5
Bihar	Total Deposits	54285	58853	66589	100.0	100.0	100.0
	Current	3055	3229	3992	5.6	5.5	6.0
	Savings	26601	29617	34055	49.0	50.3	51.1
	Fixed Deposits	24009	25619	28364	44.2	43.5	42.6
	Reserve Funds	10	8	79	0.0	0.0	0.1
	Other Deposits	610	380	99	1.1	0.6	0.1
Assam Pradesh	Total Deposits	1761	1892	1892	100.0	100.0	100.0
	Current	243	485	485	13.8	25.6	25.6
	Savings	1082	1137	1137	61.4	60.1	60.1
	Fixed Deposits	171	178	178	9.7	9.4	9.4
	Reserve Funds	1	1	1	0.1	0.1	0.1
	Other Deposits	264	91	91	15.0	4.8	4.8
Jharkhand	Total Deposits	27085	31233	34411	100.0	100.0	100.0
	Current	1759	1830	2487	6.5	5.9	7.2
	Savings	13146	15048	15205	48.5	48.2	44.2
	Fixed Deposits	11927	14196	15873	44.0	45.5	46.1
	Reserve Funds	26	27	20	0.1	0.1	0.1
	Other Deposits	227	132	826	0.8	0.4	2.4
HP	Total Deposits	89419	157687	195267	100.0	100.0	100.0
	Current	418	1048	1816	0.5	0.7	0.9
	Savings	20095	44412	37578	22.5	28.2	19.2
	Fixed Deposits	68683	112224	145921	76.8	71.2	74.7

	Reserve Funds	0	0	0	0.0	0.0	0.0
	Other Deposits	223	3	9952	0.2	0.0	5.1
J & K	Total Deposits	53570	62570	67296	100.0	100.0	100.0
	Current	2774	2957	2959	5.2	4.7	4.4
	Savings	16569	20363	23688	30.9	32.5	35.2
	Fixed Deposits	34072	39154	40390	63.6	62.6	60.0
	Reserve Funds	0	0	0	0.0	0.0	0.0
	Other Deposits	155	96	259	0.3	0.2	0.4
Kerala	Total Deposits	430944	487005	540284	100.0	100.0	100.0
	Current	21166	21956	23261	4.9	4.5	4.3
	Savings	67355	72673	82021	15.6	14.9	15.2
	Fixed Deposits	330477	362114	419219	76.7	74.4	77.6
	Reserve Funds	3513	5471	6075	0.8	1.1	1.1
	Other Deposits	8433	24791	9708	2.0	5.1	1.8
MP	Total Deposits	253566	293648	328805	100.0	100.0	100.0
	Current	14948	14780	14702	5.9	5.0	4.5
	Savings	85158	93186	108915	33.6	31.7	33.1
	Fixed Deposits	134308	166107	188500	53.0	56.6	57.3
	Reserve Funds	4866	5581	6852	1.9	1.9	2.1
	Other Deposits	14286	13994	9836	5.6	4.8	3.0
Chattisgarh	Total Deposits	85201	92658	122264	100.0	100.7	100.0
	Current	4609	5704	6635	5.4	6.2	5.4
	Savings	36509	40062	54735	42.9	43.2	44.8
	Fixed Deposits	40911	44270	56177	48.0	47.8	45.9
	Reserve Funds	1606	1691	1964	1.9	1.8	1.6
	Other Deposits	1566	1561	2753	1.8	1.7	2.3
Maharashtra	Total Deposits	1951851	1941043	2140036	100.0	100.0	100.0
	Current	177583	217399	236513	9.1	11.2	11.1
	Savings	356723	390749	444057	18.3	20.1	20.7
	Fixed Deposits	1049246	1051394	1236878	53.8	54.2	57.8
	Reserve Funds	83335	108399	124823	4.3	5.6	5.8
	Other Deposits	284964	173102	97765	14.6	8.9	4.6
Orissa	Total Deposits	114280	127733	137562	100.0	100.0	100.0
	Current	1891	1996	2477	1.7	1.6	1.8
	Savings	21460	23268	24426	18.8	18.2	17.8
	Fixed Deposits	78925	83188	97122	69.1	65.1	70.6
	Reserve Funds	1065	6409	1289	0.9	5.0	0.9
	Other Deposits	10939	12872	12248	9.6	10.1	8.9
Punjab	Total Deposits	290712	334620	368643	100.0	100.0	100.0
	Current	12136	12334	13991	4.2	3.7	3.8
	Savings	118571	140034	166186	40.8	41.8	45.1
	Fixed Deposits	159888	182117	188188	55.0	54.4	51.0
	Reserve Funds	18	34	29	0.0	0.0	0.0

	Other Deposits	99	101	249	0.0	0.0	0.1
Rajas than	Total Deposits	152573	169378	185690	100.0	100.0	100.0
	Current	9314	10452	12949	6.1	6.2	7.0
	Savings	35485	40178	54259	23.3	23.7	29.2
	Fixed Deposits	97171	111176	116118	63.7	65.6	62.5
	Reserve Funds	8614	159	219	5.6	0.1	0.1
	Other Deposits	1989	7413	2145	1.3	4.4	1.2
UP	Total Deposits	415393	463004	491491	100.0	100.0	100.0
	Current	27189	28970	31358	6.5	6.3	6.4
	Savings	175414	202130	224255	42.2	43.7	45.6
	Fixed Deposits	206015	227099	231818	49.6	49.0	47.2
	Reserve Funds	2691	2886	539	0.6	0.6	0.1
	Other Deposits	4084	1919	3521	1.0	0.4	0.7
Uttar anch al	Total Deposits	107560	117017	133602	100.0	100.0	100.0
	Current	3422	3646	5724	3.2	3.1	4.3
	Savings	37775	42531	53206	35.1	36.3	39.8
	Fixed Deposits	65752	70151	73922	61.1	59.9	55.3
	Reserve Funds	70	136	190	0.1	0.1	0.1
	Other Deposits	541	553	560	0.5	0.5	0.4
Haray ana	Total Deposits	146188	166875	201398	100.0	100.0	100.0
	Current	4345	5309	4629	3.0	3.2	2.3
	Savings	53032	62425	79077	36.3	37.4	39.3
	Fixed Deposits	88080	98820	117058	60.3	59.2	58.1
	Reserve Funds	9	65	4	0.0	0.0	0.0
	Other Deposits	722	256	630	0.5	0.2	0.3
Gujar at	Total Deposits	647411	681346	672930	100.0	83.8	100.0
	Current	37784	34282	47154	5.8	5.0	7.0
	Savings	115637	109416	136323	17.9	16.1	20.3
	Fixed Deposits	449723	416591	476204	69.5	61.1	70.8
	Reserve Funds\$	5020	0	4937	0.8	0.0	0.7
	Other Deposits	39247	10481	8316	6.1	1.5	1.2
Tamil Nadu	Total Deposits	633726	672517	723637	100.0	100.0	100.0
	Current	29962	29162	53323	4.7	4.3	7.4
	Savings	85100	95034	103391	13.4	14.1	14.3
	Fixed Deposits	480796	475498	468106	75.9	70.7	64.7
	Reserve Funds	17804	14263	19899	2.8	2.1	2.7
	Other Deposits	20064	58560	78918	3.2	8.7	10.9
<i>Note: Breakup of Gujarat for 2002 not available</i>							
Source: NABARD							

ANNEXURE XVIII A

Share of Deposits according to ownership for DCCBs

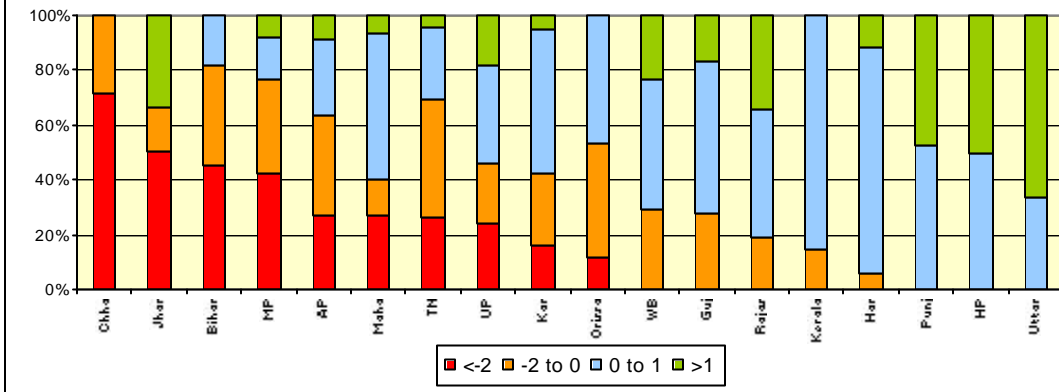
State	Owners of Deposits	State Total			Share to total Deposits (%)			(Rs lakhs)
		2001	2002	2003	2001	2002	2003	
Andhra Pradesh	Total Deposits	246058	245797	256216	100.0	100.0	100.0	
	PACS	85207	75800	81177	34.6	30.8	31.7	
	Individual	127922	157855	161840	52.0	64.2	63.2	
	Local bodies	31406	9840	9990	12.8	4.0	3.9	
	Others	1524	2302	3209	0.6	0.9	1.3	
Karnataka	Total Deposits	312744	341275	333492	100.0	100.0	100.0	
	PACS	171114	158955	160660	54.7	46.6	48.2	
	Individual	136308	157043	146846	43.6	46.0	44.0	
	Local bodies	2782	21579	5304	0.9	6.3	1.6	
	Others	2540	3698	20682	0.8	1.1	6.2	
Bihar	Total Deposits	54285	58853	66589	100.0	100.0	100.0	
	PACS	11797	7465	9615	21.7	12.7	14.4	
	Individual	38726	44148	54764	71.3	75.0	82.2	
	Local bodies	2564	2630	2003	4.7	4.5	3.0	
	Others	1198	4610	207	2.2	7.8	0.3	
Assam Pradesh	Total Deposits	1761	1892	1892	100.0	100.0	100.0	
	PACS	104	88	88	5.9	4.7	4.7	
	Individual	1657	1713	1713	94.1	90.5	90.5	
	Local bodies	0	0	0	0.0	0.0	0.0	
	Others	0	91	91	0.0	4.8	4.8	
Jharkand	Total Deposits	27085	31233	34411	100.0	100.0	100.0	
	PACS	3548	3642	3604	13.1	11.7	10.5	
	Individual	20873	23126	25891	77.1	74.0	75.2	
	Local bodies	2505	4302	4058	9.2	13.8	11.8	
	Others	159	163	858	0.6	0.5	2.5	
HP	Total Deposits	89419	157687	195267	0.0	100.0	100.0	
	PACS		27100	35614		17.2	18.2	
	Individual		130273	148753		82.6	76.2	
	Local bodies		314	1237		0.2	0.6	
	Others		0	9663		0.0	4.9	
J & K	Total Deposits	53570	62570	67296	100.0	100.0	100.0	
	PACS	1469	8547	2269	2.7	13.7	3.4	
	Individual	52014	54023	65027	97.1	86.3	96.6	
	Local bodies	0	0	0	0.0	0.0	0.0	
	Others	87	0	0	0.2	0.0	0.0	
Kerala	Total Deposits	430944	487005	540284	100.0	100.0	100.0	
	PACS	270065	299876	329244	62.7	61.6	60.9	
	Individual	149872	175724	198202	34.8	36.1	36.7	

	Local bodies	8259	1027	2887	1.9	0.2	0.5
	Others	2748	10378	9951	0.6	2.1	1.8
MP	Total Deposits	253566	293648	328805	100.0	100.0	100.0
	PACS	81707	54898	84445	32.2	18.7	25.7
	Individual	143539	202742	213063	56.6	69.0	64.8
	Local bodies	24918	34239	29272	9.8	11.7	8.9
	Others	3402	1769	2025	1.3	0.6	0.6
Chhatisgarh	Total Deposits	85201	92658	122264	100.0	100.0	96.7
	PACS	11918	13146	22596	14.0	14.2	18.5
	Individual	47867	63245	79896	56.2	68.3	65.3
	Local bodies	21885	12043	11056	25.7	13.0	9.0
	Others	3531	4224	4709	4.1	4.6	3.9
Maharashtra	Total Deposits	1951851	1941043	2140036	100.0	100.0	100.0
	PACS	836982	899456	943632	42.9	46.3	44.1
	Individual	961393	894637	999304	49.3	46.1	46.7
	Local bodies	130968	115741	151306	6.7	6.0	7.1
	Others	22508	31209	45794	1.2	1.6	2.1
Orissa	Total Deposits	114280	127733	137562	100.0	100.0	100.0
	PACS	43719	47028	48353	38.3	36.8	35.1
	Individual	69292	79395	81462	60.6	62.2	59.2
	Local bodies	930	883	7149	0.8	0.7	5.2
	Others	339	427	598	0.3	0.3	0.4
Punjab	Total Deposits	290712	334620	368643	100.0	100.0	100.0
	PACS	41049	46319	52123	14.1	13.8	14.1
	Individual	235903	265184	302572	81.1	79.2	82.1
	Local bodies	9069	19531	11051	3.1	5.8	3.0
	Others	4691	3586	2897	1.6	1.1	0.8
Rajasthan	Total Deposits	152573	169378	185690	100.0	100.0	100.0
	PACS	42896	38520	40957	28.1	22.7	22.1
	Individual	101222	120853	132588	66.3	71.4	71.4
	Local bodies	8026	9110	9969	5.3	5.4	5.4
	Others	429	895	2176	0.3	0.5	1.2
UP	Total Deposits	415393	463004	491491	100.0	100.1	100.0
	PACS	63750	88467	70983	15.3	19.1	14.4
	Individual	331622	363156	408220	79.8	78.4	83.1
	Local bodies	17182	9737	10772	4.1	2.1	2.2
	Others	2839	1944	1516	0.7	0.4	0.3
Uttaranchal	Total Deposits	107560	117017	133602	100.0	100.0	100.0
	PACS	35846	51004	51687	33.3	43.6	38.7
	Individual	67350	63763	76374	62.6	54.5	57.2
	Local bodies	4364	2250	5022	4.1	1.9	3.8
	Others	0	0	519	0.0	0.0	0.4
Harayana	Total Deposits	146188	166875	201398	100.0	100.0	100.0
	PACS	17292	22179	21993	11.8	13.3	10.9
	Individual	114256	128492	160243	78.2	77.0	79.6

	Local bodies	12406	14106	17132	8.5	8.5	8.5
	Others	2234	2098	2030	1.5	1.3	1.0
Gujarat	Total Deposits	647411	681346	672930	100.0	83.8	100.0
	PACS	358182	310845	361985	55.3	45.6	53.8
	Individual	276426	244647	295803	42.7	35.9	44.0
	Local bodies	11635	14143	14156	1.8	2.1	2.1
	Others	1168	1136	986	0.2	0.2	0.1
Tamil Nadu	Total Deposits	633726	672517	723637	100.0	100.0	100.0
	PACS	300374	313132	296772	47.4	46.6	41.0
	Individual	318172	326073	376337	50.2	48.5	52.0
	Local bodies	2093	11096	2827	0.3	1.6	0.4
	Others	13087	22216	47701	2.1	3.3	6.6
Source: NABARD							

ANNEXURE XIX					
Frequency distribution of DCCBs according to Profitability					
(Selected States)					
					(Number of banks)
State	Frequency according to Profitability (%)				
	<-2	-2 to 0	0 to 1	>1	Total
ANDHRA PRADESH	6	8	6	2	22
BIHAR	10	8	4	0	22
CHHATTISGARH	5	2	0	0	7
GUJARAT	0	5	10	3	18
HARYANA	0	1	14	2	17
HIMACHAL PRADESH	0	0	1	1	2
JHARKHAND	3	1	0	2	6
KARNATAKA	3	5	10	1	19
KERALA	0	2	12	0	14
MADHYA PRADESH	16	13	6	3	38
MAHARASHTRA	8	4	16	2	30
ORISSA	2	7	8	0	17
PUNJAB	0	0	10	9	19
RAJASTHAN	0	5	12	9	26
TAMIL NADU	6	10	6	1	23
UTTAR PRADESH	12	11	18	9	50
UTTARANCHAL	0	0	3	6	9
WEST BENGAL	0	5	8	4	17
<i>Note: The frequencies are based on the averages of data for 1999 to 2003</i>					
Source: NABARD					

Statewise DCCBs according to Profitability



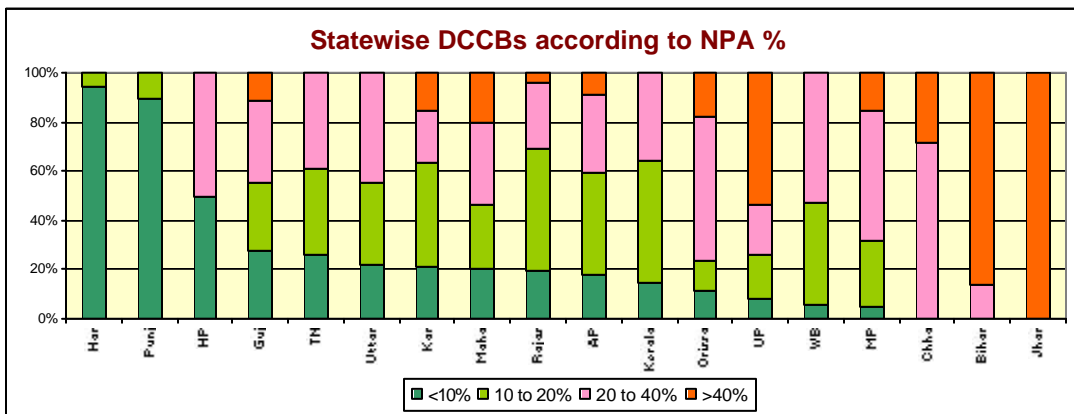
Percentages of DCCBs according to Profitability

State	<-2	-2 to 0	0 to 1	>1	Total
Chha	71.4	28.6	0.0	0.0	100.0
Jhar	50.0	16.7	0.0	33.3	100.0
Bihar	45.5	36.4	18.2	0.0	100.0
MP	42.1	34.2	15.8	7.9	100.0
AP	27.3	36.4	27.3	9.1	100.0
Maha	26.7	13.3	53.3	6.7	100.0
TN	26.1	43.5	26.1	4.3	100.0
UP	24.0	22.0	36.0	18.0	100.0
Kar	15.8	26.3	52.6	5.3	100.0
Orissa	11.8	41.2	47.1	0.0	100.0
WB	0.0	29.4	47.1	23.5	100.0
Guj	0.0	27.8	55.6	16.7	100.0
Rajar	0.0	19.2	46.2	34.6	100.0
Kerala	0.0	14.3	85.7	0.0	100.0
Har	0.0	5.9	82.4	11.8	100.0
Punj	0.0	0.0	52.6	47.4	100.0
HP	0.0	0.0	50.0	50.0	100.0
Uttar	0.0	0.0	33.3	66.7	100.0

ANNEXURE XIX A					
Frequency distribution of DCCBs according to NPA %					
(Selected States)					
					(Number of banks)
State	Frequency according to NPA%				Total
	<10%	10 to 20%	20 to 40%	>40%	
ANDHRA PRADESH	4	9	7	2	22
BIHAR	0	0	3	19	22
CHHATTISGARH	0	0	5	2	7
GUJARAT	5	5	6	2	18
HARYANA	16	1	0	0	17
HIMACHAL PRADESH	1	0	1	0	2
JHARKHAND	0	0	0	6	6
KARNATAKA	4	8	4	3	19
KERALA	2	7	5	0	14
MADHYA PRADESH	2	10	20	6	38
MAHARASHTRA	6	8	10	6	30
ORISSA	2	2	10	3	17
PUNJAB	17	2	0	0	19
RAJASTHAN	5	13	7	1	26
TAMIL NADU	6	8	9	0	23
UTTAR PRADESH	4	9	10	27	50
UTTARANCHAL	2	3	4	0	9
WEST BENGAL	1	7	9	0	17

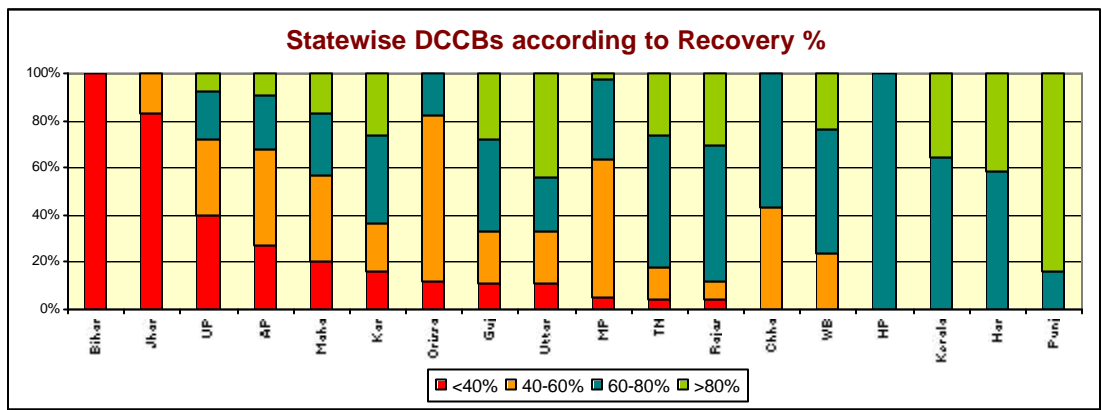
Note: The frequencies are based on the averages of data for 1999 to 2003

Source: NABARD



Percentages of DCCBs according to NPA%					
State	<10%	10 to 20%	20 to 40%	>40%	Total
Har	94.1	5.9	0.0	0.0	100.0
Punj	89.5	10.5	0.0	0.0	100.0
HP	50.0	0.0	50.0	0.0	100.0
Guj	27.8	27.8	33.3	11.1	100.0
TN	26.1	34.8	39.1	0.0	100.0
Uttar	22.2	33.3	44.4	0.0	100.0
Kar	21.1	42.1	21.1	15.8	100.0
Maha	20.0	26.7	33.3	20.0	100.0
Rajas	19.2	50.0	26.9	3.8	100.0
AP	18.2	40.9	31.8	9.1	100.0
Kerala	14.3	50.0	35.7	0.0	100.0
Orissa	11.8	11.8	58.8	17.6	100.0
UP	8.0	18.0	20.0	54.0	100.0
WB	5.9	41.2	52.9	0.0	100.0
MP	5.3	26.3	52.6	15.8	100.0
Chha	0.0	0.0	71.4	28.6	100.0
Bihar	0.0	0.0	13.6	86.4	100.0
Jhar	0.0	0.0	0.0	100.0	100.0

ANNEXURE XIX B					
Frequency distribution of DCCBs according to Recovery %					
(Selected States)					
State	<40%	40-60%	60-80%	>80%	Total
					(Number of banks)
ANDHRA PRADESH	6	9	5	2	22
BIHAR	22	0	0	0	22
CHHATTISGARH	0	3	4	0	7
GUJARAT	2	4	7	5	18
HARYANA	0	0	10	7	17
HIMACHAL PRADESH	0	0	2	0	2
JHARKHAND	5	1	0	0	6
KARNATAKA	3	4	7	5	19
KERALA	0	0	9	5	14
MADHYA PRADESH	2	22	13	1	38
MAHARASHTRA	6	11	8	5	30
ORISSA	2	12	3	0	17
PUNJAB	0	0	3	16	19
RAJASTHAN	1	2	15	8	26
TAMIL NADU	1	3	13	6	23
UTTAR PRADESH	20	16	10	4	50
UTTARANCHAL	1	2	2	4	9
WEST BENGAL	0	4	9	4	17
<i>Note: The frequencies are based on the averages of data for 1999 to 2003</i>					
Source: NABARD					



Frequency according to Recovery %					
State	<40%	40-60%	60-80%	>80%	Total
Bihar	100.0	0.0	0.0	0.0	100.0
Jhar	83.3	16.7	0.0	0.0	100.0
UP	40.0	32.0	20.0	8.0	100.0
AP	27.3	40.9	22.7	9.1	100.0
Maha	20.0	36.7	26.7	16.7	100.0
Kar	15.8	21.1	36.8	26.3	100.0
Orissa	11.8	70.6	17.6	0.0	100.0
Guj	11.1	22.2	38.9	27.8	100.0
Uttar	11.1	22.2	22.2	44.4	100.0
MP	5.3	57.9	34.2	2.6	100.0
TN	4.3	13.0	56.5	26.1	100.0
Rajas	3.8	7.7	57.7	30.8	100.0
Chha	0.0	42.9	57.1	0.0	100.0
WB	0.0	23.5	52.9	23.5	100.0
HP	0.0	0.0	100.0	0.0	100.0
Kerala	0.0	0.0	64.3	35.7	100.0
Har	0.0	0.0	58.8	41.2	100.0
Punj	0.0	0.0	15.8	84.2	100.0

..... **Mutually Aided Cooperatives Societies Act.....**
(Bill No of)

Contents

Section	Page
----------------	-------------

Preamble

Chapter I : Preliminary

1. Short title, extent and commencement
2. Definitions

Chapter II : Incorporation

3. Incorporation of a new cooperative
4. Conversion of a cooperative society into cooperative under this Act
5. Cooperative to be body corporate¹
6. Articles
7. Amendment of articles
8. Name of a cooperative
9. Location of registered office
10. Transfer of assets and liabilities
11. Division
12. Amalgamation
13. Merger
14. Registration offices
15. Fee for services

Chapter III : Membership

16. Eligibility for membership in a cooperative
17. Member admission
18. Member withdrawal
19. Cessation of membership
20. Termination of membership
21. Register of members
22. Cooperative education
23. Services primarily for members
24. Exercise of rights
25. Voting rights of members

Section	Page
----------------	-------------

26. Member liability
27. General body
28. Functions and responsibilities of general body
29. General meetings
30. Minutes of general meetings

Chapter IV : Management

31. Board of directors
32. Functions and responsibilities of board
33. Eligibility for directorship in a cooperative
34. Elections
35. Tenure of directors
36. Board meetings

37. Minutes of board meetings

Chapter V : Finance

38. Mobilisation of funds

39. Deployment of funds

40. Disposal of surplus

41. Management of deficit

42. Operation of special funds

43. First charge

Chapter VI : Accountability

44. Accounts, records and documents to be maintained

45. Audit

46. Returns to be filed with the registrar

47. Inquiry

Chapter VII : Offences

48. Offences

Chapter VIII : Disputes

49. Disputes

50. Arbitral tribunal

Section

Page

Chapter IX : Dissolution

51. Dissolution by members

52. Dissolution by registrar

53. Dissolution by court

54. Appointment of liquidator

55. Duties of liquidator

56. Functions and responsibilities of liquidator

57. Final accounts

Chapter X : Miscellaneous

58. Exemption from certain taxes, duties and fees

59. Exemption from compulsory registration of instruments

Schedules:

A. Statement of Cooperative Identity

B. Memorandum of a cooperative
to be newly incorporated

C. Certificate of Incorporation of a newly
incorporated cooperative

D. Memorandum for a cooperative to be converted

E. Certificate of Incorporation of a converted cooperative

F. Subject matter for specific consideration
when framing articles of a cooperative

..... **Mutually Aided Cooperatives Bill**

(Bill No..... of

PREAMBLE

An Act to provide for the formation and transformation of cooperatives as self-reliant, self-help, mutual-aid, autonomous, voluntary, democratic, business enterprises, jointly owned, managed and controlled by their members for their economic and social betterment, through the financially gainful provision of core services which fulfil a common need felt by them, and for the matters connected therewith or incidental thereto, be it enacted by the Legislature of the State of in the year of the Republic of India, as follows:

CHAPTER I

PRELIMINARY

1. Short title, extent and commencement

- (1) This Act may be called the Mutually Aided Cooperative Societies Act,
- (2) It extends to the whole of the State of
- (3) It shall come into force on such date as the government may, by notification in the gazette, appoint.

2. Definitions

In this Act, unless the context otherwise requires,

- (1) "arbitral tribunal" means an individual or a group of individuals not exceeding five, constituted by the general body of a cooperative for settlement of disputes, in accordance with this Act and the articles of that cooperative;
- (2) "articles" means the articles of association, that is, the agreement as originally entered into by the promoters of a cooperative or as amended from time to time by the general body of that cooperative, in accordance with this Act, for the management of the affairs of that cooperative;
- (3) "board" means the governing body of a cooperative by whatever name called, to which the direction of the affairs of the cooperative is entrusted by the articles of that cooperative;
- (4) "chief executive" means that individual, in paid or honorary capacity, nominated or elected or appointed by the board of a cooperative from among members, directors or others, in accordance with the articles, who is the person to sue or be sued on behalf of the cooperative, and who performs such functions and has such responsibilities as are specified in this Act & the articles and as are assigned by the board;
- (5) "common need" means that specific economic need which is common to all those who wish to form a cooperative, or have taken membership in a cooperative, and which the cooperative is expected to fulfil through the provision of core services;
- (6) "cooperative", where used as a noun, means a self-reliant, self-help, mutual-aid, autonomous, voluntary, democratic, business enterprise incorporated under this Act, as a mutually aided cooperative society which is jointly owned, managed and controlled by its members, for their economic and social betterment, through the financially gainful provision of core services which fulfil a common need felt by them;
- (7) "cooperative principles" means the principles included in the Statement of Cooperative Identity specified in Schedule A of this Act;
- (8) "cooperative society" means a cooperative society registered under the Cooperative Societies Act, 19....;

- (9) "core services" means those central services provided to members, through which a cooperative intends to meet that economic need common to all members, for the fulfilment of which the cooperative was established, and the fulfilment of which is expected to result in the economic and social betterment of members;
- (10) "court" means the principal civil court of original jurisdiction in a district, and includes the high court in exercise of its original civil jurisdiction;
- (11) "deficit" means the excess of expenditure over income, arrived at, at the end of a financial year, after the payment of interest, if any, on share capital;
- (12) "deficit charge" means the amount collected from/debited to the accounts of members, in proportion to the use and/or non-use of the services of the cooperative, in accordance with the articles and resolutions of the general body, to meet deficit, if any, in whole or part;
- (13) "delegate" means a member nominated by a cooperative to represent its interests at the time of promotion of a secondary cooperative, and/or at general meetings of a secondary cooperative of which the cooperative is a member;
- (14) "director" means a member elected in accordance with the articles, to the board of the cooperative;
- (15) "financial year" means the twelve month accounting period as provided for in the articles of a cooperative, for which the annual statements of accounts are prepared for placement at the annual general meeting of that cooperative;
- (16) "general body", in relation to a cooperative, means all its members;
- (17) "general meeting" means a meeting of the general body called and conducted in accordance with the provisions of this Act and the articles of the cooperative;
- (18) "government" means the Government of
- (19) "member" means a person who is in need of and is able to use the core services of a cooperative and who is admitted and continues as a member of the cooperative, in accordance with the provisions of this Act and the articles of that cooperative, and includes a "member-cooperative";
- (20) "member-cooperative" means a primary or secondary cooperative which is in need of and is able to use the core services of a secondary cooperative, and which is admitted as a member of that secondary cooperative, in accordance with the provisions of this Act and the articles of that secondary cooperative;
- (21) "memorandum" means the memorandum of association, that is the document expressing the desire of the promoters to form themselves into a cooperative;
- (22) "office-bearer" means a director elected by the board of a cooperative to any office of such cooperative in accordance with its articles;
- (23) "ordinary resolution" means a resolution of the general body which has the approval of the majority of members with the right of vote, present and voting at the general meeting;
- (24) "potential member" means a person who needs the core services being offered by a cooperative, may be accessing them, and is eligible to be a member of that cooperative, but is not yet its member;
- (25) "president" means a director who is elected by the board to preside over its meetings and the meetings of the general body, and to perform such other functions and have such responsibilities as are specified in this Act & the articles and as are assigned by the board;
- (26) "primary cooperative" means a cooperative whose members are individuals;

- (27) "promoter" means a person who has signed the memorandum for incorporation of the cooperative;
- (28) "registrar" means the individual appointed as such under this Act, and includes any individual entrusted with the performance of functions and the discharge of responsibilities of the registrar under this Act;
- (29) "representative" means a person elected by a section of members, in accordance with the articles, to participate on their behalf at the representative general body meeting;
- (30) "representative general body", in relation to a cooperative, means all the representatives;
- (31) "representative general meeting" means a meeting of the representatives, called and conducted in accordance with the provisions of this Act and the articles of the cooperative;
- (32) "secondary cooperative" means a cooperative whose members are cooperatives;
- (33) "special resolution" means a resolution of the general body, at a meeting called with at least fifteen days notice, which has the approval of more than half of all the members of the cooperative with right of vote at the time of the general meeting, or of at least two-thirds of members present with right of vote in the general meeting, whichever is less;
- (34) "surplus" means the excess of income over expenditure, arrived at, at the end of the financial year, after the payment of compensation, if any, on share capital, and before the payment of surplus refund, and allocation of reserves and other funds;
- (35) "surplus refund" means the refund from the surplus given/credited to the accounts of members, in proportion to their use of the services of the cooperative, in accordance with the articles and resolutions of the general body;

CHAPTER II
INCORPORATION

3. Incorporation of a new cooperative

(1) A memorandum, in the form provided for in Schedule B, may be presented to the registrar by hand or by registered post, signed by seven or more individuals who wish to form a primary cooperative, or by the delegates of two or more cooperatives which wish to form a secondary cooperative.

(2) Every such memorandum shall be in such form containing such particulars as are specified in Schedule B, and shall be accompanied by

- (a) a declaration by the promoters of their commitment to the principles of cooperation as provided for in Schedule A;
- (b) the articles of the proposed cooperative as adopted by the promoters;
- (c) a true copy of the resolution passed at a meeting of the promoters adopting the articles;
- (d) a declaration from an advocate practising in the high court or a chartered accountant practising in the state that all the requirements of this Act have been complied with by the promoters in respect of registration and matters precedent and incidental thereto, and the registrar may accept such declaration as evidence of such compliance.

(3) The registrar shall register the memorandum and also take on record the articles and communicate by registered post a certificate of incorporation, as specified in Schedule C, and a certified copy of the memorandum and of the articles signed by him/her, within sixty days from the date of presenting the memorandum, to such person as is specified in the memorandum;

provided that the registrar has no reason to believe that the requirements of this Act in respect of registration and related matters have not been complied with.

(4) If the conditions laid down in sub-section (3) are not fulfilled, the Registrar shall communicate by registered post the order of refusal together with the specific reasons therefor, within sixty days from the date of presenting the memorandum, to such person as is specified in the memorandum;

provided that no order of refusal shall be passed except after giving an opportunity of being heard to the promoters through the person specified in the memorandum.

(5) Where a cooperative is registered under sub-section (4), the certificate of incorporation signed and sealed by the Registrar shall be conclusive evidence that the cooperative is duly registered under this Act, unless it is proved that the incorporation of the cooperative has been cancelled.

(6) Where, within seventy five days of presenting the memorandum for incorporation, the person specified in the memorandum receives neither the certificate of incorporation nor the order of refusal, the promoters may move the court for redressal.

(7) Notwithstanding anything in the Cooperative Societies Act, 19____, from the date of notification of this Act, all new cooperative businesses, whose members are drawn from the state of _____, may be incorporated only under this Act.

4. Conversion of a cooperative society into a cooperative under this Act

- (1) Notwithstanding anything in theCooperative Societies Act, from the date of notification of this Act, any cooperative society registered and functioning under theCooperative Societies Act,which is not in receipt of any share capital from the government, at the time of seeking incorporation under this Act, may opt for registration under this Act;

provided that where the government does have share capital in a cooperative society desiring to convert itself into a cooperative under this Act, the cooperative society shall, before opting for incorporation under this Act, return such share capital to the Government, and the Government shall accept such returned share capital.

- (2) A memorandum for incorporation, in the form provided for in Schedule D, may be presented to the registrar by hand or by registered post, by the board of such cooperative society as wishes to convert itself into a cooperative under this Act, on the basis of a decision of a majority of members present at a meeting of the general body of the cooperative society, called with at least fifteen days notice, and attended by at least one-fourth of total members or five hundred members, whichever is less.
- (3) Every such memorandum shall be in such form containing such particulars as are specified in Schedule D, and shall be accompanied by
- (a) a true copy of the resolution of the general body expressing commitment to the principles of cooperation as provided for in Schedule A;
 - (b) the articles of the proposed cooperative as adopted by the general body;
 - (c) a true copy of the resolution of the general body adopting the articles of association;
 - (d) a true copy of the declaration of the general body stating that the cooperative society is not in receipt of any share capital from the government or any other external source, and does not intend ever to raise share capital from the government or any source other than members;
 - (e) a true copy of the latest annual report and audited statement of accounts;
 - (f) a true copy of the resolution of the general body, along with a financial statement duly certified by a chartered accountant indicating the adjustment of accumulated losses, if any, to various reserves and/or to the accounts of members as decided at the meeting;
 - (g) a statement of the total number of members of the cooperative society with right of vote as on the day of the meeting, the members who attended the meeting, and the number who voted for the resolution;
 - (h) a declaration from an advocate practising in the high court, or a chartered accountant practising in the state, that all the requirements of this Act have been complied with by the cooperative society in respect of registration and matters precedent and incidental thereto, and the registrar may accept such declaration as evidence of such compliance.
- (4) The registrar shall register the memorandum and also take on record its articles and communicate by registered post a certificate of incorporation under this Act, as specified in Schedule E, and a certified copy of the memorandum and of the articles signed and sealed by him/her, within sixty days from the date of presentation of the memorandum, to such person as is specified in the memorandum;

provided that the registrar has no reason to believe that the requirements of this Act in respect of registration and related matters have not been complied with.

- (5) If the conditions laid down in sub-section (3) are not fulfilled, the registrar shall communicate by registered post the order of refusal together with the specific reasons therefor, within sixty days from the date presentation of the memorandum, to such person as is specified in the memorandum;

provided that no order of refusal shall be passed except after giving an opportunity of making representation on behalf of the cooperative society by such person as is specified in the memorandum.

- (6) **Where a cooperative is registered under sub-section (4), the certificate of incorporation signed and sealed by the registrar shall be conclusive evidence that the association mentioned therein is a cooperative duly incorporated under this Act, unless it is proven that the incorporation of the cooperative has been cancelled.**
- (7) Where, within seventy five days of presentation of the memorandum for incorporation, the person specified in the memorandum receives neither the certificate of incorporation nor the order of refusal, the cooperative society may move the court for redressal.
- (8) Where a cooperative is registered under sub-section (4), its earlier registration as a cooperative society under theCooperative Societies Act shall stand cancelled and it shall forward within seven days of receipt of the incorporation certificate, by registered post, to the registrar of cooperative societies the original certificate of registration issued under the Cooperative Societies Act, and a copy of the incorporation certificate under this Act, and the registrar of cooperative societies shall, within seven days of receipt of such information, delete the name of such cooperative society from the register.
- (9) Where a cooperative is registered under sub-section (4), the assets and liabilities, the rights and obligations, and the members of the converting cooperative society shall become the assets and liabilities, the rights and obligations, and the members of the cooperative incorporated under this Act, and all transactions of the cooperative society shall be deemed to have been the transactions of the cooperative incorporated under this Act.
- (10) Where a cooperative society is in receipt of loan or guarantee from the Government at the time of presentation of memorandum for incorporation as a cooperative under this Act, it shall apply within a month of incorporation under this Act, to the Government for entering into an agreement with the Government for the loan and/or guarantee provided by the Government, failing which, it shall repay the entire amount due as loan to the Government or other source for which guarantee was made available by the Government, within six months from the date of incorporation under this Act.
- (11) Where, in accordance with sub-section (10), an agreement is not entered into with the Government, for whatsoever reason, and a cooperative does not repay to the Government or other source such amounts as are due by it, it shall be competent for the Government to recover from the cooperative the amounts due to it or to any other source for which the Government stood guarantee in the same manner as for collection of arrears in land revenue.
- (12) Where a cooperative society which is a member of a secondary cooperative society is registered as a cooperative under this Act, the cooperative may continue to receive services from the secondary cooperative society and to participate in its affairs for a period of one year from the date of its incorporation under this Act, at the end of which period, its membership in that secondary cooperative society shall cease, unless, by then, the secondary cooperative society, too, is registered under this Act;

provided that in all matters governing the internal functioning of the cooperative, this Act shall prevail, whereas in matters governing the relationship of the cooperative with the secondary cooperative society to which it is affiliated, theCooperative Societies Act shall prevail;

provided further that even on cessation of membership, the cooperative may continue to receive such services, and have such business relations as are mutually agreed upon, and permissible under the Cooperative Societies Act, and the internal regulations of the secondary cooperative.

- (13) Where a secondary cooperative society which has other cooperative societies as its members is registered as a secondary cooperative under this Act, it may continue to serve and have its affairs managed by its member-cooperative societies, for a period of one year from the date of its incorporation under this Act, at the end of which period it may have as its members only such cooperatives as are registered under this Act;

provided that in all matters governing the relationship between the secondary cooperative and its member-cooperative societies, the provisions of this Act shall prevail.

5. Cooperative to be body corporate

The registration of the memorandum of a cooperative shall render it a body corporate by the name under which it is registered having perpetual succession and a common seal. The cooperative is entitled to acquire, hold and

dispose of property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all other things necessary for the purpose for which it was constituted.

6. Articles of association

- (1) The members constituting a cooperative, shall have a set of articles, formulated and amended from time to time, not contrary to the provisions of this Act, and the affairs of the cooperative shall be managed in accordance with the terms, conditions and procedures specified in the articles of association.
- (2) Except on such specific matters which this Act has provided for and which the articles may further regulate on but not contravene, the functioning of every cooperative shall be regulated by its articles.
- (3) The articles may contain such matters as are decided by the members and shall be specific on all matters listed in Schedule D of this Act.

7. Amendment of articles

- (1) A cooperative may decide, by a special resolution, to amend its articles;

provided that the text of such proposed amendment with reasons therefor shall be sent to each member, along with the notice of the general meeting at which the proposed amendment is to be discussed.

- (2) A copy of any amendment shall be forwarded by the cooperative by registered post to the registrar within a period of thirty days from the date of the general meeting at which the resolution was passed.

- (3) Every such amendment forwarded to the registrar shall be signed by the president and two directors and shall be accompanied by the following particulars:
 - (a) a copy of the resolution agreeing to the amendment;
 - (b) the date of the general meeting at which the amendment was approved;
 - (c) the date on which the amendment shall come into effect.

- (4) The registrar shall take on record the amendment immediately on receipt of the notice.

8. Name of a cooperative

- (1) A cooperative may not be registered with the same name as another cooperative business already registered under this Act or the Cooperative Societies Act.....;

provided that where a group of cooperatives decides to use a common name, the name of each such cooperative shall have its location or other distinguishing feature included in the name.

Provided further that the promoters seeking registration of a new cooperative under section 3 of this Act or seeking conversion of an existing cooperative registered and functioning under the.....- Cooperative Societies Actto be a cooperative under section 4 of this Act shall send notice of their intention to use a name to the Registrar along with the proposed names by registered post acknowledgment due and the Registrar shall within 15 days of receipt of this notice inform the promoters by registered post acknowledgement due about the availability of such names for use by the promoters.

Provided however that the cooperative complies with the procedure set out in subsection 1.

- (2) Every cooperative shall display its full name in legible characters in a conspicuous position:
 - (a) at every office or place at which it carries on business;
 - (b) in all notices and other official publications;
 - (c) on all its contracts, business letters, orders for goods, invoices, statements of account, receipts and letters of credit; and
 - (d) on all bills of exchange, promissory notes, endorsements, cheques and orders for money it signs or that are signed on its behalf.
- (3) Every cooperative shall display its full name in legible characters on its common seal.

- (4) A cooperative with limited liability shall have as a suffix to, or as part of its name, the expression "limited" or its equivalent in any Indian language.
- (5) Nothing in sub-section (2) shall prevent a cooperative displaying more conspicuously than the full name, any shorter name by which it is popularly known and which is specifically provided for in the articles.
- (6) Subject to sub-section (1), a cooperative may, by a special resolution, change its name.
- (7) Where a cooperative changes its name, the registrar shall
 - (a) enter the new name of the cooperative in the register of cooperatives in place of the former name;
 - (b) make necessary changes in the memorandum and articles;
 - (c) issue a fresh certificate of incorporation with the necessary alterations;
 - (d) communicate to the cooperative, by registered post, the fresh certificate of incorporation along with certified copies of the amended memorandum and articles.
- (8) The change of name of a cooperative shall not affect any rights or obligations of the cooperative or of any of its members or past members or render defective any legal proceedings by or against it; and any legal proceedings which might have been continued or commenced by or against the cooperative by its former name may be continued or commenced by its new name.
- (9) A cooperative which changes its name shall publish such change in name in a popular newspaper in the district in which its registered office is located.

9. Location of registered office

- (1) Every cooperative shall notify to the Registrar the full address of its registered office, within ninety days of being registered as a cooperative.
 - (2) Every cooperative shall display in full the address of its registered office in legible characters in a conspicuous position:
 - (a) at every office or place at which it carries on business;
 - (b) in all notices and other official publications;
 - (c) on all its contracts, business letters, orders for goods, invoices, statements of account, receipts and letters of credit; and
 - (d) on all bills of exchange, promissory notes, endorsements, cheques and orders for money it signs or that are signed on its behalf.
 - (3) A cooperative may, by a resolution of the board of directors, change the address of its registered office within the limits of the village/town/city mentioned in the memorandum;

provided, however, that it shall give notice of such change to its members, creditors, the registrar and to any secondary cooperative/s to which it may be affiliated, within fifteen days of the board resolution, and to its members and creditors, at least ten days before effecting the change;

- (4) The registrar shall, within fifteen days of receiving information from a cooperative, take on record, in the register of cooperatives, the full address of the registered office of a cooperative, and any changes thereof.

10. Transfer of assets and liabilities

- (1) A cooperative may, by a special resolution, decide to transfer its assets and liabilities, in whole or in part, to any other cooperative which agrees, by a special resolution, to receive such assets and liabilities.
- (2) Where special resolutions are passed under sub-section (1), each cooperative shall, within the following fifteen days, give notice thereof together with a copy of the resolution passed by it to all its members and

creditors, and notwithstanding any provision in the articles or contract to the contrary, any member other than one who voted in favour of the proposed transfer of assets and liabilities and any creditor shall, during a period of fifteen days from the date of service of the notice upon him/her, have the option of withdrawing from the cooperative, his/her interests, subject to the discharge of his/her obligations to the cooperative, in accordance with any agreement entered into.

- (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have agreed to the resolution.
- (4) The special resolutions passed under sub-section (1) shall not take effect until
 - (a) all claims of the members and creditors of each cooperative who have exercised the option under sub-section (2) have been met in full or otherwise satisfied; and
 - (b) information about the transfer of assets and liabilities has been sent by the cooperatives concerned to the Registrar and his/her acknowledgement of receipt of the information received.
- (5) When special resolutions passed under sub-section (1) take effect, the resolutions shall be sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.
- (6) When a cooperative transfers the whole of its assets and liabilities to any other cooperative, under this section, the incorporation of the cooperative shall stand cancelled and it shall be deemed to have been dissolved and shall cease to exist as a corporate body, and the registrar shall delete the name of the cooperative from the register of cooperatives.

11. Division

- (1) A cooperative may, by a special resolution, decide to divide itself into two or more cooperatives.

(2) Where a special resolution is passed under sub-section (1), the cooperative shall, within the following fifteen days, give notice thereof together with a copy of the resolution to all its members and creditors and, notwithstanding any provision in the articles or contract to the contrary, any member other than one who voted in favour of the proposed division, or creditor shall, during a period of fifteen days from the date of service of the notice upon him/her, have the option of withdrawing from the cooperative, his/her interests, subject to the discharge of his/her obligations to the cooperative.

- (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have agreed to the resolution.
- (4) A special resolution passed under sub-section (1) shall not take effect until
 - (a) all claims of the members and creditors of the cooperative who have exercised the option under sub-section (2) have been met in full or otherwise satisfied;
 - (b) information of the impending division and settlement of claims of members and creditors is sent to the Registrar and his/her acknowledgement of receipt of the information is obtained; and
 - (c) the certificates of incorporation and the copies of the registered memorandum and articles of the resultant cooperatives, signed and sealed by the Registrar, are issued in accordance with section 3.
- (8) When a cooperative divides itself into two or more cooperatives under this section, the incorporation of the cooperative shall stand cancelled and it shall be deemed to have been dissolved and shall cease to exist as a body corporate and the registrar shall delete the name of the cooperative from the register of cooperatives.
- (6) When a cooperative divides itself into two or more cooperatives, each member who has assented to the division shall be deemed to have become a member of that newly formed cooperative to which his/her interests were transferred, in accordance with the scheme of division approved by the general body.

- (7) When a special resolution passed under sub-section (1) takes effect, the resolution shall be sufficient conveyance to vest the assets and liabilities in the transferees without any further assurance.

12. Amalgamation

- (1) Any two or more cooperatives may, by special resolutions, decide to amalgamate themselves and form a new cooperative.
 - (2) Where special resolutions are passed under sub-section (1), each cooperative shall, within the following fifteen days, give notice thereof together with a copy of the resolution passed by it to all its members and creditors, and notwithstanding any provision of the articles or contract to the contrary, any member other than one who voted in favour of the proposed amalgamation, or creditor shall, during a period of fifteen days from the date of service of the notice upon him/her, have the option of withdrawing from the cooperative, his/her interests, subject to the discharge of his/her obligations to the cooperative.
- (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have assented to the resolution.
- (4) The special resolutions passed under sub-section (1) shall not take effect until
 - (a) all claims of the members and creditors of each cooperative who have exercised the option under sub-section (2) have been met in full or otherwise satisfied;
 - (b) information of the impending amalgamation and settlement of claims of members and creditors is sent to the registrar and his/her acknowledgement of receipt of the information is obtained; and
 - (c) the certificate of incorporation and a copy of the memorandum and articles of the resultant cooperative, signed and sealed by the registrar, is issued in accordance with section 3.
- (5) When two or more cooperatives amalgamate themselves into a new cooperative under this section, the incorporation of the cooperatives so amalgamated shall stand cancelled and they shall be deemed to have been dissolved and shall cease to exist as body corporates and the registrar shall delete the names of the cooperatives from the register of cooperatives.
- (6) When two or more cooperatives amalgamate themselves into a new cooperative under this section, all the members of the cooperatives who have assented or are deemed to have assented to the amalgamation shall be deemed to have become members of the new cooperative.
- (7) When special resolutions passed under sub-section (1) take effect, the resolutions shall be sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

13. Merger

- (1) A cooperative may, by a special resolution, decide to merge itself into any other cooperative which agrees, by a special resolution, to such merger.
 - (2) Where special resolutions are passed under sub-section (1), each cooperative shall, within the following fifteen days, give notice thereof together with a copy of the resolution passed by it to all its members and creditors, and notwithstanding any provision in the articles or contract

to the contrary, any member other than one who voted in favour of the proposed merger, or creditor shall, during a period of fifteen days from the date of service of the notice upon him/her, have the option of withdrawing from the cooperative, his/her interests, subject to the discharge of his/her obligations to the cooperative.

- (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have assented to the resolution.
- (4) The special resolutions passed under sub-section (1) shall not take effect until
 - (a) all claims of the members and creditors of each cooperative who have exercised the option under sub-section (2) have been met in full or otherwise satisfied; and
 - (b) Information of the impending merger and settlement of claims of members and creditors is sent to the registrar and his/her acknowledgement of receipt of the information is obtained.
- (5) When a cooperative merges itself into any other cooperative under this section, the incorporation of the cooperative shall stand cancelled and it shall be deemed to have been dissolved and shall cease to exist as a corporate body, and the registrar shall delete the name of the cooperative from the register of cooperatives.
- (6) When a cooperative merges itself into any other cooperative under this section, the members of the first cooperative who assented to the merger, shall be deemed to have become the members of the second cooperative.
- (7) When special resolutions passed under sub-section (1) take effect, the resolutions shall be sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

14. Registration offices

- (1) For the purpose of registration of memorandum and articles of cooperatives under this Act, there shall be offices at such places as the government thinks fit.
- (2) The government shall appoint a registrar of cooperatives and such other individuals as it thinks necessary to carry out the duties, to perform the functions, and to discharge the responsibilities of the registrar in pursuance of this Act.
- (3) No individual appointed under this section shall, either during the course of his/her service with the government, or for a period of two years thereafter, serve in any capacity as an employee or as a director with any cooperative;

provided that such restriction shall not apply in relation to a cooperative in which an individual appointed under this section is a member.

15. Fee for services

- (1) The presentation of memorandum for incorporation as a cooperative under this Act shall be accompanied by a fee amounting to one percent of the authorised equity capital of the proposed cooperative, such, however, that the fee shall be not less than rupees five hundred and not more than rupees five thousand;

provided that the fee shall be rupees five hundred in the case of such cooperatives as do not intend to have any equity capital.

- (2) The fee to be paid by cooperatives and others for various services rendered by the registrar under this Act may be fixed by the government and made known to the registrar, who in turn shall make such information available to any interested person;

provided that any change in the fee payable for any service may be made by the government only after publishing in two leading vernacular newspapers or advertising in the vernacular electronic media, inviting comment from those affected.

CHAPTER III

MEMBERSHIP

16. Eligibility for membership in a cooperative

- (1) Any person who needs the services of a cooperative, expresses willingness to accept the responsibilities of membership, meets such other conditions as may be specified in the articles of the cooperative, and is in a position to use the services, may seek membership and be admitted as a member;

provided that the cooperative is in a position to extend its services to the applicant.

- (2) Every applicant for membership, and every member of a cooperative must keep each cooperative of which the person is a member, informed of membership in other cooperatives, and it shall be available to a cooperative to refuse admission or remove from membership on grounds, among others, of dual or conflicting membership.

17. Member admission

- (1) Admission to membership shall be made, in accordance with the procedure specified in the articles, only by an elected board.
- (2) Where admission is refused, the decision with the reasons thereof shall be communicated by registered post to such applicant within fifteen days of the date of the decision, or within sixty days from the date of application for membership, whichever is earlier.
- (3) Where an applicant has been refused admission by the board, or has had no response from the board, the applicant may request the board to place the matter for review by the general body. The board shall place the matter before the general body at its next general meeting and the decision of the general body shall be final;

provided that the applicant shall be given an opportunity to be heard by the general body.

18. Member withdrawal

- (1) A member may at any time withdraw from membership in a cooperative in accordance with the procedure specified in the articles of that cooperative.
- (2) Withdrawal from membership will nonetheless require the person to fulfil such obligations as were undertaken/assumed as a member, under the provisions of this Act, the articles or other agreements.

19. Cessation of membership

- (1) A person shall cease to be a member on death or on incurring such disqualification as may be specified in the articles.
- (2) Every cooperative shall inform, in the event of the death of the member, the nominee of the member, and in every other instance, the member, about the cessation of membership and consequences thereof.

20. Termination of membership

- (1) The board of a cooperative may terminate the membership of a person in accordance with its articles;

provided the member has been given a fair opportunity to make representation at the board meeting as to why membership should not be terminated;

provided further that the accounts of the member shall be settled by the cooperative and dues, if any, paid to the member on termination of membership.

- (2) Where the membership of a person has been terminated by the board, the person may request the board to place its decision for review by the general body. The board shall place the matter before the general body at its next general meeting and the decision of the general body shall be final;

provided that pending the decision of the general body the person may have only such transactions, if any, with the cooperative, as may be permitted by the board.

21. Register of members

- (1) Every cooperative shall maintain a register of members. The name of every person admitted as a member of the cooperative, the date of admission, and the address of the member shall be entered in the register along with such other particulars as are deemed necessary by the board.
- (2) The name of every person whose membership has ceased, or was terminated or withdrawn, shall be struck off the register.

22. Cooperative education

- (1) Every cooperative shall include in its budget annually, provision for expenses on member and potential member education and staff and board training for the development of the cooperative in accordance with the principles and practices of cooperation.
- (2) After registration, it shall be the duty of every cooperative to provide for education about its affairs, the memorandum and articles, and the rights and duties of members, to every person desiring to be a member, before admitting the person as a member.
- (3) Any balance under the budget head provided for under sub-section (1) shall be transferred at the end of the year into a cooperative education fund, and may be used only for the purpose of educating and training members, potential members, staff and directors in cooperative principles and practices.

23. Services primarily for members

- (1) A cooperative's services shall normally be available to members only.
- (2) After two years of its being registered under this Act, any cooperative found to be providing more than one-fourth of its core services, as specified in its articles, in terms of the value of transactions, to non-members in any given financial year shall be deemed to be an "aberrant cooperative" and may be liable to lose for that year exemptions, if any, provided to it, on the ground that it is a cooperative, by this or other laws.

- (3) Any cooperative found to be "aberrant" for three continuous years shall be deemed to be an organisation not operating on a cooperative basis and the registrar or any person may apply to the Court for an order dissolving the cooperative.

24. Exercise of rights

- (1) No member of a cooperative shall exercise the rights of membership, including the right of vote, unless the member has made such payments to the cooperative in respect of membership or has acquired and continues to have such interest in the cooperative, including a minimum use of the services of the cooperative, as may be specified in the articles.
- (2) Every year, within twenty days of closure of the previous financial year, the chief executive shall prepare a list of members with the right of vote, and a list of members without the right of vote, valid for the current financial year. The list shall be affixed to the notice board of the cooperative for information of all members, and any member, not satisfied with the specific instances of inclusion or non-inclusion of members in the lists, may appeal to the board within ten days of the affixation of the lists on the notice board, for re-examination of the records, and the board shall, within forty five days of closure of the previous financial year, review the lists, finalise them, and have them affixed to the notice board of the cooperative.

25. Voting rights of members

In primary cooperatives, members shall have equal voting rights (one member, one vote), and in secondary cooperatives, too, members shall have voting rights, on democratic basis, as specified in the articles;

provided that a person shall have been a member for at least one full financial year, before being eligible to vote;

provided that the condition of one year membership shall not apply to the members who join at incorporation or at any time after the incorporation of a cooperative but before the first financial year ending;

provided further that the articles of a secondary cooperative may fix an upper limit on the number of votes that a member-cooperative can have.

26. Member liability

- (1) A cooperative may be registered with limited or unlimited liability, where
 - (a) a "cooperative with limited liability" means a cooperative in which the liability of its members for the debts of the cooperative is limited by its articles, to such form and extent as they may undertake to contribute to any deficit in the assets of the cooperative, in the event of its being wound up; and
 - (b) a "cooperative with unlimited liability" means a cooperative in which its members are jointly and severally liable for the debts of the cooperative and to contribute to any deficit in the assets of the cooperative, in the event of its being wound up.
- (2) Where a cooperative amends its articles to change the form and extent of its members' liability, it shall, within the fifteen days of such amendment, give notice thereof together with a copy of the amendment to its members and creditors and, notwithstanding any provision in the articles or contract to the contrary, any member other than one who voted in favour of the proposed change, or creditor shall, during a period of fifteen days from the date of service of the notice upon him/her, have the option of withdrawing from the cooperative, his/her interests, subject to the discharge of his/her obligations to the cooperative.
- (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have assented to the resolution.
- (4) An amendment passed under sub-section (2) shall not take effect until
 - (a) all claims of the members and creditors of the cooperative who have exercised the option under sub-section (2) have been met in full or otherwise satisfied; and
 - (b) notice of the amendment of the articles of the cooperative has been received by the registrar in accordance with this Act.

- (5) Subject to the provisions of sub-section (6), the liability of a member or of the estate of a deceased member for the debts of the cooperative as they existed
- (a) in the case of a past member, on the date on which the person ceased to be a member; and
 - (b) in the case of a deceased member, on the date of his/her death;
- shall continue for a period of two years from such date.
- (6) Where a cooperative is ordered to be dissolved, the liability of a past member, who ceased to be a member, or of the estate of a deceased member, who died, within two years immediately preceding the date of order of dissolution, shall continue until completion of the liquidation proceedings, but such liability shall be limited only to the debts of the cooperative as they existed on the date of cessation of membership or death, as the case may be.

27. General body

- (1) There shall be a general body for every cooperative consisting of all the members of such cooperative:
- provided that where the general body of a cooperative decides that the size or spread of its membership requires a representative body for more effective decision making, its articles may provide for a smaller body called representative general body drawn from the members, to be formed in such a democratic manner with such functions and responsibilities and such relationship with members as may be specified in the articles.
- (2) Any reference in this Act to the general body shall apply to the representative general body where it exists:
- provided, however, that the representative general body shall not alter any provision in the articles or take any decisions relating to such subjects as the general body may have explicitly retained for itself.
- (3) Subject to the provisions of this Act and the articles of a cooperative, the ultimate power of a cooperative shall vest in the general body of its members:
- provided that nothing contained in this sub-section shall affect the exercise by the board or any other authority of a cooperative of any power conferred on such board or such other authority by this Act.
- (4) Any function or responsibility, falling within the scope of a cooperative as a body corporate, which has not been specifically entrusted by this Act or the articles, to any of the several authorities within the cooperative, may be dealt with by the general body, on a reference by the board of directors.

28. Functions and responsibilities of general body

- (1) The following and such other matters as are considered necessary by the board, shall be dealt with by the general body at every annual general meeting:
- (a) action on resolutions of the previous meeting;
 - (b) consideration of the long term plan and budget, when required;
 - (c) consideration of the annual operational plan and budget for the current financial year;
 - (d) appointment of auditors for the current financial year;
 - (e) consideration of the annual report of activities for the previous financial year;
 - (f) consideration of the annual audited statements of accounts, and the audit report relating to the previous financial year;
 - (g) consideration of the report on deviations, if any, from the approved budget relating to the previous financial year and the appropriate action to be taken;
 - (h) disposal of surplus, if any, of previous financial year;
 - (i) management of deficit, if any, of previous financial year;
 - (j) creation of specific reserves and other funds, when required;
 - (k) review of actual utilisation of reserves and other funds;
 - (l) review of the report on the attendance at meetings by directors;
 - (m) review of the use of the cooperative's services by the directors;

- (n) review of remuneration paid to any director or member of any committee or internal auditor in connection with his/her duties in that capacity or his/her attendance at related meetings;
- (o) review of quantum and percentage of services provided to non-members vis-à-vis services provided to the members;
- (p) appeal of a person whose application for membership has been rejected by the board, when required;
- (q) appeal of a person who has been expelled from membership by the board, when required;
- (r) report of activities and accounts related to member education and board and staff training.

(2) The following and other matters when considered necessary by the board, shall be dealt with by the general body at its annual or other general meeting:

- (a) election of directors;
- (b) amendments to articles;
- (c) removal of directors;
- (d) elections/appointments to casual vacancies on the board;
- (e) removal, and consequent appointment, of auditors;
- (f) membership of the cooperative in secondary cooperatives;
- (g) partnership with other cooperatives;
- (h) amalgamation, division, merger, transfer of assets and liabilities;
- (i) dissolution of the cooperative;
- (j) consideration of the registrar's report of inquiry, if any.

29. General meetings

- (1) The board of a cooperative may, at any time, call a general meeting of the members of the cooperative:

provided that one such meeting known as annual general meeting shall be held within one hundred and fifty days of the closure of the cooperative's financial year to deal with the matters specified in section 28(1).

- (2) The board shall hold a special general meeting within thirty days of the date of receipt of a requisition from:

- (a) not less than five hundred members or one-fifth of the members, having the right to vote, whichever is less; or
- (b) the registrar, in pursuance of his/her functions under this Act;

provided that any such requisition shall contain the reasons why the meeting is felt necessary and the proposed agenda, and no subject other than the subjects included in the proposed agenda shall be discussed at the special general meeting.

- (3) All directors shall cease to be directors at the end of the period within which an annual general meeting under sub-section (1) or a special general meeting under sub-section (2) is required to be held, if the board fails to hold such general meetings within the specified period.
- (4) All directors shall cease to be directors at the annual general meeting, if the audited annual financial statements and auditor's comments and observations, if any, along with the report of activities for the previous financial year were not made available to the members along with the notice to attend the annual general meeting at which the report and accounts are to be considered by the general body, and such general meeting shall be conducted by a three-member ad-hoc board consisting of members who are neither directors, nor members of the arbitral tribunal, appointed by the arbitral tribunal.
- (5) The quorum for a general meeting shall be as specified in the articles, but shall not be less than one-fifth of the members eligible to vote at the meeting;

provided that quorum for a representative general meeting shall not be less than two-fifths of the representatives eligible to vote at the representative general meeting.

30. Minutes of general meetings

- (1) Every cooperative shall maintain, in the language specified by the articles, in the minutes book, minutes of all proceedings of every general meeting and the chief executive shall send the copy of the minutes within fifteen days of the conclusion of every such meeting to all members.

- (2) The minutes so recorded shall be signed by the person who chaired the said meeting, or in the event of his/her incapacity to sign the minutes within the time required, by a director duly authorised by the board;

CHAPTER IV
MANAGEMENT

31. Board of directors

There shall be an elected board of directors for every cooperative constituted and entrusted with the direction of the affairs of the cooperative in accordance with the provisions of the articles;

provided that in the case of a cooperative newly registered under this Act, the promoters may appoint the first board, for a period not exceeding one year from the date of incorporation, to direct the affairs of the cooperative and to get elections of directors conducted within the period referred to herein; and the first board appointed under the proviso shall cease to function as soon as a regular board has been constituted in accordance with the articles;

provided further that in the case of a cooperative society originally registered under the Cooperative Societies Act and subsequently registered under this Act, the elected members of the board, whose term has not expired at the time of incorporation under this Act, may be deemed to be the first board, for a period not exceeding one year from the date of incorporation under this Act, to direct the affairs of the cooperative and to get elections of directors conducted within the period referred to herein; and the deemed first board under the proviso shall cease to function as soon as a regular board has been constituted in accordance with the articles.

32. Functions and responsibilities of board

(1) The board may perform functions and discharge responsibilities as specified in and in accordance with the terms, conditions and procedure laid down in the articles;

provided that the following functions and responsibilities shall be those of the board:

- (a) to interpret the organisational objectives, to set up specific goals to be achieved towards these objectives, and to make periodic appraisal of operations;
- (b) to finalise long term perspective plan, annual plan and budget, and to direct the affairs of the cooperative in accordance with the plan and budget approved by the general body;
- (c) to frame, approve and amend policies relating to services, funds, accounts and accountability, and information and reporting systems.
- (d) to elect and remove office bearers and specify their roles and responsibilities;
- (e) to appoint and remove the chief executive and specify his/her roles and responsibilities;
- (f) to make arrangements for the mobilisation of funds;
- (g) to authorise acquisition and disposal of immovable property; and
- (h) to frame regulations for the appointment of all employees of the cooperative and the scales of pay, allowances and other conditions of service including disciplinary action.

(2) Every director of a cooperative while performing functions and responsibilities shall:

- (a) act honestly and in good faith and in the best interests of the cooperative; and
- (b) exercise such due care, diligence and skill as a reasonably prudent person would exercise in similar circumstances.

(3) Any director who is guilty of misappropriation, breach of trust or any other omission or commission, resulting in loss or shortfall in revenue to the cooperative, shall be personally liable to make good that loss or shortfall, without prejudice to any criminal action to which the director may be liable under law.

33. Eligibility for directorship in a cooperative

In addition to such other conditions as may be specified in the articles, a member of a cooperative shall be eligible for being chosen as a director of the cooperative, if:

- (1) such member has the right to vote in the affairs of the cooperative; and
- (2) such member has patronised the services of the cooperative during the previous financial year to the extent and in the manner specified in the articles; and
- (3) such member has no interest in any subsisting contract made with or work being done for the cooperative except as otherwise specified in the articles; and
 - (4) six years have lapsed from the date that such member may have ceased to be a director of the cooperative for reasons of
 - (a) non-conduct of general meeting;
 - (b) non-conduct of elections to the board;
 - (c) non-submission of annual report of activities, audited annual financial statements and/or auditor's report to the general body; or
 - (d) absence from board meetings.

34. Elections

- (1) The conduct of elections of directors to the board and of representatives to the representative general body of a cooperative shall be the responsibility of the incumbent board of the cooperative.
- (2) Elections shall be conducted, in the manner specified in the articles, before the term of office of the outgoing directors or representatives comes to an end.
- (3) All directors on the board shall cease to be directors at the point of time when any task required for the conduct of elections by the articles is not undertaken or completed and the board has not immediately taken necessary steps to continue with the process as required by the articles.
- (4) Elections of directors shall normally take place at the annual general meeting.
- (5) Where a board fails to conduct elections before the expiry of the term of the directors or representatives, or where the process of elections is discontinued or suspended at any stage of the process and the board has not initiated remedial measures, or where there are no directors remaining on the board, the arbitral tribunal, within such time and in such manner as specified in the articles of association, shall appoint a three-member ad-hoc board from among members who are not members of the arbitral tribunal, nor members of the outgoing board, nor intend to stand as candidates for the elections on hand, for the specific purpose of conducting elections and to perform all functions of the board during the interregnum except those proscribed by the articles.
- (6) The term of the ad-hoc board so appointed shall not exceed three months and the ad-hoc board shall cease to function as soon as a regular board is elected in accordance with the articles.
- (7) Directors shall hold office for the period for which they were elected and the newly elected directors shall assume office at the end of this period.
- (8) The directors may not be eligible, if so specified in the articles, for re-election.
- (9) Where there are vacancies on the board and where there is a quorum, the remaining directors may exercise all the powers of the board or may fill the vacancies by cooption for the remainder of the respective terms.
- (10) Where there are vacancies on the board and where there are not sufficient number of directors to constitute a quorum for board meetings, the arbitral tribunal shall call a general meeting for the purpose of electing directors to fill the vacancies.

35. Tenure of directors

Where the articles provide for retirement of all directors at once, the tenure of office of all the directors, and, where the articles provide for retirement of directors by rotation, the tenure of office of the individual directors shall be for such period as specified in the articles, not exceeding three years from the date of assumption of office, as specified in the articles.

36. Board meetings

- (1) The president of a cooperative may, at any time, call a meeting of the board of directors:

provided, however, that at least four board meetings shall be held in a financial year, and the period between two consecutive board meetings shall not exceed one hundred and twenty days.

- (2) The president shall hold a special board meeting within fifteen days of the date of receipt of a requisition from:
- (a) not less than one hundred members or one-tenth of the members, having the right to vote, whichever is less;
 - (b) at least one-third of the directors;
 - (c) the auditor; or
 - (d) the registrar.

provided that any such requisition shall contain the reasons why the meeting is felt necessary and the proposed agenda, and no subject other than the subjects included in the proposed agenda shall be discussed at the special board meeting.

- (3) The president shall cease to be president at the end of the period within which a board meeting under sub-section (1) or (2) or the articles has to be held if he/she fails to hold such board meeting within the specified period.

- (4) An individual who ceases to be president under sub-section (3) shall not be eligible to hold the office of president for a period of six years from the date of such cessation.
- (5) The quorum for a board meeting shall be as specified in the articles, but shall be more than half of the total number of directors on the board.
- (6) The procedure to convene and conduct the board meetings shall be such as specified in the articles.
- (7) If a director fails to attend three consecutive board meetings, he/she shall cease to be a director, from the date of the third board meeting.

37. Minutes of board meetings

- (1) Every cooperative shall maintain, in the language specified by the articles, in the minutes book, minutes of all proceedings of every board meeting and the chief executive shall send the copy of the minutes within seven days of the conclusion of every such meeting to all directors.
- (2) The minutes so recorded shall be signed by the person who chaired the said meeting or by the person who chairs the following meeting, wherein the minutes are confirmed.

CHAPTER V

FINANCE

38. Mobilisation of funds

- (1) A cooperative may mobilise funds including equity capital, savings, deposits, grants, and loans from its members in such form, to such extent and under such conditions as may be specified in the articles;

provided that the articles may require capital to be contributed by members in proportion to their use of services.

- (2) A cooperative may raise funds and other forms of financial support including guarantee from non-members including individuals, banks, other financial and non-financial institutions, and the government, on mutually agreed terms, to such extent and subject to such conditions as may be specified in the articles;

provided that no cooperative other than a cooperative bank as defined in Banking Regulation Act may receive savings or deposits from the general public.

39. Deployment of funds

- (1) The funds mobilised by a cooperative shall be for the furtherance of its objectives.
- (2) Such of its funds as are not needed for use in its business, a cooperative may invest or deposit, outside its business, in any manner specified in section 11(5) of the Income Tax Act, 1961

40. Disposal of surplus

- (1) Surplus, if any, arising out of the business of a cooperative in a financial year may be used in one or more of the following ways:
 - (a) towards a deficit cover fund;
 - (b) to be distributed as surplus refund among its members;
 - (c) to develop its business;
 - (d) towards reserves and funds constituted in accordance with the articles;
 - (e) to provide common services to its members;
 - (f) to provide rewards or incentives to staff;
 - (g) towards a non-divisible corpus fund;

provided that surplus arising out of services provided to non-members may not be distributed amongst members or staff, but may be used for the provision of common services to the community at large, and for encouraging potential members to become members.

- (2) Surplus of the previous financial year must be fully allocated at the annual general meeting in which the audited statements of accounts for the previous financial year are presented for the consideration of the general body.

41. Management of deficit

- (1) Deficit, if any, arising out of the business of a cooperative in a financial year, shall be fully settled by debiting a part or all of the deficit to the deficit cover fund, if any, and/or as deficit charge, among its members;

provided that nothing in this sub-section shall preclude a cooperative from also proceeding against its directors for recovery of amounts contributing to the deficit, where such deficit is the result of deviation from the approved plan and/or budget, and where such deviation does not receive the approval of the general body, or is the result of gross negligence or mismanagement;

provided further that where such amounts are recovered, the general body may resolve to credit a part or all of the amount to the deficit cover fund and/or to the account of each member in proportion to the deficit charge levied on him/her in this regard.

- (2) No member shall be permitted to withdraw from the membership of the cooperative without paying his/her share towards clearing the deficit, if any.

42. Operation of special funds

- (1) A cooperative may, in the interest of its members and towards the fulfilment of its objectives, create reserves and such other funds as are specified in the articles or resolved on by the general body.

- (2) Funds so created may be used in the business of the cooperative, but at the end of every year, the cooperative shall credit to the account of such fund an annual interest, at not less than the rate paid by scheduled banks on long term fixed deposits, on that portion of each fund which was not applied for the purpose for which it was created, debiting such interest as operational expenditure.

43. First charge

- (1) Notwithstanding anything in any law for the time being in force, but subject to any claim of the government in respect of land revenue, any debt or other amount due to a cooperative by any member shall be a first charge upon such properties of the member as agreed to by the cooperative, and as the member may declare in the manner specified in the articles, at the time of membership, and subsequently thereafter.
- (2) No person shall transfer any property which is subject to such charge except with the previous permission in writing of the cooperative which holds the charge and any transfer, without such permission shall, notwithstanding anything in any law for the time being in force, be void.

Chapter VI

INSURED COOPERATIVE BANK

44. Order for winding up, reconstruction, supersession of committee, etc., of insured Cooperative Bank, to be made only by Reserve Bank of India.

Notwithstanding anything contained in this Act, in the case of an insured co-operative bank-

- i. an order for the winding up, or an order sanctioning a scheme of compromise or arrangement, or of amalgamation, or reconstruction (including division or re-organisation), of the bank may be made only with the previous sanction in writing of the Reserve Bank of India;
- ii. an order for the winding up of the bank shall be made (by the Registrar) if so required by the Reserve Bank of India in the circumstances referred to in section 13-D of the Deposit Insurance Corporation Act, 1961;
- iii. the Reserve Bank of India may, in the public interest or for preventing the affairs of the bank being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of the bank order the supersession (removal) of the Board and the appointment of an Administrator therefor for such period or periods, not exceeding five years in the aggregate, as may from time to time be specified by the Reserve Bank of India, and Administrator so appointed shall after the expiry of his term of office, continue in office until the day immediately preceding the date of the first meeting of the new committee;
- iv. an order for the winding up of the bank or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction (including division or re-organisation) made with the previous sanction in writing of the Reserve Bank of India or an order for the supersession (removal) of the Board and the appointment of an Administrator therefor made by the Reserve Bank of India shall not be liable to be called in question in any manner; and
- v. the Liquidator or the insured co-operative bank or the transferee bank, as the case may be, shall be under an obligation to repay the Deposit Insurance Corporation established under the Deposit Insurance Corporation Act, 1961, in the circumstances, to the extent and in the manner referred to in section 21 of that Act.

CHAPTER VII
ACCOUNTABILITY

45. Accounts, records and documents to be maintained

(1) Every cooperative shall keep at its registered office, the following accounts, records and documents:

- (a) a copy of this Act, with amendments made from time to time;
- (b) a copy of its memorandum and articles, with amendments made from time to time;
- (c) the minutes books;
- (d) account of all sums of money received and expended by the cooperative and their respective purposes;
- (e) account of all purchases and sales of goods by the cooperative;
- (f) account of the assets and liabilities of the cooperative;
- (g) a list of members, their fulfilment of responsibilities over the previous financial year, their eligibility to exercise their rights for the current financial year updated within forty five days of closure of the cooperative's financial year; and
- (h) all such other accounts, records and documents as may be required by this Act or other laws and regulations;

provided that where a cooperative has branch offices, financial statements of accounts relating to such branch office/s, shall be available at the registered office for each quarter, within fifteen days of the end of that quarter.

- (2) Every cooperative shall keep open the books of account and other records for inspection by any director during business hours, in accordance with the procedure framed by the Board.
- (3) Every cooperative shall make available during its business hours to any member who so requests, copies of this Act, articles, minutes book of the general body, voters' list, audit report in full with audited statements of accounts, and such accounts and records of transactions that relate to that member.

(4) Every cooperative shall preserve its books of accounts relating to a period of at least eight financial years before the current financial year together with supporting records and vouchers.

46. Audit

- (1) A cooperative shall get its accounts audited by a chartered accountant within the meaning of the Chartered Accountants Act, 1949;

provided that where a cooperative's annual business turnover is less than Rs five lakhs, it may appoint as auditor, any person/s, from within its membership or outside, with such qualifications as are specified in the articles.

Explanation: For the purpose of this section, business turnover shall mean the value of sales, services provided and/or loans recovered.

- (2) A cooperative, at its annual general meeting, shall appoint an auditor. This appointment will be valid only until the close of the next succeeding annual general meeting.
- (3) The remuneration of an auditor may be fixed by the general body or, if not so fixed, by the arbitral tribunal.

- (4) An auditor ceases to hold office when the auditor
 - (a) resigns;
 - (b) is removed from office under sub-section (6); or
 - (c) completes his/her term of office.
- (5) The resignation of an auditor becomes effective at the time a written resignation is received by the cooperative, or at the time specified in the resignation whichever is later.
- (6) The general body may, by a special resolution, remove an auditor from office.
- (7) An auditor, who
 - (a) resigns; or
 - (b) receives a notice or otherwise learns of a general meeting called for the purpose of removing him/her from office;is entitled to submit to the general body a written statement giving the reasons for his/her resignation or his/her response to the proposed removal, as the case may be.
- (8) A vacancy created by the resignation of an auditor shall be filled up by the arbitral tribunal.
- (9) A vacancy created by the removal an auditor shall be filled up by the general body.
- (10) An auditor appointed to fill a vacancy holds office for the unexpired term of his/her predecessor.
- (11) The auditor shall be given notice of every general meeting and, at the expense of the cooperative, will be entitled to attend and be heard thereat on matters relating to his/her duties as auditor and their exercise.
- (12) It shall be the duty of the board to ensure that annual financial statements are prepared and presented for audit within forty-five days of closure of the cooperative's financial year.
- (13) Upon the reasonable demand of the auditor of a cooperative, the chief executive shall arrange to
 - (a) provide such access to records, documents, books, accounts and vouchers of the cooperative; and
 - (b) furnish such information and explanations,

as are, in the opinion of the auditor, necessary to enable him/her to make the examination and report, and as the chief executive or a present or former director, members, managers, or employees are reasonably able to furnish.
- (14) It shall be the duty of the auditor to ensure that audited annual financial statements and his/her accompanying report are furnished to the cooperative within forty five days of the submission of annual financial statements by the board.
- (15) The auditor's report to the members of the cooperative shall:
 - (a) state whether the auditor has obtained all the information and explanations which to the best of his/her knowledge and belief were necessary for the purpose of his/her audit;
 - (b) state whether the cooperative's balance sheet and income and expenditure account dealt with by the report are in agreement with the books of accounts;
 - (c) indicate, in the first instance, the basis on which each asset and liability was valued, and make specific mention, thereafter, of any change in the manner in which such valuation was done in the year under examination and its effect on surplus/deficit;

- (d) indicate the amount of surplus earned/deficit incurred from provision of services to non-members as distinct from surplus/deficit accruing because of members or in normal course of business;
- (e) indicate every deviation of more than five percent in actual expenses and income from the estimated expenses and income in the approved budget;
- (f) specify the advances, gross remuneration and/or honorarium and/or allowances paid and/or value of benefits provided, if any, to any of the office bearers, or directors, or the chief executive, in the financial year under audit;
- (g) state whether or not any of the office bearers or directors had become, at any time during the year under review, ineligible under this Act to continue in office as an office bearer or director; and
- (h) state whether the decisions on disposal of surplus or assessment of deficit, of the general body, at its previous annual general meeting were implemented correctly and completely or not.

47. Returns to be filed with the registrar

(1) Every year, within thirty days of the holding of the annual general meeting, every cooperative shall file the following returns with the registrar:

- (a) annual report of activities;
- (b) audited annual statements of accounts with auditor's report;
- (b) statistical statement indicating name of the cooperative; core services offered by the cooperative to its members; total number of members as on the last day of the year; total liabilities expressed as (i) funds from members, and surpluses, (ii) funds from the Government, if any, and (iii) funds from other external sources as on the last day of the financial year; quantum in rupees of services provided (i) to members and (ii) to non-members; and surplus/deficit at end of year.

(2) Along with the returns specified in sub-section (1), every cooperative shall furnish the following information to the registrar:

- (a) the date of the annual general meeting at which the returns being filed with the registrar were considered and/or approved;
 - (b) the total number of members on the rolls of the cooperative who were eligible to vote on the date of such annual general meeting;
 - (c) the number of eligible members present at such annual general meeting;
 - (d) list of names of directors, their addresses and their terms of office;
 - (e) name and address of the auditor appointed for auditing the current year's accounts.
- (3) The registrar shall submit an annual report to the government by 31st March of each year, containing statistical information on the cooperatives in the state compiled from the returns received during the previous calendar year, under sub-section (1)(c), with regard to the total number of cooperatives in the state, their membership, funds, services and surplus/deficit; and the report shall also contain information on the strength of staff in the department of cooperation, including those on deputation, establishment expenses on the department, fee raised under this Act by the department, and a statistical summary of statutory powers exercised during the previous calendar year.
- (4) Any person may apply in writing to the registrar seeking a copy of the registrar's annual report, or of any return/s or any information filed by the cooperatives with the registrar, and such information shall be made available by the registrar on reasonable fee.

48. Inquiry

- (1) The registrar, after first providing an opportunity to the cooperative concerned to present its case, for reasons to be recorded in writing, may of his/her own motion, and shall, on the application of a secondary cooperative to which the cooperative concerned is affiliated, or of a creditor to whom the cooperative is indebted, or of not less than one-third of the directors, or of not less than one-tenth of the members, hold an inquiry or cause an inquiry to be made into any specific subject or subjects relating to any gross violation of any of the provisions of this Act by the cooperative.
- (2) Except when an inquiry is undertaken on his/her own motion, the registrar shall order an inquiry only after the receipt of a fee, from the applicant or the applicants, deemed sufficient to meet the costs of the inquiry to be conducted.
- (3) The inquiry shall be completed within a period of one hundred and twenty days from the date of ordering the inquiry.
- (4) The registrar shall, within a period of thirty days from the date of the completion of the inquiry, or of the period specified in sub-section (3), communicate the report of the inquiry or the reasons for the non-completion of the inquiry, as the case may be,
 - (a) to the cooperative concerned;
 - (b) to the applicant secondary cooperative, if any;
 - (c) to the applicant-creditor, if any;
 - (d) to the person designated by the applicant-directors, if any;
 - (e) to the person designated by the applicant-members, if any; and
 - (f) to any person, on payment of fee specified by the registrar.

CHAPTER VIII

OFFENCES

49. Offences

- (1) A person, who makes or assists in making a report, return, notice or other document required in this Act to be sent to the registrar or to any other person, that contains an untrue statement of a material fact or that omits a material fact which is required in the report, or omits a material fact whose absence makes a statement in the report misleading, is guilty of an offence and liable on summary conviction,
 - (a) in the case of an individual, to a fine not greater than one thousand rupees or to imprisonment for a term not greater than ninety days or to both such fine and imprisonment;
 - (b) in the case of a person other than an individual, to a fine not greater than ten thousand rupees.
 - (2) Where the person guilty of an offence under sub-section (1) is a cooperative, and whether or not the cooperative has been prosecuted or convicted, any director or officer of the cooperative who knowingly authorises, permits or acquiesces in the offence is also guilty of an offence and liable on summary conviction to a fine of not more than one thousand rupees or to imprisonment for a term not exceeding ninety days or to both such fine and imprisonment.
- (3) No person is guilty of an offence in pursuance of subsection (1) or (2) where the untrue statement or omission:
 - (a) was unknown to him/her; and
 - (b) in the exercise of reasonable diligence, could not have been known to him/her.
 - (4) Every person who:
 - (a) without reasonable cause, contravenes a provision of this Act for which no penalty is otherwise provided; or
 - (b) fails to give any notice, send any return or document that is required by this Act;is guilty of an offence and is liable on summary conviction to a fine of not more than one thousand rupees.
- (5) An offence by a cooperative shall be deemed to have been also committed by each office-bearer, director and the chief executive of the cooperative bound by the articles thereof to fulfil the duties whereof the offence is a breach, or, if the articles are not specific in this regard, then by each of the directors, unless the office-bearer or director or chief executive, as the case may be, proves to have attempted to prevent the commission of the offence.
- (6) Where a person is convicted of an offence in pursuance of this Act, the court may, in addition to any punishment imposed, order the person to comply with the provisions of the Act for the contravention of which he/she has been convicted.
- (7) No prosecution for an offence under this Act shall be commenced after two years from the time when the subject matter of the complaint arose.
- (8) No civil remedy for an act or omission under this Act is suspended or affected by reason that the act or omission is an offence under this Act.

CHAPTER ix

DISPUTES

50. Disputes

(1) Notwithstanding anything in any law for the time being in force, if any dispute touching the constitution, management or business of a cooperative arises

- (a) among members, past members and persons claiming through members and deceased members; or
- (b) between a member, past member or a person claiming through a member, past member or deceased member and the cooperative, its board, director, office-bearer, or liquidator, past or present; or
- (c) between the cooperative or its board and any past board, any director, office-bearer, or any past director, past office-bearer, or the nominee, heir, or legal representative of any deceased director or deceased office-bearer of the cooperative, such dispute shall be referred to the arbitral tribunal of the cooperative.

Explanation: For the purposes of this sub-section, a dispute shall include a claim by a cooperative for any debt or other amount due to it from a member, past member, the nominee, heir or legal representative of a deceased member, and/or surety, whether such debt or other amount be admitted or not.

- (2) If any question arises whether a dispute referred to the arbitral tribunal under this section is a dispute touching the constitution, management or business of the cooperative, such question shall be decided by the arbitral tribunal.
- (3) The arbitral tribunal shall decide the dispute in accordance with the provisions of this Act and the articles, and such decisions shall be final. Pending final decision on the dispute, the arbitral tribunal may make such interlocutory orders, as it may deem necessary in the interest of justice.
- (4) Every order or decision made under this section, shall be executed by the civil court having jurisdiction, as if such order is a decree of that court, on a certificate issued by the arbitral tribunal.
- (5) Notwithstanding anything in sub-section (4), or in any other law for the time being in force, and without prejudice to any other mode of recovery which is being taken or may be taken, an arbitral tribunal may, on the application made by the cooperative for the recovery of arrears due to the cooperative by any of its members, and on its furnishing a statement of accounts in respect of the arrears and after providing an opportunity to the member to be heard, and making such other inquiry as the tribunal deems fit, issue a certificate for the recovery of the amount stated therein to be due as arrears.
- (6) A certificate issued by the arbitral tribunal under sub-section (5) shall be final and conclusive proof of the arrears stated to be due and the certificate shall be executed by the chief executive in the manner specified in the articles.
- (7) Where not less than one hundred members or one-tenth of members, having the right of vote, whichever is less, submit to the Arbitral Tribunal a requisition for the removal of one or more Directors from the Board, for reasons of their being ineligible to continue in office under the provisions of this Act, the Arbitral Tribunal shall conduct such enquiry as it deems fit, and, within a period of one month from the date of requisition, remove the offending Director or Directors, and take such steps as then become necessary, or inform the requisitioning members in writing why such a measure is not called for.

51. Arbitral tribunal

- (1) The articles of each cooperative shall provide for the constitution of an arbitral tribunal consisting of an individual or a group of individuals not exceeding five, elected by the general body from among its members or others, whose term of office shall be not more than three years;

provided when an arbitral tribunal consists of more than one member, it may choose for reasons to be set forth in writing that a dispute or set of disputes referred to it for settlement be resolved by one or more of its

members, and the decision of such member or members shall be deemed to be a decision of the arbitral tribunal.

- (2) A member of the arbitral tribunal shall have such qualifications as are specified in the articles;

provided that no person who has served as member of arbitral tribunal shall be eligible thereafter to contest elections to the board of that cooperative or of any secondary cooperative to which that cooperative is affiliated.

CHAPTER X
DISSOLUTION

52. Dissolution by members

- (1) A cooperative may, by a special resolution, authorise its own dissolution;
- provided that a copy of the notice of the general meeting shall be sent by registered post with an invitation to attend, to the registrar, to all to whom the cooperative owes money, to any secondary cooperative to which the cooperative is affiliated, and to any cooperative/s with which a partnership contract has been entered into.
- (2) Invitees under the proviso of sub-section (1) shall have the right to make a presentation to the general body, if they so wish to, on the issue of the proposed dissolution.
- (3) Within fifteen days of such authorisation for dissolution, the cooperative shall send to the registrar a copy by registered post of the authorisation to dissolve the cooperative.
- (4) The authorisation approved in pursuance of sub-section (1) is required to set out:
- (a) the assets and liabilities of the cooperative;
 - (b) the claims of creditors;
 - (c) the number of members;
 - (d) the nature and extent of the members' interest in the cooperative;
 - (e) the name and address of the liquidator appointed by the cooperative.

(5) When the registrar receives the special resolution passed in pursuance of sub-section (1):

- (a) where he/she is satisfied that the cooperative has no assets or liabilities, he/she may dissolve the cooperative, strike off its name from the register of cooperatives and issue a certificate of dissolution; or
- (b) Where the cooperative has assets and/or liabilities, he/she shall, within thirty days of such approval, cause at the expense of the cooperative a notice of the special resolution to be published once a week for two consecutive weeks in a newspaper published or distributed in the district where the registered office of the cooperative is located.

(6) In the case of dissolution, the registrar may require, till the certificate of dissolution is issued by him/her, from the liquidator appointed by the cooperative or any other person who is required to furnish information, a periodical return showing:

- (a) the progress of dissolution;
- (b) the distribution of any undistributed surplus or reserve; and
- (c) any other relevant information that he/she may require.

53. Dissolution by registrar

(1) Where the registrar has reasonable cause to believe that a cooperative:

- (a) has not commenced business within two years after the date shown on its certificate of incorporation; or
- (b) has not carried on business for two consecutive years;

he/she shall send to the cooperative a letter by registered post, inquiring whether the cooperative is carrying on business.

(2) Where the registrar does not, within thirty days of the date he/she sent a letter in pursuance of sub-section (1), receive an answer to the letter, he/she shall, within fifteen days after the expiry of thirty days, send to the cooperative a letter stating that:

- (a) a letter was sent to the cooperative in pursuance of sub-section (1);
- (b) no answer to that letter has been received by him/her; and
- (c) if an answer is not received to the letter sent under this sub-section within thirty days from the date it is sent, a notice will be published in the gazette to dissolve the cooperative.

(3) Where the registrar:

- (a) receives an answer from the cooperative that it is not carrying on business; or
- (b) does not, within thirty days after the date that he/she sent a letter in pursuance of sub-section (2), receive an answer to that letter;

he/she may publish in the gazette and send to the cooperative a notice that, at the expiry of thirty days from the date of that notice, the cooperative will have its name struck off the register, or, unless cause is shown to the contrary, be dissolved.

(4) At the expiry of thirty days after the date of the issue of the notice in pursuance of sub-section (3), the registrar may, unless cause to the contrary is previously shown by the cooperative:

- (a) where he/she is satisfied that the cooperative has no assets or liabilities, dissolve the cooperative, strike off its name from the register of cooperatives and issue a certificate of dissolution; or
- (b) appoint a liquidator, in accordance with section 54, to dissolve the cooperative.

(5) Where a cooperative fails to file returns and furnish information, as required under section 46, even after a lapse of two hundred and forty days from the close of the cooperative's financial year, the registrar shall require the board to call a special general meeting for the purpose of considering the filing of annual returns and the information to be furnished to the registrar.

(6) Where the board fails to call a special general meeting within the time period specified in section 29(2), the registrar may call the special general meeting to ascertain whether the general body desires to continue the cooperative.

(7) Where:

- (a) a quorum of members is not present at a special general meeting called in pursuance of sub-section (5) or (6); or
- (b) the general body fails to pass a resolution to the effect that:
 - (i) the cooperative is to carry on business;
 - (ii) the board must present, within sixty days from the date of the special general meeting, to the general body the annual returns to be filed with and the information to be furnished to the registrar; and
 - (iii) the cooperative will file the returns with and furnish the information to the registrar within ninety days from the date of the special general meeting; or
- (c) the cooperative fails to file the returns with and furnish the information to the registrar within ninety days from the date of the special general meeting;

the registrar may:

- (i) where he/she is satisfied that the cooperative has no assets or liabilities, dissolve the cooperative, strike off its name from the register of cooperatives and issue a certificate of dissolution; or
- (ii) appoint a liquidator, in accordance with section 54, to dissolve the cooperative.

54. Dissolution by court

- (1) The registrar or an interested person may, after giving the cooperative ninety days notice of the proposed application, apply to the court for an order dissolving a cooperative, where the cooperative:
 - (a) obtained its incorporation by fraud or mistake;
 - (b) exists for an illegal purpose;
 - (c) has wilfully, after notice by the registrar, violated any of the provisions of this Act or its articles; or
 - (d) is no longer operating on a cooperative basis.
- (2) Where an interested person applies to a court in pursuance of this section, he/she shall give the registrar notice of his/her application and the registrar is entitled to appear and be heard in person or by counsel.
- (3) Where the court receives an application in pursuance of this section, it may order that the cooperative be dissolved or liquidated and dissolved under the supervision of the registrar.
- (4) Where the registrar receives an order made in pursuance of sub-section (3), he/she shall:
 - (a) if the order is to dissolve the cooperative, dissolve it, strike off its name from the register of cooperatives and issue a certificate of dissolution; or
 - (b) if the order is to liquidate and dissolve the cooperative, appoint any person as a liquidator to wind up the affairs of the cooperative.

55. Appointment of liquidator by registrar

Where a cooperative is to be dissolved and no liquidator is appointed by the general body or the court, the registrar may

- (a) appoint any person as a liquidator to wind up the affairs of the cooperative; or
- (b) where he/she is satisfied that the cooperative has no assets and liabilities, issue a certificate of dissolution.

56. Duties of liquidator

On his/her appointment, a liquidator shall:

- (a) immediately give notice of his/her appointment:
 - (i) in the case of a liquidator not appointed by the registrar, to the registrar; and
 - (ii) to each claimant and creditor known to the liquidator;
- (b) immediately publish notice of his/her appointment in the gazette and once a week for two consecutive weeks in a newspaper published or distributed in the district where the cooperative has its registered office and take reasonable steps to give notice of the liquidation in every jurisdiction where the cooperative carries on business;
- (c) place in the notice mentioned in clause (a) and (b) a provision requiring any person:
 - (i) indebted to the cooperative, to render an account and pay to the liquidator at the time and place specified any amount owing;

- (ii) possessing property of the cooperative, to deliver it to the liquidator at the time and place specified; and
- (iii) having a claim against the cooperative, whether liquidated, unliquidated, future or contingent, to present particulars of the claim in writing to the liquidator not later than sixty days after the first publication of the notice;
- (d) take into custody and control the property of the cooperative;
- (e) open and maintain a trust account for the moneys of the cooperative;
- (f) keep accounts of the moneys of the cooperative received and paid out by him/her;
- (g) maintain separate lists of the members, creditors and other persons having claims against the cooperative;
- (h) where at any time he/she determines that the cooperative is unable to pay or adequately provide for the discharge of its obligations, apply to the registrar or general body as the case may be, for directions; and
- (i) deliver to the registrar or general body, periodically as the registrar or general body may require, financial statements of the cooperative in any form that the liquidator considers proper or that the registrar or general body may require.

57. Functions and responsibilities of liquidator

(1) The liquidator may:

- (a) retain lawyers, accountants, engineers, appraisers and other professional advisors;
- (b) bring, defend or take part in any civil, criminal or administrative proceeding in the name and on behalf of the cooperative;
- (c) carry on the business of the cooperative as required for an orderly liquidation;
- (d) sell by public auction or private sale any property of the cooperative;
- (e) do all acts and execute any documents in the name and on behalf of the cooperative;
- (f) borrow money on the security of the property of the cooperative;
- (g) settle or compromise any claims by or against the cooperative; and
- (h) do all other things that he/she considers necessary for the liquidation of the cooperative and distribution of its property.

(2) Where a liquidator has reason to believe that any person has in his/her possession or under his/her control, or has concealed, withheld or misappropriated any property of the cooperative, he/she may apply to the court for an order requiring that person to appear before the court at the time and place designated in the order and to be examined.

- (3) Where the examination mentioned in sub-section (2) discloses that a person has concealed, withheld or misappropriated property of the cooperative, the court may order that person to restore the property or pay compensation to the liquidator on behalf of the cooperative.
- (4) No liquidator shall purchase, directly or indirectly, any part of the stock-in-trade, debts or assets of the cooperative.

58. Final accounts

- (1) A liquidator shall pay the costs of liquidation out of the property of the cooperative and shall pay or make adequate provision for all claims against the cooperative.

- (2) After paying or making adequate provision for all claims against the cooperative, the liquidator shall apply to the registrar for approval of his/her final accounts and for permission to distribute in money or in kind the remaining property of the cooperative in accordance with the articles.
- (3) Where the registrar approves the final accounts rendered by a liquidator in pursuance of sub-section (2), he/she shall:
 - (a) issue directions with respect to the custody or disposal of the documents and records of the cooperative; and
 - (b) discharge the liquidator.
- (4) Where the registrar discharges a liquidator in pursuance of sub-section (3), he/she shall dissolve the cooperative, issue a certificate of dissolution and strike off its name from the register of cooperatives.
- (5) The cooperative ceases to exist on the date shown in the certificate of dissolution, which shall not be later than two years after the appointment of the liquidator.

CHAPTER XI

MISCELLANEOUS

59. Exemption from certain taxes, duties and fees

The government, if in its opinion it is necessary in the public interest so to do, may, by notification in the gazette, and subject to such restrictions and conditions as may be specified in such notification, reduce or exempt in respect of cooperatives

- (a) the taxes on professions, trades, callings and employments;
- (b) the stamp duty with which, under any law for the time being in force, instruments executed by or on behalf of a cooperative or by an office bearer or director or member and relating to business of such cooperative or any class of such instruments or decisions or orders of the Registrar or arbitral tribunal or liquidator under this Act, are respectively chargeable; or
- (c) any fee payable under the law relating to registration for the time being in force or court fees.

60. Exemption from compulsory registration of instruments

Nothing in clauses 17(1)(b) and (c) of the Indian Registration Act, 1908 shall apply to

- (a) any instruments relating to shares in a cooperative notwithstanding that the assets of the cooperative consist in whole or in part of immovable property;
- (b) any debentures issued by any such cooperative and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the cooperative has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures; or
- (c) any endorsement upon or transfer of any other debenture issued by any such cooperative.

Schedule A
[Sections 2 (7), 3 (2)(a) and 4(3)(a)]

Statement of Cooperative Identity

1. **Definition:** A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
2. **Values:** Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibilities, and caring for others.
3. **Principles:** The cooperative principles are guidelines by which cooperatives put their values into practice.

1st Principle: Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle: Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to membership. In primary cooperatives members have equal voting rights (one member, one vote), and cooperatives at other levels are also organised in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed to as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including Governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6th Principle: Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working through local, national, regional, and international structures.

7th Principle: Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Schedule B
[Section 3 (2)]

Memorandum of Association
(for a cooperative to be newly incorporated)
(form in which to be presented)

1. We, the following persons,

S No	Full name in capital letters	Full postal address in capital letters	<i>Occupation, if the promoters are individuals</i>

desire to form ourselves into a cooperative under Mutually Aided Cooperative Societies Act,

(Please have as many rows above, as there are promoters.)

2. For the purposes of incorporation, Shri/Shrimati at serial number ... above shall be our representative, and all communication may be addressed to him/her, at his/her address.

3. The name of our cooperative shall be

4. The registered office of our cooperative will be situated in

(Please provide name of village/town/city in the blank space provided)

5. The object of our cooperative shall be

(Please state here only that need common to all members, which the cooperative hopes to fulfil, and for which it is being established – eg increase in returns on dairying/sericulture/paddy farming, etc; or access to quality consumer goods/housing/production inputs at reasonable prices; or access to savings and credit/insurance, etc. Please do not provide here the list of services or activities through which this object will be fulfilled.)

6. We hereby declare that we are committed to the principles of cooperation as provided for in Schedule A of the Act and intend to manage our cooperative in conformity with these.

7. We have enclosed

(a) the articles of the proposed cooperative as adopted by us, the promoters;

(b) a true copy of the resolution passed by us, at a meeting, adopting the articles;

(c) a declaration from advocate/chartered accountant, Shri/Shrimati, that all the requirements of this Act have been complied with by us in respect of registration.

8. Signed by us, dated at place

S No	Full Name (followed by name and designation of representative, where the promoters are cooperatives)	<i>Signature</i>

Schedule C
[Section 3(3)(d)]

Certificate of Incorporation
(for a newly incorporated cooperative)

Registrar of Mutually Aided Cooperative Societies

Government of

Certificate of Incorporation under section 3 of the
..... **Mutually Aided Cooperative Societies Act**,

I do hereby certify that the

.....
.....
.....

is registered with No together with its
memorandum and articles.

Given under my hand and seal
this day of

Registrar of Mutually Aided Cooperative Societies
Government of

Schedule D
[Section 4(2)]

Memorandum of Association

(for cooperatives to be converted from Cooperative Societies Act, 19....)
(form in which to be presented)

1. We, the directors of the board of the, state hereby, that the general body of our cooperative society desires that our cooperative society now be registered as a cooperative under the Mutually Aided Cooperative Societies Act,

(Please fill the current complete name of the cooperative society.)

2. For the purposes of registration, all communication may be addressed to, at

(Please fill the first blank with the name and designation of the contact person in the cooperative society, and the second blank with the full postal address of the cooperative society.)

3. The name of our cooperative, on conversion to the Mutually Aided Cooperative Societies Act,, shall remain the same/become

(Based on whether or not the name will undergo change, please strike out whatever is inapplicable above.)

4. The registered office of our cooperative society is situated in, and shall remain the same/change to

(Please provide name of village/town/city in the blank space provided, and strike out that which is not applicable.)

5. The object of our cooperative society is, and on conversion shall be the same/change to

(Please state in the first blank only that need common to all members, for which the cooperative society was established, and in the second blank, please fill change, if any, in this object, upon conversion. Please do not provide here the list of services through which this object will be fulfilled.)

6. We have enclosed

(a) a true copy of the resolution passed by our general body expressing commitment to the principles of cooperation as provided for in Schedule A of the Act.

(b) the articles of the proposed cooperative as adopted by our general body;

(c) a true copy of the resolution passed by the general body, adopting the articles;

(d) a true copy of the declaration of the general body stating that our cooperative society is not in receipt of any share capital from the government or any other external source, and will not raise share capital from the government or any source other than members;

(e) a true copy of the latest annual report and audited statement of accounts;

(f) a true copy of the resolution of the general body along with particulars regarding the wiping off of accumulated losses from various reserves and/or by debiting to the accounts of members as decided at the meeting; (or) a true copy of the resolution of the general body stating that the cooperative society does not have losses, accumulated or current;

(g) the statement on adjustment of accumulated losses, if any, certified by an auditor as correct;

(h) a declaration from advocate/chartered accountant, Shri/Shrimati, that all the requirements of this Act have been complied with by us in respect of registration.

7. Particulars about the general body meeting at which the decision to convert was taken.

Date of general body meeting	No. of members as on date of general body meeting	No. of members present at general body meeting	No. of members who voted for the conversion

8. Signed by us, dated at place

S No	Full name of the director	Designation	Signature

(Please note that there should be as many rows as there are directors. The signature of the chief executive, too, should be obtained.)

Schedule E
[Section 4(4)]

Certificate of Incorporation

(for cooperative to be converted from
..... Cooperative Societies Act 19....)

Registrar of Mutually Aided Cooperative Societies
Government of

Certificate of Registration under section 4 of the
..... Mutually Aided Cooperative Societies Act

I do hereby certify that the

.....
.....

is registered with No..... together with its
memorandum and articles.

This cooperative is successor to, and is now deemed to have assumed all rights and obligations and assets and liabilities
of its predecessor cooperative society the

.....

(Registration NoDt) hitherto registered under the Cooperative Societies Act
19..., whose registration now stands cancelled. All acts and transactions of the predecessor cooperative society shall
stand devolved on this cooperative.

Given under my hand and seal
thisday of,

Registrar of Mutually Aided Cooperative Societies
Government of

Schedule F
[Section 6(3)]
Subject matter for specific consideration
when framing articles of a cooperative

1. Identity of the cooperative

- (a) the name of the cooperative, and any shorter name by which the cooperative is to be popularly known
- (b) the village/town/city where the registered office of the cooperative is to be located
- (c) the custody and use of the common seal

2. Aim and services

- (a) the aim of the cooperative explicitly stated as a common central need of the members which the cooperative aims at fulfilling
- (b) core services, and support services to members to fulfil the common central need stated in the aim
- (c) the conditions under which services may be provided to non-members

3. Membership

- (a) form for applying for membership
- (b) form for declaring assets by member upon which arrears due to the cooperative shall be a first charge
- (c) eligibility, ineligibility for obtaining membership
- (d) eligibility, ineligibility for continuing membership
- (e) procedure for obtaining membership
- (f) procedure for withdrawing membership
- (g) procedure for termination of membership
- (h) circumstances under which membership ceases
- (i) procedure for cessation of membership

4. Member rights and obligations

- (a) the rights of members
- (b) manner of fixation of minimum performance expected annually of each member vis-à-vis use of services, financial commitment, participation in meetings, and adherence to articles, in order to be eligible to exercise the rights of membership including the right to vote
- (c) the consequences of performing below the minimum level fixed
- (d) the consequences of default in payment of any sum due by a member

5. General body

- (a) the role of the general body, and of the representative general body, if any, and subjects which must be dealt with by the general body, and by the representative general body, if any
- (b) the manner and frequency of convening general meetings, and quorum required
- (c) the quorum necessary for adjourned meetings
- (d) conditions and manner in which arbitral tribunal may convene general meeting
- (e) the minutes of proceedings of general meetings
- (f) the person/s to take responsibility for, and the manner of convening an extraordinary general meeting, and the period within which such meeting ought to be convened, for the purpose of appointing an ad-hoc board

6. Board of directors

- (a) the size and composition of the board of directors
- (b) eligibility, ineligibility for becoming director
- (c) eligibility, ineligibility for retaining directorship
- (d) the procedure for election and removal of directors
- (e) the terms of office of the directors
- (f) the frequency of board meetings
- (g) the manner of convening board meetings, and quorum
- (h) the functions and responsibilities of the board
- (i) the minutes of proceedings of board meetings
- (j) the functions, responsibilities and powers of the directors

- (k) eligibility, ineligibility for being appointed by arbitral tribunal as member of ad hoc board

7. President and other office-bearers

- (a) the election and removal of president and other office-bearers, if any
- (b) the functions and responsibilities of the president and other office-bearers, if any

8. Chief executive

- (a) the manner of appointment and removal of chief executive
- (b) the functions and responsibilities of the chief executive

9. Finances

- (a) the financial year which the cooperative wishes to adopt
- (b) the manner of appointment of auditors and their role
- (c) the manner of appointment of internal auditors and their role
- (d) the nature and amount of equity capital, if any, of the cooperative
- (e) the maximum capital which a single member can hold
- (f) the types and extent of funds to be raised
- (g) the purposes for which the funds raised by the cooperative may be applied
- (h) the equity-debt ratio that the cooperative wishes to maintain at all times, and the maximum external debt that a cooperative wishes to permit itself at any point of time
- (i) procedure for transfer of shares or interest by a member
- (j) procedure for redemption of shares by the cooperative
- (k) procedure for transfer or payment of interest on death of member
- (l) the nature and extent of the liability of the members for the debts contracted by the cooperative
- (m) the nature and extent of the liability of the directors for the debts contracted by the cooperative
- (n) the manner of disposal of funds if under liquidation
- (o) the manner of recovery of dues from members

10. Secondary cooperatives

- (a) the rights, if any, which the cooperative wishes to confer on any secondary cooperative of which it is a member, and the circumstances under which these rights may be exercised by such secondary cooperative
- (b) the procedure for appointing and changing delegates to secondary cooperative

11. Arbitral Tribunal

- (a) the manner of constitution and functioning of Arbitral Tribunal for settlement of disputes
- (b) eligibility, ineligibility for being chosen as arbitrator
- (c) eligibility, ineligibility for being continued as arbitrator
- (d) the manner in and conditions under which the arbitral tribunal may appoint ad hoc board

12. Other matters

- (a) the language in which the internal affairs of the cooperative are to be conducted
- (b) any provisions of transitory nature
- (c) the manner of dissolution of the cooperative
- (d) the manner of amending articles.

Annexure XXI

Chapter.....

Cooperative banks

1. The provisions of this chapter shall have overriding effect over other provisions of this Act or any other law for the time being in force.
2. Notwithstanding anything to the contrary contained in this Act,
 - 1) the provisions of the Banking Regulation Act (as applicable to cooperative societies) shall apply to a cooperative bank registered under this Act.
 - 2) no cooperative society other than a cooperative bank shall use as part of its name the words `bank' , `banker' or `banking'.
 - 3) no cooperative society other than a cooperative bank shall accept deposits from any person other than its members or accept deposits withdrawable by cheque.
 - 4) no cooperative bank shall change its name ,open a new place of business or change its existing place of business outside the city ,town or village where it is located without the prior approval of the Reserve Bank
 - 5) every cooperative bank shall have at least 3 of its directors who have special knowledge or experience in the field of accountancy ,law, banking, management, agriculture or rural economy.
 - 6) the Chief Executive Officer, by whatever name called, of a cooperative bank shall have such qualifications as may be specified by Reserve Bank .
 - 7) every cooperative bank shall have its account audited by a qualified chartered accountant in each financial year, subject to such directions as the Reserve Bank may issue from time to time.
 - 8) every cooperative bank shall abide by the directions, guidelines and prudential norms issued by the Reserve Bank from time to time in respect of acceptance of deposits, borrowing, lending, investment or any other financial matters.
 - 9) no cooperative bank shall be given exemption from the provisions of this chapter by the State Government in exercise of its powers to exempt societies from the provision of the Act without the prior approval of the Reserve Bank.
 - 10) a) the Reserve Bank may in the public interest or for preventing the affairs of the cooperative bank being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of the bank ,order the supersession of the board and appointment of an Administrator therefor for such period or periods not exceeding five years in the aggregate as may from time to time be specified by the Reserve Bank , and the Administrator so appointed shall continue in office after the expiry of his term of office until the day immediately preceding the date of the first meeting of the new committee;
 - b) no order for supersession of the board of a cooperative bank shall be made by the Registrar without the prior approval in writing of the Reserve Bank ;
 - c) an order of supersession of the board and appointment of Administrator therefore made by the Reserve Bank shall not be liable to be called in question in any manner .

Explanation:

“Cooperative bank” means a cooperative bank as defined in section 5 (cci) of the Banking Regulation Act, 1949 (as applicable to the cooperative societies).

Annexure XXII

Memorandum of Understanding

This Memorandum of Understanding dated between the Government of the State ofrepresented byhaving office at (hereinafter referred to as 'the State') and the Reserve Bank of India having its Central Office at Shahid Bhagat Singh Marg, Post Box No. 406, Mumbai – 400 001 (hereinafter referred to as 'Reserve Bank').

Whereas the State administers theCo-operative Societies Act, and the Reserve Bank is the regulator of co-operative banks under the Banking Regulation Act,1949(as applicable to co-operative banks), the State and the Reserve bank exercise regulatory powers over co-operative banks concurrently;

And whereas it is considered essential to have coordination between the State and the Reserve Bank for ensuring proper regulation of co-operative banks;

It has therefore, been decided to enter into a Memorandum of Understanding between the State and the Reserve Bank as under :

1. On requisition of the Reserve Bank under Section of theCo-operative Societies Act,..... for supersession of the Board of a co-operative bank and appointment of Administrator therefor, the State shall comply with the requisition forthwith.
2. On requisition of the Reserve Bank for winding up of a co-operative bank and appointment of a Liquidator therefor under Section of theCo-operative Societies Act, the State shall comply with the requisition forthwith.
3. The Board of the a Co-operative bank shall not be superseded by the Registrar without the prior approval of the Reserve Bank
4. The election to the Board of a co-operative bank shall not be postponed nor the tenure of the Board extended without concurrence of the Reserve Bank.
5. The State shall provide for compliance with the fit and proper criteria stipulated by the Reserve Bank in the case of directors of co-operative banks.
6. The State shall provide for audit of co-operative banks by qualified Chartered Accountants.
7. The State shall provide for appointment of CEOs of co-operative banks with such qualifications as may be stipulated by the Reserve Bank.
8. The State shall provide for upgradation of HR and IT in co-operative banks in consultation with the Reserve Bank.

9. The State shall provide for conduct of special audit of a co-operative bank if requested by the Reserve Bank and for submitting of report to the Reserve Bank within the time stipulated by it.

.....

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.....

.....

In witness whereof the parties hereto have signed this Memorandum of Understanding aton thisday of2005.

.....

For the State

.....

For the Reserve Bank

Witnesses

1.

2.