

CO-OPERATIVE PERSPECTIVE

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VAIKUNTH MEHTA NATIONAL INSTITUTE OF CO-OPERATIVE MANAGEMENT

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Focus

The Co-operative Perspective is a 'must' for co-operative executives, office-bearers, academicians and students. It provides in a capsule form latest thinking on all aspects of co-operative movement. The Journal provides a ready source of knowledge and information relating to rapidly expanding and diversifying co-operative enterprises.

Specific objectives of the Journal are:

- (a) to disseminate information through articles on latest developments in the co-operative movement in India;
- (b) to appraise the readers about the current co-operative literature through articles and book reviews.
- (c) to furnish library documentation of articles on co-operation/management and allied subjects derived from various sources of publication;
- (d) to give glimpse of training activities of the Institute to build up trained manpower for the co-operative movement; and
- (e) to provide opportunity to the readers and specially ex-trainees to exchange experience through feature 'Readers' forum'.

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People and businesses use cooperatives to serve their common interests and for mutual benefit. Cooperatives are complex organizations with unique principles, practices, member benefits, and structural characteristics. Geographic area, governance system, and functions performed explain organizational structure and size and scope of member service.

Cooperatives exist in many segments of the economy today, providing procurement, marketing, and service for member-owners. Cooperatives are used by members to market and process their farm-grown commodities, and cooperatives often add value to the raw commodities. Some cooperatives provide members with banking, transportation services, credit, housing, utilities and other services and goods. Cooperatives often have branded products and some cooperatives perform two or all of the functions of purchasing, marketing, and service on behalf of their members.

Corporate Vs Cooperative Governance

Basically, corporate governance concerns all the steps taken by the owners of a company toensure that they get the best possible benefit. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the Board of Directors, Managers, Shareholders and Other Stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and means of attaining those objectives and monitoring performance.

In simple words, therefore, corporate governance concerns all the institutional structures that help to maximise efficiency, i.e, legislation, company organisations, agreements, etc. A division is often made between internal and external control, as, for example, between legislative and capital market control. The organisation of corporate governance is more widely concerned with ownership structures as a company's success is affected by the type of ownership structure and owners it has.

In examining the cooperative movement as a whole, it is more natural to stress upon stakeholders, because cooperatives often try to offer services that the market fails to produce effectively. However, a member in a cooperative society normally has the full rights and duties of ownership. Furthermore, the goal of a cooperative is to provide the goods and services required by its member-owners. Thus owner-based thinking is highly suitable while considering corporate governance in cooperatives. Owner value, however, is defined differently in a cooperative from a listed company.

In the listed companies it is natural to measure owner value in terms of share value. For cooperatives, however, there is no equally clear way of measuring it and neither does the same method apply to all types of cooperatives. For instance, owner value in an agricultural cooperatives is formed by the difference between the market price and that paid to the members, the monetary value of the services produced and the assets retained by the cooperative. It is essential is that owner value is expressed as a monetary quantity that can be monitored and measured. Future profit expectations cannot be taken into consideration in the value of a cooperative because the shares are not transferable.

The cooperative has many special features that make governance different and challenging. Cooperatives differ from traditional investor-owned companies in respect to their ownership character, goal setting, methods of financing and profit distribution, and decision making. These differences not only bind members more effectively to the activities and running of the cooperative, but also blur the ownership role and bring to the owners many other benefits in addition to the success of the enterprise.

Cooperative governance Principles

As the practices of corporate governance in cooperatives is unique and different there is a need to evolve different mechanism. In this regard the World Council of Credit Union has prescribed governance principles such as external, internal and individual governance. The principles are:

External Governance

- Transparency
- Compliance
- Public Accountability

Internal Governance

- Structure
- Continuity
- Balance
- Accountability

Individual Governance

- Integrity
- Competence
- Commitment

The byelaws of the cooperative societies bring out the roles and responsibilities of the Board of Directors, Managers and Others but some of the above governance principles are not explicitly mentioned in the byelaw. Consequently, most of the time there is blatant violation of the governance principles. Hence it is worthwhile to consider the following recommendations for effective cooperative governance.

- More details in annual report and similar disclosure, especially in respect to profit and its distribution.
- More information concerning the tasks of board members and promoting the efficient working of both the board of directors and the supervisory board through training and developing self-evaluation.
- Development and presentation of management control systems (control concerns both financial performance and goal monitoring).
- Development and evaluation of remuneration schemes.

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Addressing Demand Side Factors for Financial Inclusion

Debashish Kundu*

Abstract

The study evaluates the progress made in the field of financial inclusion and the impediments towards achieving universal financial inclusion. It finds that though Government has put in all efforts towards banking penetration and access but the demand side has not been addressed which leads to very little usage of the financial products. It further identifies the demand side drawbacks in the present model of financial inclusion and suggests ways and means to overcome them. In its attempt to address the demand side issues it studies the business models in India, like AMUL & Arvinda Eye care, which are successfully serving the poor .It also reviews the Global Financial Inclusion Models like BRADESCO of Brazil, MPESA of Kenya, Rakyat Bank Indonesia, Mzansi accounts of South Africa, Grameen Bank of Bangladesh etc to understand what makes them successful in their business.

Keywords: Financial Inclusion, Micro Credit, Micro Insurance, Weather Insurance, Financial literacy

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Introduction

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to disadvantaged and low income segments of society. It ensures access to financial services and timely delivery of credit when needed by vulnerable group and low income groups at an affordable cost (*Rangarajan Committee*, 2008). Scope of financial inclusion includes –Savings, Affordable Credit, Payment/Remittances & Insurance

Advantages of Financial Inclusion

Financial Inclusion has emerged as a tool for the socio-economic development of the society. Research shows that well developed and inclusive financial system are associated with more rapid growth and better income distribution(Honohan, 2004) Egalitarian countries like Sweden, Denmark have very high level of financial inclusion. Inclusive financing gives the unserved & underserved population an access to opportunities for acquiring education, entrepreneurial ventures, learning new skills and purchasing income generating assets for better income. This in turn accelerates the growth in national income with even distribution of wealth.

Financial Inclusion also protects the poor during exigencies so that they do not slip into further poverty and distress. It also ensures that social benefits reach the intended beneficiaries. Estimates say that only 16% of the government assistance reaches the poor beneficiaries. It also helps to replace product subsidies by cash subsidies which are easier to deliver and cuts down the administrative costs. Availability of financial services when required brings confidence among the poor people to meet the investment requirement, consumption needs and risk management. It helps them to manage the small money they already have (Rutherford, 1996)

Background & Literature Review

Financial Inclusion in Indian Context

India is an emerging economy with an average growth rate of 7% per annum during the last five years. It is the world's 10th largest economy and third in terms of purchasing power parity (*IMF report*, 2014). It has a huge population of 121 Crores of which 270 million (22%) live below the poverty lines (*RBI annual report*, 2012). They are mainly semi literate or illiterate and earn meager income through unskilled labor. Due to low and cyclical income they are not served by formal sources of finance which restricts them from entrepreneurship,

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value addition, learning new skills, developing market linkages or acquiring income generating assets to increase the income and break the poverty cycle.

In the context of rural India, 68.8% of the total population stays in villages .Around 52% of this population is involved in agriculture but contributes to only 22% of the GDP (*National Labor statistics*, 2009). They are financially excluded and work in unorganized manner and do not get loan for small investment in fertilizer, pesticide, seeds etc to enhance the productivity. The loan requirement is met by the local moneylender at high rate of interest which leads to debt trap and unending cycle of poverty. As per Indian Debt Investment Survey 59th round, 43% of rural household continue to rely on informal finance through various forms of borrowing from- direct money lenders, traders supplying agricultural inputs, landlords & unregistered microfinance institutions. In fact, borrowing from institutional sources has declined from 64% to 57% between 1980-1990 and 1990-2000(Burgess & Pande, 2003).

In India alone 560 million people are excluded from formal source of finance, a Figure in tight correlation with the 41.6 percent (457 million) of the populace that still lives below the poverty line (US\$1.25/day) (NSSO data). As per 2011 census only 58.8% of the households are availing banking services. Of these 67.8% are urban households and 54.4% are in rural areas.

The Government of India has constantly endeavored from its first five year plan onwards, to build a road map towards achieving 100% financial inclusion. The major steps taken in last five decades include – proliferation of credit co-operative banks ,nationalization of private banks, formation of regional rural banks, formation of NABARD with focus on rural expansion , starting lead bank schemes, mandating priority sector lending, opening of no frill account, simplifying Know Your Customer norms, promoting technology based banking solutions like Kisan Credit Cards and General Credit Cards , all aimed at bringing more population under the purview of formal financial institutions .

The Government has also encouraged low cost innovative delivery models by linking the Banks to business correspondents, Self Help Groups, FMCG outlets & micro finance institutions. Overall emphasis is to provide access to unbanked population by bringing the bank at the doorstep and encouraging people to open new accounts. The focus is primarily on the supply side – Increase the banking penetration & access to accounts.

The supply side focus of the Government has led to a huge network of Scheduled Commercial banks, Regional Rural Banks, Co-operative Banks, Primary Agricultural Co-operative societies & Post offices in rural areas .As on 31st March 2013 there are 102343 branches of scheduled commercial banks of which

37% are in urban areas and 63% are semi urban & rural branches (*RBI annual report 2012-13*). There are 154000 post offices of which 139040 are rural branches, 14000 branches of rural co-operative banks and 98000 retail outlets of Primary agriculture credit societies at grass root level (*Basu, 2005*). Total number of banking outlets in villages increased from 67,694 in March 2010 to 2,68,454 in March 2013 (increased around 4 times during the period of three years) which includes bank outlets through BCs (*RBI Annual Report 2012-13*)

Total Credit & deposits of Scheduled commercial bank is Rs 52604 Billion & 67504 Billion respectively as on 31st March 2013 (www.rbi.org)

Not surprisingly, India compares favorably with other developing countries in terms of the average population served per bank branch, and the average geographical area served per branch. Average population covered per bank branch is 12100. The same for rural branches is 17000.

However the Statistics of financial Inclusion in India (based on NSSO survey 59th round) presented by the committee for financial Inclusion reveals some disturbing facts:

- i. 45.9 million of the total 89.3 million Farm Household (51.4%) are financially excluded from both formal and informal sources
- Of the total farmer household, only 27% have access to formal credit; one third of the farm households from this group also borrow from informal sources.
- iii. Overall 73% of the farmer households have no access to formal sources of credit
- iv. Marginal farmer household constitute 66% of total farm household. Only 45% of these households are indebted to either formal or informal sources of finance (same figure for small farmers is 51%, medium farmers-65.1% and large farmer-66.4%)
- v. Only 20% of the indebted marginal farmers have access to formal sources of credit (same figure for medium farmers is 57.6% and large farmers-around 65%)
- vi. Among non cultivators household nearly 80% don't access from any source of credit.

Although there has also been a concentrated effort to open new accounts for every rural household. The number of BSBD accounts opened increased from 73.45 million in March 2010 to 182.06 million in March 2013(*RBI annual report*). A lot of new accounts were opened to receive government payments, transfers

and subsidies. However once such payments were withdrawn there was no further transaction in the account. As per survey, only 20% of these accounts are active. (www.developmentoutlook.org)

This leads to the conclusion that increasing banking penetration and access does not guarantee the usage of the bank account. Account opening is just an entry point into the formal financial sector. The financial inclusion cycle can be completed not by just opening an account but increasing regular usage and linking with other financial services so that there is access to all financial instruments. Optimum utilization of account should be the target of banking service providers. Focus on demand side factors is also required while addressing the supply side issues otherwise financial inclusion will always remain a social obligation driven by public sector banks and not a business opportunity. RBI in its annual report 2013-14 has stated that after creating a robust infrastructure for access of financial services, the focus will be on increasing the demand and usage.

Demand Side Constraints

The demand side constraints can be classified as:

- 1- Self imposed barrier –Because of low & cyclical income the poor people believe that they have nothing to save after consumption.
- 2- Price barrier- The cost of banking exceeds the benefit derived by availing the financial services. This includes the opportunity cost also.
- 3- Geographical barrier-Distance & working hours of the bank branches coincides with the labor hours. This dissuades people from visiting the bank since they have to take leave & also lose a day's wage.
- 4- Socio-cultural barrier –Bank staff are uncomfortable in dealing with the poor masses and this alienates them further.
- 5- Information barrier The poor are unaware about the available financial services and their benefits.
- 6- Regulatory barriers –The identity requirement and other documentation requirement required by regulatory norms are not available
- 7- Products not meeting the requirement-Most of the products designed by banks are stripped down version of the existing products which doesn't meet the requirement of the poor.

Profile of Financial Excluded Customers

The financially excluded consumers have certain unique characteristics which decouple them from the formal financial system in its current form:

- 1. Financial illiteracy: The financially excluded consumer has more often than not, a low awareness and understanding of the need for personal financial management and of the services and products provided by the formal financial system. Majority of the interventions for building financial literacy are reliant on printed collateral .i.e. brochures, manuals etc and have limited outreach which makes it difficult for the poor to update themselves on the available financial services.
- 2. Low and cyclical income: The consumers have a very cyclical and variable income pattern which is often linked to the agriculture cycle in rural locations and availability of work in the urban areas which makes their adherence to fixed payment schedules impractical.
- 3. Minimal collateral: A focus on consumption expenses and reluctance or inability to create fixed assets due to low incomes and migrant lifestyles result in the financially excluded consumers often not possessing any assets which can be accepted as viable collateral against credit.
- 4. Lack of credit history: Financial exclusion results in the poor having no verifiable credit history which makes it difficult for banks and other financial institutions to authenticate their credentials while extending credit.
- 5. Absence of formal and verifiable identity: The financially excluded often have no means of proving their identity as the conventional means like driver licenses, voter identity card, passport, ration card and utility bills are not available to them.
- 6. General illiteracy: The high levels of illiteracy prevalent among the financially excluded especially amongst the rural population make them unable to comply with the complex documentation requirements of formal financial institutions.
- 7. Apprehension of bureaucracy: Their legacy of social oppression results in the financially excluded having an apprehension and fear of dealing with bureaucracy. The inimical attitude often displayed by the staff of financial institutions further alienates the poor.
- 8. Credit primarily for personal consumption: The typical credit requirements of the poor are mainly for consumption kind of expenses e.g. marriages, celebrations, medical emergencies etc. which makes it difficult for them to avail credit from formal sources.
- 9. Banking Access: Most of the banks are working from 10 am to 4 pm which coincides with the working hours of the poor people also. The banks are also located at long distances & by coming to the bank they have to forego a part of their daily wages. The cost incurred exceeds the benefit.

Objective of the Study

The study tries to find the ways and means to increase the demand for financial services among the poor. Lower cost and scalability can be achieved when there is demand. The aim is to see that how can banks generate value for the products and services so that low end customers are willing to avail them and pay for them. Such product and services should be delivered through user friendly channels leveraging the technology and integrated with financial literacy of the target group.

Study of Few Successful Global Financial Inclusion Models for Reaching the Unbanked

An article published in *Forbes India* titled "Profitable Models of Financial Inclusion around the world" (November 2010) examined the various models around the world and whether they would work for India .Some of the notable models mentioned are:

1. Bradesco in Brazil recruits existing postal agents and local retail store owners as banking Correspondents (BC). They are member of local community and generates trust among the prospective clients. The correspondents are provided the basic banking software and basic training Though the profit margin is low, the demand for agency is high because it increases the footfalls to the shop and opens up multiple revenue sources. The agents acts as interface between the financial institution and the end users (CGAP & Central Bank of Brazil, 2008)

The BCs existed since 1970 but the real boost came a decade ago when regulations were broadened to include a host of services which they could offer and ease several other restrictions. The model has grown very rapidly and payment of utility bills account for 75 per cent of transactions through BCs. One reason why the BC model worked in Brazil is that the authorities established a strong business case for BCs. India has adopted the BC model but a large informal system for transactions have not been brought into the banking system so far .

2. MPESA innovative mobile transfer solutions has registered 13 million users(40% of adult population) in Kenya enabling them to transfer money without having to visit the bank. There is no bank account and the mobile phone company acts as a

conduit for keeping & transacting money. The mobile phone company acts as a repository for customer's money and allows them to transact. However it cannot use the money and neither pays interest to customer's .India cannot adopt this model because the mobile phone companies are not allowed to act as banking channels. Also the Microfinance Act of Kenya passed in 2006, allows microfinance institutions to accept deposits. However such deposit taking microfinance institutions have to compulsorily contribute to deposit protection fund.

3. In Mexico, Banco Compartamos showed that microfinance is business of scale and that private capital can help to achieve the scale. It believes that microfinance institutions can succeed by being extremely profitable to shareholders. It charges more than 100% interest rates but still it is successful because loan sharks charge even more. However in India this model would not work because such high prices would not be tolerated by the social structure.

Wal-Mart, the world's largest retailer. has expanded its business by providing financial products and services in Mexico .In November 2007, Banco Wal-Mart opened in existing stores thereby avoiding the infrastructure cost of setting-up bank branches. As the largest private employer in Mexico and with nearly 2.5 million people in Mexico visiting its stores every day, the new bank had a sizeable, low-wage-earning) and loyal population from which to recruit customers.

Opening a Banco Wal-Mart account requires a minimum balance of less than \$5 while the competing banks require a minimum balance of \$100. However, Banco's interest rates on savings are only half that offered by other banks. Wal-Mart's annual rate of consumer loans is around 75 percent while the rates from competing banks are about 100 percent.

The Mexico remittance market is about \$23 billion (approximately), which the bank is now trying to exploit through its partnership with a money transfer company, Moneygram International. Its other product offerings include debit and credit cards and loans of up to 50,000 pesos (about US\$3,500) for in-store purchases, thus promoting its retail sales.

4. In South Africa, the Central Bank launched no frill banking in 2004 with negligible amount of deposit and five numbers of free monthly transactions .In 2009 there were 6 million Mzansi account in a country of 32 million. However out of these 6 million only 3.5 million accounts are active, the reason being that

the accounts have been marketed as a savings product but what drives usage is transactions. India also has an equally bad experience in usage of no frill account with only 20% account being active.

South Africa's E-Bank plan is also unique. It demonstrates how commercial banks can bundle services for low income client. They offer an integrated combination of product and delivery features, including user friendly & conveniently located branches, by leveraging technology.

- 5. In Philippines GCASH and SMART MONEY are the oldest mobile based money transfer and payment services using mobile phones
- 6. Bank Rakyat Indonesia has shown an exemplary growth in microfinance through expansion of branch and employees' network, innovative products, increased competency of staff through training and new recruitments. Micro Credit is one of the core businesses of the bank and it is the biggest micro lender in Indonesia. In 2013-14 lending to the number of micro loan account grew from 5.5 million to 6.5 million and micro deposits grew from 24 million savings account to 28 million savings account (BRI, Annual report 2013-14)

The Business Correspondent model has been adopted in our country but it suffers from low financial viability because of low transactions which is limited to only deposits & withdrawals. A huge number of No frill account has also been opened but they suffer from lack of usage. In both cases demand which can scale up the volume and revenues is not there.

Addressing demand factors will address the issue of achieving high volume & low cost which is the key to operate at the bottom of pyramid.

Addressing the Demand Side Factors

Usage of Financial services depends upon following factors:

- 1) Developing appropriate financial products & processes suitable for the poor Population
- 2) Financial Literacy & Awareness.
- 3) Improved Public Interface with Banks
- 4) Increased Accessibility
- 5) Credit plus services.
- 6) Focusing on Low Cost Operations

The above factors need to be addressed so that the target population can understand and access all the financial instruments as and when they require.

Before developing appropriate product & processes banks need to define the target customers so that they are not lured towards financing the better off clients and make quick profit. In the dual pursuit of social ends and profitability, mission drift is very common. In Bangladesh, Grameen bank which is known for exemplary services in micro finance targeted the women from households with less than half acres of land. Bank Rakyat Indonesia which also succeeded in micro financing, targets household with less than half acres of land but the beneficiary members are men. The targeted beneficiaries should be identified clearly so that the benefits are not cornered by the rich segment of population.

Developing appropriate financial products

Savings Product

Presently all banks offer stripped down version of high end products to the low end customers. These products are neither required nor affordable to them. The target customer is poor with cyclical income and his ability to save is very less and hence he doesn't feel the need for a bank account. World bank Financial access survey(2013) has identified that the poor do not feel the requirement for banking because their income is very low which leaves them with little or No savings. The need can however be developed by transferring Government payments, social benefits, grants & subsidies through the account. The account can also be used for bill payment and remittances because seasonal migration is very prominent among rural poor.

Another problem identified is the cost of having an account which includes minimum balance norms, fixed annual fees, transaction fees etc. Since unbanked customers are poor, the nature of transactions in the account will be very small and frequent, which increases the cost per transaction. To address this issue the banks can consider having small charge on transaction basis rather than opening a free zero balance account or asking for maintaining minimum balance in the account. The transaction cost calculated by the customer is not the nominal cost but the true cost incurred like travel cost, wages foregone, hidden payments to agents/banking staff etc so efficiency of services and minimal documentation requirement plays a major role in attracting the financially excluded customers.

Transaction charges received from customers will offset the costs incurred in managing the account. Also there should not be any restrictions on payment & withdrawals.

Bank Rakyat of Indonesia allows poor customers to open an account with minimum \$1 or Rs 60 and a minimum balance of \$0.57 or Rs 27 and this has been a successful savings product. The total balance in all such accounts may add up to a substantial amount of low cost funds & improve the asset liability match.

It should be noted that individuals will open an account if the benefits from the account outweighs the cost. The benefits can accrue when access to a savings account helps in receiving remittances, government payments, social benefits, subsidies, wages, access to savings linked credit facility, money transfers etc. The account should open the door towards multiple benefits so that the benefits over rides the cost.

While developing savings products for poor, banks must consider the four essential features: Design, Security features, Low transaction cost & interest rates.

Low Cost Credit:

Similar to saving the concept of micro credit needs to be promoted. This can be done either by banks or through specialized micro finance institutions supported by banks. Such micro credit should have flexible repayment system to take care of the cyclical income trends of poor customers. The higher rates in the range of 24% to 36% should take care of the flexibility offered in repayments. The credit information should be shared between all MFI and banks so that they refrain from lending when the loan exposure is high. This will prevent over indebtness and untoward social uprisings. In the absence of credit history, alternate payment behavior can be analyzed like payment of mobile bills, utility bills etc to judge the credibility of the customer. Lending to self help groups or joint liability group is another solution.

In order to encourage all banks for microcredit the CRR can be reduced by 1% for banks who do micro lending. In Brazil, banks generally need to place 45 percent of **sight deposits** in reserve at the central bank at zero percent rate of interest. To promote micro finance, central bank permits banks to take 2 percent

of the allocated 45 percent deposit and deliver micro loans at between 24 and 48 percent interest rate. Legal reforms should be initiated so that stamp duty can be waived for small ticket size loan. A lot of poor & marginal household have inherited gold ornaments which banks can keep as collateral against loan. Even the savings in the account or previous credit history of repeat customers or regularity in utility bill payment can be treated as "virtual" collateral.

Bangladesh Grameen Bank devised loan product with small flexible weekly repayment. This suited the beneficiaries since they could pay in small amount from the meager income earned on daily basis. Bank Rakyat Indonesia also allows loanees to repay on weekly basis which keeps default under control. Grameen bank practices the group based credit model with only women being group members. Barac Bank, Bangladesh practices integrated credit model. They provide training, inputs, and marketing assistance alongside credit.

A potential means of reducing default risk in rural finance which has recently caught the attention of the Government of India (GOI) is the establishment of a "warehouse receipts system." This involves farmers using their crops as collateral for post-harvest financing. However in that case warehouse receipts have to be recognized as legal instruments.

Private Banks which doesn't have outreach in rural areas should be asked to contribute indirectly by making micro lending obligation "tradable". The most Competitive lender would then be paid by less-well-placed banks to effectively take on their micro lending requirements for a price. Private Banks can also lend to specialized micro finance institutions for onward lending to the poor.

One of the most contentious issues in rural credit is the rate offered. Experiments by **Bank Rakyat Indonesia** and Grameen bank has shown that charging a rate which helps to recover the cost, leads to delivering quality product and services on a sustainable long term basis .Cost recovery also enables the banks to serve maximum number of unserved and underserved customers .However at the same time, there has to be all round effort to control the operational costs so that customers are not burdened with abnormal high interest loans which makes them averse to institutional finance. Charging market rates unburdens the customers from paying the hidden cost which is otherwise prevalent in subsidized below market rates loans.

Malegam Committee report (RBI, 2011) on microfinance suggests that lendings by banks to microfinance institutions should be treated as priority sector lending. It also recommends, creation of a category of NBFC-MFI, transparency in interest charges, not more than two microfinance institutions can lend to one individual, setting up credit bureau, interest cap and margin cap on individual loans, establishment of proper system of grievance redressal & creation of social capital funds. The recommendations have been accepted by the RBI

Microfinance experts also recommend reducing minimum startup capital requirement to facilitate transformation of Micro Finance Institutions into NBFC and facilitate MFIs to raise debts and also mobilize savings with adequate safeguards

Remittances and Bill Payments

Since the income of rural people is cyclical in nature they migrate to nearby towns and cities in lean season. They have to remit the income to the family members. At present the postal department money orders are most preferred but they are also the costliest because they charge almost 5% of the remittance amount. The 154000 post offices handle 110 million money orders across the country (www.indiapost.org). There is tremendous scope of business in money transfers which banks and micro finance institutions can exploit. The cost & time required for money transfers can be reduced by utilizing the electronic fund transfer which is not available with India posts. Also mobile money transfers can be used since mobile penetration is very high among the poor people. The banks can tie up with mobile service provider to provide mobile money transfers. Collaborative model of banks & microfinance institutions can provide shared access to remittance platforms

In Kenya Safaricom offers money transfer and bank account services using mobile phones. It allows subscribers to deposit and withdraw money via Safaricom's airtime-sales agents, and send funds to each other by text message (SMS). In India, laws donot allow mobile service providers to accept deposits but money transfer is allowed by linking it with bank accounts.

Micro Insurance

Insurance protects the savings and the assets created under credit program from being wiped away by exigencies like crop failure, health issues, and accidents.

The concept of micro insurance need to be promoted because the poor people cannot afford to pay high premium. Risk cover through insurance is required for the poor because they are more susceptible to the vagaries of nature. Exigencies are the more common in poor households and lack of financial support aggravates the problem. The proportion of people having some form of life insurance cover stands at 10 percent and people with any form of non-life insurance cover stands at less than 1 percent. There are only 3.1 policies per thousand people in India (RBI NSSO survey 59th round). The total insurance (life and non-life) penetration, in terms of the ratio of insurance premium as a percentage of GDP increased from 2.32 in 2000-01 to 5.10 in 2010-11(Insurance sector in India ,April 2014 Industry report). The life insurance penetration as a percentage of GDP stood at 4.40 in 2010-11 while the non-life insurance penetration remained at 0.71 during the same period. In other words, there is vast untapped potential as regards insurance penetration.

Given the extremely low uptake of insurance by the poor who are often the most vulnerable, the insurance firms need to design appropriate low cost products and create new distribution channels to reduce their costs, simplify processes and increase outreach. Insurance firms need to balance their need for risk-aversion with the huge market opportunity.

The partner-agent model is perhaps the best suited to address the outreach challenge as it enables the insurance providers to collaborate with NGOs, MFIs, SHG etc to distribute the insurance products without incurring huge costs to create distribution networks. Innovative products which combine risk cover with savings will need to be created. Group insurance can be thought for Self Help Groups.

Apart from traditional life insurance, other non-life risk covers which are needed by the rural population include crop and weather insurance, livestock insurance and health insurance. New products will need to be designed as the existing insurance products are often not suited to the needs of the poor e.g. crop insurance products are often predicated on yield estimation based on samples. Weather Index insurance can help the banks to provide crop loan to non irrigated areas.

ICICI has experimented with the weather insurance policy where the claim is settled based on transparent index. The index is prepared by assigning weights to critical time period of growth. The past weather data is mapped to this index to create a normal weather index. The actual weather data is mapped on to the

normal weather index to arrive at actual index level .If there is any deviation between the normal weather index and actual weather index then compensation is paid to the farmer on the basis of pre agreed formula. The normal weather index is always tested against historical weather data to check whether the payout adequately compensates the losses suffered by the farmer. The premium is calculated based on expected losses and volatility of historical losses and management expenses.

Research studies have shown that poor households also have unique ways to save, borrow, spend and manage risks. However such savings & borrowings are from informal sources. Savings in shady ponzi schemes are more prevalent among the poor in rural areas which is evident from various scams being exposed. The need of the hour is to channelize the savings to the formal sector and link it to other financial services to make it more attractive. The aim is to search for ways & means to significantly alter the ways in which poor people manage their finances.

The poor are constantly borrowing, lending, saving, withdrawing, using, and losing money through contingencies and calamities. They need someone to help them with all these transactions. Composite-service providers are preferable in as much as they reduce the number of agencies with which poor households must deal, thus reducing transaction costs (Morduch; Rutherford, 2003). Moreover, if a composite agency has a good internal MIS; it can use the savings history of a household as a "collateral" for loans. Similarly, if the same agency provides insurance for lives or livelihoods, it will be more willing to give a loan.

The bankers need to ensure that the poor is not dependent upon one product but he avails a basket of financial services which will automatically translate into total financial inclusion. The formal sector needs to provide the convenience & flexibility which is provided by the informal sector while adding the promise of reliability & continuity. Men & women from rural households require a wide range of savings & loan services to support the diverse consumption need and investment opportunities.

Financial Literacy

As defined by the Reserve Bank of India (RBI), financial education is "the process by which financial consumers/investors improve their understanding of financial Products, concepts and risks and, through information, instruction and/

or Objective advice, develop the skills and confidence to become more aware of Financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial wellbeing."

Financial literacy helps the prospective customer to take informed decision to match his requirement taking into consideration the risk implications.

The effort to develop tailor made products should be accompanied by creating awareness about the benefit of availing financial services. Financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. This can be done in a collaborative manner by all banks, NBFCs, microfinance institutions NGOs and self help groups so that costs are shared by the various stakeholders. The regulator can also take a lead role in initiating financial education. It will create confidence among the unbanked customers by highlighting the advantages and safety features of various products. The Government has also set up the Financial Inclusion Fund whose objective is to support "developmental and promotional activities" with a view of securing greater financial inclusion, particularly among weaker sections, low-income groups and in under developed regions and hitherto unbanked areas.

In the realm of financial literacy partnership and healthy competition between the service providers should be encouraged. All financial institutions can co-operate in driving financial literacy which will hasten the movement and also minimize the cost burden .Corporate can also play a key role in literacy drive through "Teach India Campaign" as a part of corporate social responsibility.

Improved public interface:

A less than welcoming attitude displayed by the staff of the formal financial institutions towards the financially excluded creates a deep sense of alienation and makes them reluctant to approach the formal financial institutions. The financially excluded consumers expect to be treated with respect and empathy by the financial institution staff. Efforts should be made to appoint local people as the frontline staff in rural banks. If required recruitment rules in public sector banks should be amended to accommodate local flavor. Behavioral training also needs to be imparted to the staff so that they are conscious about their responsibilities towards the customers irrespective of whether they are rich or poor. Training the Business Correspondents and self help groups is also a prerogative.

Increased Accessibility:

Typically the financial institution offices operate during fixed hours (.i.e. 1000 – 1400 hours) on certain days of the week. The offices are likely to be located within large villages and towns. As the financially excluded are more likely to be daily wage workers, they have to take leave and forego the days' wage when they visit the bank. Even if they are not daily wage workers, the excluded consumers will often find it difficult to leave their daily activities to visit offices during working hours. Contrast this rigidity of the formal sector with the flexible access provided by the informal financial system e.g. money-lenders, which the financially excluded are typically used to. The financial institutions need to remove the physical access impediments to enable the financially excluded population to access the financial institutions as per their life-style convenience. This can be done by door step banking and also by increasing the process efficiency so that visits are less. It is to be noted that more the visits to the bank, the true cost of transaction increases and the inclination towards formal banking wanes.

Credit Plus? Assessing Integrated service Provision

Rural Credit & Rural Banking needs to viewed in the wider context of rural economy There are organizations like BRAC Bank, Bangladesh which go beyond financing the poor by providing opportunities and interventions in the form of education, business advisory, entrepreneurial encouragement, marketing assistance, health hygiene and social issues. The banks become a total partner with the village poor On the same lines, institutional credit can be further subdivided into three subsystem –a)Agriculture production subsystem(APS) b) Agriculture Input subsystem(AIS) c) Agriculture Produce Processing & Marketing subsystem. Institutional finance for APS generates demand for inputs, farm assets, and services and thereby influences backward linkage of APS with AIS. This linkage is facilitated through institutional finance for AIS. This sub-system is encouraged to stock and supply inputs and therefore can forge its forward linkage with APS. Institutional finance for APS also creates demand for services from AMPS and results in forward linkage of APS with AMPS. These linkages are essential for increasing agriculture productivity, production and value addition which in turn increases the viability of rural financial institutions through economy of scale, higher loan recovery and consequent higher recycling of funds.

Low Cost of Operations & Delivery

Maintaining low cost is a key criterion for generating high demand and to achieve high volume and scalability. In the context of financial inclusion the last mile coverage of financial services is major challenge in a country like India with huge geographical spread and poor infrastructure. The challenge acquires further significance since the delivery cost has to be kept low because poor people cannot pay exorbitant prices. The main challenge was to develop or leverage a trusted network which people would like to rely upon and developing adequate technology which will guarantee safety of data & money. The cost of financial services needs to be benchmarked against the price paid to money lenders. Costs can be reduced and scalability challenges can be addressed through developing floating subsidiaries backed by technology solutions which are reliable, convenient & safe. Tie up with NGOs, social entrepreneurs, specialized microfinance institutions, self help groups, FMCG outlets are ways & means to share the resources, infrastructure & capabilities and scale up the business. For the third parties it will be a source to generate multiple revenues and increase footfalls in the outlet. Locally relevant resources & capabilities are needed to be leveraged because the company resource and capabilities have evolved in very different environment and may be only partly relevant in poor country context. (Carvalho Alexandre D.et al, 2010)

Third party delivery models needs to be backed by secured & reliable technology Technology addresses the scalability challenges by reaching maximum number of customers across uncharted territories. Government policies have laid a strong foundation wherein technology has helped to spread the reach of financial services. Use of Information & communication technology has helped banks to reach the customers wherever they are at a lower delivery cost.

Conclusion

A 'multiple product access platform' supported by formal education and easy-to-use technology, well spread self-service kiosks and a collaborative model backed with Business Correspondents, MFIs and SHGs , FMCG companies can address the demand side issue effectively.

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Financial Performance of Vilvattam Service Co-operative Bank

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Abstract

Cooperatives in India are intended to be the instrument for financial inclusion. PACS in Kerala in comparison to their counterparts elsewhere playing a pivotal role for financial inclusion and they had the highest rank with regard to membership, population coverage, borrowing members, loans and advances, deposits mobilization and share capital contribution. Despite the phenomenal outreach and volume of operation, the health of the cooperatives has deteriorated significantly. In this context a study was carried out to analyze the financial performance of the Vilvattam Service Cooperative Bank. The study is based mainly on the secondary data collected from the annual reports of VSCB for a ten years from 2003-04 to 2012-13. Financial performance of Vilvattam Service Co-operative Bank was analyzed with respect to efficiency in mobilization, efficiency in deployment, efficiency in operations and liquidity management. As far as sources of funds are concerned the selected bank mobilizes more through high cost deposits and gives less importance for low cost deposits. The banks failed to deploy funds focusing on its mandate. This inefficiency is reflected in the profitability where spread is low and burden is comparatively high, leading to loss for the bank. Hence, the bank should leave no stones unturned in professionalizing its management.

Key Words: Mobilization, Deployment, Profitability, Liquidity, Professionalization.

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Background and Justification

Co-operative movement has been recognized as an important instrument towards achieving socio-economic transformation of rural masses. Primary agricultural credit societies (PACS) are the pillars of co-operative credit movement as these societies are intended to promote the economic interest of its members in accordance with the co-operative principles.

In India PACS are passing through an era of crisis. Incidence of non-viability is one of the major setbacks. PACS have made little progress in attracting deposits. The repaying capacity of the PACS has been dwindled considerably, as a result of mounting over dues in the loan outstanding against members. Along with the increasing volume of business the number of PACS running into loss and the amount of loss has increased considerably over the years.

The comparative performance of PACS in Kerala with respect to their counterparts in the rest of the country is remarkable. Kerala had the highest rank with regard to membership, population coverage, borrowing members, loans and advances, deposits mobilization and share capital contribution. Despite the phenomenal outreach and volume of operation, the health of the cooperatives has deteriorated significantly.

Performance of any institution can be evaluated through financial analysis which refers to the analytical study of financial statements which reflect the state of affairs of an organization at a given point of time as well as its financial performance over a period of time. Thus, there is a need to analyze the financial statements by determining the relationship between two figures. This is ascertained by a technique called Ratio Analysis which expresses the numerical relationship between two accounting figures. It is a powerful device to analyze and interpret the financial health of a firm. This not only helps management in decision making and control but also serves as a useful tool for all concerned with the firm.

Hence, the present study is intended to evaluate the financial performance of Vilvattam Service Cooperative Bank (VSCB).

Objective of the study

The objective of the study is to analyze the financial performance of the Vilvattam Service Cooperative Bank.

Methodology

The study is based mainly on the secondary data collected from the annual reports of VSCB for a ten years from 2003-04 to 2012-13. Financial performance of Vilvattam Service Co-operative Bank was analyzed with respect to efficiency in mobilization, efficiency in deployment, efficiency in operations and liquidity management. The sources of data was collected from the Annual Reports of VSCB.

Results and Discussion

The paper hereby presents the findings evolved on;

- Efficiency in mobilization,
- · Efficiency in deployment,
- · Efficiency in operations and
- · Liquidity management.

EFFICIENCY IN MOBILIZATION

Efficiency in mobilization of fund is of great importance to any banking institution as the cost of fund being a critical component in the profitability, is determined by it. It is more significant in the case of co-operative banks as it reflects the members' participation in the organization, level of dependency on borrowed fund and ability to mop up rural savings. Even though there are number of ratios to check the efficiency in mobilization the following are taken for the purpose of study:

- Owned funds to Borrowed Funds Ratio
- Deposit Mix
- · Deposits to Working capital Ratio
- Low cost deposit to Total deposit Ratio

Owned funds to Borrowed Funds Ratio:

Owned fund comprises of share capital and reserves and the borrowed fund is derived from deposits and borrowings. This ratio shows the relationship between owned fund and borrowed funds of the bank there by indicates the relative stake of owners as well as creditors in the institution. It is more significant in a cooperative institution as it shows the level of participation of members. A higher ratio is always better as the owned fund is a cost free source.

Table 1: Owned Fund - Borrowed Fund ratio of VSCB

(Amount in lakh Rs.)

Year	Owned Fund	Borrowed fund	Ratio	Growth index
2003-04	160.37	1608.81	9.97	100
2004-05	171.72	1774.61	9.68	97.09
2005-06	152.53	2080.07	7.33	73.52
2006-07	201.46	2504.40	8.04	80.64
2007-08	261.45	3105.04	8.42	84.45
2008-09	266.28	3744.95	7.11	71.31
2009-10	250.13	4749.93	5.27	52.85
2010-11	265.67	6369.03	4.17	41.83
2011-12	300.25	7649.15	3.92	39.32
2012-13	389.86	9399.68	4.15	41.62
CAGR	9.29	19.31	-8.39	-8.39

Table 1 which shows the respective share of owners and outsiders stake in the total funds of VSCB reveals that it has come down from 9.97 percent to 4.15 percent with an overall negative growth of -8.39 percent. This is because the growth in owned fund was not incommensurate with the rate of growth in borrowed funds. This shows the laxity of the bank in enlarging the membership base and also its inability to create more reserves due to losses. Results shown by this table points to the general tendency of co-operative banks showing a lethargic attitude in enlarging their membership base and effectively use this cost free source as they mobilizes required funds through deposits and borrowings from DCBs. However it will seriously affect the capital adequacy ratio as well as the costs of funds which are discussed in the succeeding analysis.

Deposit Mix:

Deposit mix denotes the composition of different deposits of the bank. This reflects the quality of deposits and have direct implication on the interest spread and hence on the profitability of the bank.

Table 2: Deposit Mix of VSCB

(Amount in lakh Rs.)

Year	Savings	Fixed deposit	Others	Total	Growth
2003-04	203.05(12.63)	1404.85(87.37)	0.20	1608.11(100)	100
2004-05	204.69(11.54)	1568.94(88.46)	0.20	1774.01(100)	110.32
2005-06	292.31(14.06)	1787.06(85.94)	0.20	2079.57(100)	129.32
2006-07	356.21(14.23)	2147.73(85.77)	0.20	2504.14(100)	141.16
2007-08	419.37(13.92)	2594.50(86.08)	0.20	3014.08(100)	144.94
2008-09	431.71(11.75)	3243.59(88.25)	0.20	3675.50(100)	146.78
2009-10	562.83(11.88)	4176.62(88.12)	0.20	4739.65(100)	157.25
2010-11	761.62(11.98)	5598.64(88.02)	0.20	6360.46(100)	173.05
2011-12	806.02(10.56)	6832.73(89.44)	0.20	7638.95(100)	161.17
2012-13	852.47(9.08)	8543.81(90.92)	0.20	9396.48(100)	147.73
CAGR	15.43	19.78	0	19.31	

The Table 2 clearly depicts the trend in the deposit mix of VSCB for the period from 2003-04 to 2012-2013. Deposits of VSCB includes savings deposit, fixed deposit and others deposits. It can be observed from the table that all deposits except other deposits which were non-operating during the reference period were showing a steady increasing trend. Total deposit position of the bank showed an overall growth of 19.31 percent during the reference period. It can be observed that there was a differential rate of growth in the deposit mix. Fixed deposits grew at a rate of 19.78 percent whereas savings deposits only at 15.43 percent. Most significant observation was the declining share of savings deposits and the increasing share of fixed deposits. Since the low cost deposits showing decreasing trend and high cost deposits showing increase, cost of funds may be affected and hence profitability. In this regard it can be seen that the share of savings deposit in total deposit declined from 12.6 percent to 9.08 percent and reciprocally the share of fixed deposits increased from 87.4 to 90.9 percent.

Deposit to Working Capital Ratio:

A higher deposit to working capital ratio is an indication of higher share of deposits in the working capital. It also implies the efficiency of the bank in deposit mobilization and at the same time imposes certain additional responsibility on the bank to ensure deployment of funds in profitable channels. The efficiency of deposit mobilization should match with the efficiency of deployment of funds also.

Table 3: Deposit to Working Capital Ratio of VSCB

(Amount in lakh Rs.)

Year	Deposit	WC	Ratio	Growth
2003-04	160.37	1608.81	9.97	100
2003-04	1608.10	1769.17	90.89	100
2004-05	1774.00	1946.32	91.14	100.27
2005-06	2079.57	2232.60	93.14	102.47
2006-07	2504.14	2705.86	92.54	101.81
2007-08	3014.08	3366.48	89.53	98.49
2008-09	3675.49	4011.22	91.63	100.80
2009-10	4739.65	5092.06	93.07	102.40
2010-11	6360.46	6558.35	96.98	106.69
2011-12	7638.95	7938.95	96.22	105.85
2012-13	9396.48	9774.18	96.13	105.76
Growth Rate	19.31	18.64	0.56	

Table.3 evidences that deposits and working capital of the society shows an increasing trend almost in the same way. This trend is natural as the share of deposit in the working capital is around 96 percent. The growth of deposit is only slightly higher than the growth of working capital over the years. Hence the growth in the ratio is only 0.56 percent. The total deposit of the society has increased almost 5 times to reach 93.96 crores with a growth rate of 19.31 percent during the reference period which is a great achievement as far as the society is concerned.

Low Cost Deposit to Total Deposit Ratio:

Low cost deposits denote those incur minimum interest burden on the bank. This is very significant in the context of deposits contribute almost entire working capital. Low cost deposits normally denote savings and current deposits. But in the case of VSCB, current accounts are not mobilized.

Table 4: Low Cost Deposit to Total Deposit Ratio of VSCB(Amount in lakh Rs.)

Year	Savings	Total Deposit	Ratio	Growth
2003-04	203.05	1608.11	12.63	100
2004-05	204.69	1774.01	11.54	91.38
2005-06	292.31	2079.57	14.06	111.32
2006-07	356.21	2504.14	14.22	112.66
2007-08	419.37	3014.08	13.91	110.19
2008-09	431.71	3675.50	11.75	93.02
2009-10	562.83	4739.65	11.88	94.05
2010-11	761.62	6360.46	11.97	94.83
2011-12	806.01	7638.95	10.55	83.56
2012-13	852.42	9396.48	9.07	71.85
Growth Rate	15.43	19.31	-3.26	

Table 4 shows the ratio between low cost deposits and total deposits. It can be observed that the ratio which was 12.63 percent during the first year of reference dipped to 9.07 percent by the end of the period showing a decline at the rate of -3.26. It can be inferred that the portion of low cost deposit is not only very low but also diminishing over the years which implies that the bank need to incur higher rate of interest for the major portion of their deposits received, which will affect their profitability.

EFFICIENCY IN DEPLOYMENT:

Bank gets income by way of returns from effective deployment of funds. More than that, it ensures it's the organizational objective of helping the farmers and other poor sections of the society. Hence it is examined here. Mobilised funds are normally deployed as loans as well as investments, keeping the liquidity requirement norms. Following are the indicators examined for this purpose:

- Loan Mix
- Credit to Deposit Ratio
- Loans to Working Capital Ratio
- NPA to Loans Ratio
- Agriculture Loan to Total Loans

Loan Mix: Loan mix denotes the share of different loans in the total loans of the bank. Loans being the major income providing source, maximum of net disposable funds may be deployed as loans. More than that, it is through the provision of loans, the bank achieves its organisational objectives.

Table 5: Loan mix of VSCB

(Amount in lakhs)

Year	ST	МГ	LT	OL	Total
2003-04	1.06[0.1]	264.73[22.64]	2.80[0.24]	900.61[77.02]	1169.19
2004-05	0.05[0.01]	64.05[6.28]	4.86[0.48]	949.99[93.23]	1018.96
2005-06	0.00002[0.01]	229.46[18.20]	9.345[0.74]	1021.99[81.05]	1260.80
2006-07	0.85[0.04]	775.64[38.61]	9.055[0.45]	1223.12[60.90]	2008.67
2007-08	1.30[0.06]	753.20[32.30]	9.60[0.41]	1567.88[67.23]	2331.99
2008-09	0.33[0.01]	1096.33[37.16]	8.43[0.29]	1844.91[62.54]	950.00
2009-10	0.32[0.01]	1504.11[41.14]	9.04[0.25]	2142.54[58.60]	3656.01
2010-11	0.30[0.01]	2097.45[44.32]	8.43[0.17]	2626.27[55.50]	4732.45
2011-12	0.30[0.01]	2973.55[48.80]	8.27[0.13]	3111.01[51.06]	6093.13
2012-13	0.30[0.01]	3926.51[51.41]	7.85[0.10]	3702.47[48.48]	7637.13
CAGR	-11.86	30.95	10.86	15.18	20.64

It is clear from Table 5 that total loans of VSCB showed a steady increasing trend during the period from 2003-04 to 2012-13 with an overall growth rate 20.64 percent. The loan mix includes Short term (ST), Medium term (MT), Long term (LT) and Ordinary loans (OL). Medium term loans and ordinary loans have maximum share in the loan mix. MT loans increased from 264.73 lakhs to 3926.5 lakhs, with a growth rate of 30.95 percent. In the meanwhile ordinary loans increased from 900.61 lakhs to 3702.47 lakhs by the end of the reference period at a rate of 15.18 percent. LT and ST loans were very insignificant in the loan mix. Discussions with the bank officials revealed that in short term loans the maximum permissible limit of loan amount is very low which is unattractive where as in the case of LT loans, incidence of NPA is very high so that the bank itself is discouraging it.

Credit - Deposit Ratio:

The credit-deposit ratio is a commonly used indicatorto measure the efficiency of bank in converting the cost bearing funds into loans and advances. Since the deposits are mobilised for the purpose of giving credit, the relationships with these two are very much relevant. Efficiency of the bank lies in turning over of maximum of the mobilised deposits into credit notwithstanding the liquidity requirements, by introducing attractive loan products

Table 6: Credit to Deposit ratio of VSCB

(Amount in lakh Rs.)

Year	Credit	Deposit	Ratio	Growth
2003-04	1169.19	1608.10	72.71	100
2004-05	1018.96	1774.00	57.44	79.00
2005-06	1260.80	2079.57	60.63	83.39
2006-07	2008.67	2504.14	80.21	110.33
2007-08	2331.99	3014.08	77.37	106.42
2008-09	2950.00	3675.49	80.26	110.39
2009-10	3656.01	4739.65	77.14	106.09
2010-11	4732.45	6360.46	74.40	102.34
2011-12	6093.13	7638.95	79.76	109.71
2012-13	7637.13	9396.48	81.28	111.79
CAGR	20.64	19.31	1.12	

Table 6 which depict the credit-deposit ratio of VSCB reveals that the ratio is showing an erratic trend. Except one or two years it fluctuates between 70 to 80 percent and hence the overall growth is only 1.12 percent. Growth of credit given by the bank was to the tune of 20.64 percent where as that of deposits accounts to 19.31 percent. As borrowings are not there for VSCB, CD ratio of around 80 percent looks to be fairly good. In order to get a complete picture Credit to working capital ratio need to be examined.

Loans to Working Capital Ratio:

Loans to Working Capital ratio also act as an indicator of the efficiency in turning over the working capital to credit. The ratio shows the relationship between the deployment in loans and advances with available sources of fund. It also reveals the quantum of credit given for every 100 rupees available. Therefore a higher

ratio is always favorable. Since the efficiency in deployment of working capital is directly linked with its proportion advanced as loans, loans to working capital ratio is a better criterion for the analysis of efficiency in fund management of the bank.

Table 7: Loans to Working capital ratio of VSCB

(Amount in lakh Rs.)

Year	Loans	W. Capital	Ratio	Growth
2003-04	1169.19	1769.17	66.09	100
2004-05	1018.96	1946.32	52.35	79.10
2005-06	1260.80	2232.60	56.47	85.10
2006-07	2008.67	2705.86	74.23	112.14
2007-08	2331.99	3366.48	69.27	104.67
2008-09	2950.00	4011.22	73.54	111.32
2009-10	3656.01	5092.06	71.80	108.72
2010-11	4732.45	6558.35	72.16	109.35
2011-12	6093.13	7938.95	76.75	116.36
2012-13	7637.13	9774.18	78.14	118.50
Growth Rate	20.64		18.64	1.69

An almost similar trend as seen in the previous table is revealed in Table 7 also. Loans to working capital ratio are showing a fluctuating trend with a growth rate of 1.69 percent. Working capital showed a growth of 18.64 percent where as loans showed a growth of 20.64 percent. Similar trend as seen in table 8 can also be seen here, because major portion of the working capital is derived from the deposits. However it can be inferred that there is more scope for the bank to widen its loan portfolio so that the interest spread can be enlarged

NPA to Loans Ratio:

Efficiency in deployment of funds not only lies in the quantum of disbursement but also in the quality of disbursement. Quality of disbursement denotes the purpose, ability of income generation to the borrower and recycling of the loan. So it can be seen that timely repayment of loan is also an important pointer of efficiency in deployment of funds. NPA to loans ratio has to be observed in this context. Non Performing Assets (NPA) denotes the overdue loans. Hence an attempt is made here to see the ratio of NPA to loans outstanding of VSCB.

Table 8: NPA to Loan Amount ratio of VSCB

(Amount in lakh Rs.)

Year	NPA	Loan	Ratio	Growth
2003-04	258.68	1169.19	22.12	100
2004-05	255.90	1018.96	25.11	113.51
2005-06	244.18	1260.79	19.37	87.54
2006-07	258.81	2008.66	12.89	58.24
2007-08	239.49	2331.99	10.27	46.42
2008-09	307.07	2950.00	10.41	47.05
2009-10	396.41	3656.01	10.84	49.00
2010-11	348.85	4732.45	7.37	33.32
2011-12	364.09	6093.13	5.98	27.00
2012-13	365.84	7637.13	4.79	21.65
CAGR	3.53	20.64	-14.19	

Table 8 depicts a very positive sign with respect to the recovery performance of VSCB. Ratio of NPA to loans outstanding is reflecting a negative growth of considerable magnitude (-14.19 percent). The ratio dropped to 4.79 percent from a considerably high rate of 22.12 percent. This is because the bank was successful in arresting the growth of NPA to 3.53 percent when the growth of loans & advances were 20.64 percent during the same time. The loan recovery campaign work of the director board & staff of the bank need to be lauded.

Agriculture Loans to Total Loans Ratio:

As already stated quality of disbursement denotes the purpose for which it is given also, depending upon the mandate of the institution. VSCB is a primary agricultural credit society (PACS) which is organized basically to provide agricultural credit. In this context it will be relevant to examine the performance of this bank in achieving its fundamental objective.

Table 9 shows the ratio of agricultural loans to total loans reveals that VSCB had failed to achieve its mandate as the ratio was less than one percent during most of the years. Agricultural loans are showing a negative growth (-4.22 percent) during the reference period whereas the total loans have grown at a rate of 25.94 percent. The ratio is also showing a negative trend. Discussion with the authorities revealed the lack of demand for agricultural loans. This has to be viewed in the background of Prakash Bakshi Committee's observation that PACS are no more working as agricultural credit institutions as most of their loans are for non agricultural purposes.

Table 9: Agriculture loan to Total loan Ratio of VSCB

(Amount in lakh Rs.)

Year	Agri. loans loan	Total loan	Ratio	Growth	
2003-04	1.00	1169.19	0.09	100	
2004-05	49.11	1018.96	4.82	5601.20	
2005-06	45.96	1260.79	3.65	4236.87	
2006-07	1787.70	2008.66	89.00	103434.3	
2007-08	106.06	2331.99	4.55	5285.51	
2008-09	92.68	2950.00	3.14	3651.28	
2009-10	22.77	3656.01	0.62	723.67	
2010-11	16.75	4732.45	0.35	411.38	
2011-12	21.47	6093.13	0.35	409.48	
2012-13	6.62	7637.13	0.09	100.73	
CAGR	20.81	20.64	0		

EFFICIENCY IN OPERATIONS:

Having seen the efficiency of sources and uses of funds separately, the reflection of these in the operations needed a close look as the efficiency of sources and uses of funds will reflect in the profitability. Even though the co-operatives are with service motive, surplus is also needed for their existence and growth. Hence an attempt is made to examine the efficiency in operation of VSCB by a disaggregated analysis of the profitability of bank. To find out operational efficiency the following ratios are used:

- Spread Ratio
- Burden Ratio
- · Profitability Ratio
- · Manpower Expense to Total expense

Spread Ratio:

Spread ratio can be expressed as a relationship between interest spread and total funds of the bank. Spread is the difference between interest income and interest expenses. Interest income relates to the interest receipts on deployment of funds and represents the return on pure banking business. Major sources of interest income are interest earned from loans and advances, discount earned and the income from investment. Interest expenses are expenses on fund acquisition and represent the cost of fund. Reasons for interest expenses are interest on deposits and interest paid on borrowings. As this ratio shows the efficiency in lending operations, higher ratio is preferable since it is possible only when the interest received on loans are more than the interest paid on deposits and its borrowings.

Table: 10 Spread Ratio of VSCB

(Rs in lakhs)

Year	Interest Exp.	Int. Income	Spread	Total Fund	Spread Ratio
2003-04	143.63	168.71	-25.08	1769.18	-1.41
2004-05	152.42	162.33	-9.91	1946.16	-0.51
2005-06	167.41	165.73	1.68	2232.61	0.075
2006-07	200.09	183.1	16.99	2705.86	0.62
2007-08	292.43	245.35	47.08	3366.48	1.39
2008-09	392.07	317.88	74.19	4011.23	1.84
2009-10	440.57	404.67	35.9	5000.06	0.71
2010-11	585.82	500.6	85.22	6634.71	1.28
2011-12	724.41	661.88	62.53	7949.4	0.78
2012-13	1015.58	875.74	139.84	9789.54	1.42
CAGR	21.6	17.9		18.66	

Table 10 which exhibits the spread ratio of VSCB for a period of 10 years from 2003-04 to 2012-13 reveal that the ratio is not only low but also fluctuating. It can be observed that the ratio which was negative during the initial years of reference however showed some improvement in the later period. Rate of growth of interest expenditure was to the tune of 21.6 percent and that of interest income and total funds was 17.9 percent and 18.66 percent respectively. It can be inferred that this result is reflecting the flaws in the mobilisation and disbursement.

Burden Ratio:

Although banks constantly try to increase their non interest income and reduce its non interest expenses, the latter usually exceeds the former such that the difference is labeled as banks burden. Burden ratio is the ratio of burden to working fund of the bank. Burden is the difference between non-interest expenses and non-interest income. Non-interest expenses are expenses other than interest expenses like rent, taxes, insurance charges, printing and advertising charges, postage, telegrams and telephone charges etc. Non-interest income is income other than interest income like commission on services provided to customers, exchange and brokerage subsidies and donations, income from non-banking assets and profit from the sale of or dealing with such assets etc. A lower ratio is preferable because reducing burden will improve the profitability of the bank.

Table 11 Burden Ratio of VSCB

(Rs in lakhs)

Year	Non interest Expenses	Non-interest Income	Total Fund	Burden Ratio	Growth
2003-04	59.50	9.72	1769.18	2.81	100
2004-05	76.61	17.01	1946.16	3.06	108.80
2005-06	69.89	19.56	2232.61	2.25	80.10
2006-07	91.07	18.34	2705.86	2.69	95.52
2007-08	99.26	19.16	3366.48	2.38	84.55
2008-09	120.37	22.42	4011.23	2.44	86.77
2009-10	209.45	22.98	5000.06	3.73	132.53
2010-11	261.36	29.20	6634.71	3.50	124.35
2011-12	311.44	46.93	7949.40	3.33	118.24
2012-13	284.51	49.54	9789.54	2.40	85.30
Growth Rat	te 16.9417.69	18.66	-1.56		

Table 11 reveals that the ratio is showing a negative growth, even though it is higher compared to the spread. Ratio is showing negative growth because growth in non interest expenses is less than that of non interest income.

Profitability Ratio:

Profit as expressed in absolute terms makes no much sense in the performance analysis and may not indicate whether the bank's operations are satisfactory or not. It is necessary to relate profit and working funds for analyzing operational efficiency and there by profitability of the bank. All stake holders including creditors will be very much anxious to know how far their firm is able to make profits by using the working funds. In short, it is the return every 100 rupees of fund employed has secured. In this context also an attempt is done here to analyses the profitability of VSCB.

Table 12: Profitability Ratio of VSCB

(Rs in lakhs)

Year	Spread	pread Burden		Total Fund	Profitabilit Ratio	
2003-04	59.50	9.72	1769.18	2.81	100	
2003-04	-25.08	49.79	-74.87	1769.18	-4.23	
2004-05	-9.91	59.60	-6951	1946.16	-3.57	
2005-06	1.68	50.33	-48.65	2232.61	-2.18	
2006-07	16.99	72.73	-55.74	2705.86	-2.06	
2007-08	47.08	80.10	-33.02	3366.48	-0.98	
2008-09	74.19	97.95	-23.76	4011.23	-0.59	
2009-10	35.9	186.47	-150.57	5000.06	-3.01	
2010-11	85.22	232.16	-146.94	6634.71	-2.21	
2011-12	62.53	264.51	-201.98	7949.40	-2.54	
2012-13	139.84	234.98	-95.14	9789.54	-0.97	
Growth R	ate 16.79	18.66	19		2	

Results showed by Table 12 reveal that the performance of VSCB as measured by the indicator profitability is not giving a promising picture. Profitability ratio is showing a negative trend throughout the reference period. However it can also be seen that the rate of loss is on a decreasing scale.

Manpower Expense to total expense ratio:

Profitability analysis of VSCB already done indicated the incidence of higher level of burden. Manpower expenses being the major item of non interest expenditure need an examination at this point. Hence it is attempted here. Manpower expenses denote the expenses incurred by the bank to maintain their employees. It includes, staff salary, bonus, leave salary, DA, staff PF contribution, and staff welfare fund contribution.

Manpower expenses ratio depicted by table 13, reveal that it is coming down showing a negative growth. Manpower expenses showed growth rate of only 9.78 percent whereas it was 19.04 percent in the case of total expenses. An unusual increase in the year 2011-12, is because of the payment of salary revision arrears to the employees during that year. So it can be inferred that high burden ratio is because of hike in other expenses.

Table 13: Man power expense to total expense ratio of VSCB

(Amount in lakhs Rs.)

Year	Man Power Expenses	Total Expenses	Ratio	Growth
2003-04	33.02	203.14	16.26	100
2004-05	42.84	229.04	18.71	115.06
2005-06	32.45	235.61	13.77	84.71
2006-07	34.91	274.17	12.73	78.32
2007-08	40.09	344.60	11.63	71.56
2008-09	43.82	438.25	9.99	61.50
2009-10	48.13	614.12	7.84	48.21
2010-11	59.05	761.96	7.75	47.67
2011-12	111.01	973.32	11.41	70.15
2012-13	83.98	1160.26	7.24	44.52
Growth Rate	9.78	19.04	-7.77	

LIQUIDITY MANAGEMENT:

The success of banking industry depends on its capacity to meet the cash demands readily without maintaining excessive proportion of reserves in order to enjoy the public confidence, irrespective of it being a commercial bank or cooperative bank. Hence assessing the position of liquidity management of the bank is also very vital in performance evaluation of bank

Fluid Resources to Net Demand and Time Liabilities ratio: As per Kerala Cooperative Societies Act,1969 every society which obtains public deposits shall maintain fluid resource in such form and according to such standards as may be fixed by the government from time to time and the balance alone can be disposed as loans.

From Table 14 it is very clear that the bank was very prudent in maintaining liquid funds as per statutory norms, most importantly without keeping excess reserves. As the details only from 2005-06 were available in this regard, ratio from that year only were worked out.

Table 14. FR to NDTL Ratio of VSCB

(Amount in lakhs Rs.)

Year	FR	NDTL	Ratio	Growth
2005-06	415.91	2079.57	20	100
2006-07	500.83	2504.14	20	100
2007-08	602.82	3014.08	20	100
2008-09	735.10	3675.50	20	100
2009-10	947.93	4739.65	20	100
2010-11	1272.09	6360.46	20	100
2011-12	1527.79	7638.95	20	100
2012-13	1879.26	9396.48	20	100
Growth Rate	20.75	20.75	0	

Conclusion:

The study which is to analyze the financial performance of the Vilvattam Service Cooperative Bank reveals that there is a need for strong intervention by the professionals. As far as sources of funds are concerned the selected bank mobilizes more through high cost deposits and gives less importance for low cost deposits. The banks failed to deploy funds focusing on its mandate. The inefficiency in mobilization and deployments is reflected in the profitability where spread is low and burden is comparatively high, leading to loss for the bank. However, it's heartening to note that the bank maintains the statutory requirements as far as liquidity is concerned without any excess reserves.

The analyses lead us to recommend the following action plan for the selected cooperative Bank:

- 1. Prakash Bakshi Committee Report wants the PACS to operate as Business Correspondents to the District Cooperative Banks, since they failed to fulfill the mandatory function of providing loans to the farming community and also in meeting the capital adequacy norms. In order to be in the field, the banks should increase its membership and share capital position. Then the banks should revamp the lending portfolio so as to provide more loans for the agricultural sector.
- 2. The bank should raise more low cost deposits so as to strike a balance between them to reduce its cost of funds.
- 3. The bank should take drastic steps to increase net interest spread as well as non interest income by providing more of other services.
- 4. The bank should professionalize its management. Both the employees and board should get trained or co-opt consultants.

Cities and Climate Change

M. L. Khurana*

Introduction

Climate change today is one of the most serious problems facing humanity, effects of which long-term, global and even life threatening. The problem is not only environmental but it is encompassing social and economic issues within, which need to be addressed without delay.

Climate change refers to sustained changes in the earth's climate – including temperature, precipitation, wind and weather patterns. Global warming refers to the rise in the average temperature on the Earth's surface. Carbon dioxide levels are higher than at any time in the past which has been caused by human activities such as the burning of fossil fuels (oil, gas and coal), indiscriminate use of natural resources and their wastage and destruction of forests and natural biomes. The recently concluded International Conference on Climate change hosted by the University of Copenhagen have made alarming predictions from some of the world's leading scientists that sea levels could raise by one metre or more by the end of the century.

Projections for the 21st century indicate that the earth's average temperature will rise by anything between 1.4 and 5.8 degree Celsius. The ten warmest years on record have all occurred since 1990. Without coordinated and immediate action across the globe, the earth's climate will reach a critical 'tipping point' beyond which dangerous climate change will occur which would not be reversible, may be making human survival difficult.

There would be rise in the sea level which would eventually result in displacement of people. For instance, one metre rise in sea level would displace about 7 million people in India alone. The Gangotri glacier in the Himalayas is the source of water for the perennial river Ganga. This glacier like many others all over the world has also felt the impact of climate change. Studies carried out in the past few years have shown that the glacier is retreating at a speed of about 30 metres every year. If warming continues, it will melt rapidly, releasing large volumes of water but once this source begins drying, there may be dry periods with very little water flowing in the river.

* Managing Director, National Cooperative Housing Federation of India, New Delhi The future impacts of climate change, identified by the Government of India's National Communications (NATCOM) in 2004 include:

- √ Decreased snow cover, affecting snow-fed and glacial systems such as the Ganges and Bramhaputra. 70% of the summer flow of the Ganges comes from melted ice.
- √ Erratic monsoon with serious effects on rain-fed agriculture, peninsular rivers, water and power supply.
- $\sqrt{}$ Drop in wheat production by 4-5 million tones, with even a 1°C rise in temperature.
- √ Rising sea levels causing displacement along one of the most densely populated coastlines in the world, threatened freshwater sources and mangrove ecosystems.
- √ Increased frequency and intensity of floods. Increased vulnerability of people in coastal, arid and semi-arid zones of the country.
- √ Studies indicate that over 50% of India's forests are likely to experience shift in forest types, adversely impacting associated biodiversity, regional climate dynamics as well as livelihoods based on forest products.

India is home to a third of the world's poor, and climate change will hit this section of society the hardest. Set to be the most populous nation in the world by 2045, the economic, social and ecological price of climate change will be massive. Although not an emitter historically, India currently has one of the fastest growing economies in the world. With a government target of 8% GDP to achieve developmental priorities, a share of one sixth of the global population, and changing consumption patterns, India's emissions are set to increase dramatically.

Growing at an almost breakneck pace, and guzzling coal, gas and oil in large quantities, we are today, the fourth largest emitter of greenhouse gases worldwide. Although our per-capita emissions are among the lowest in the world, our growth rates imply that the past is no predictor of the future. The most recent IPCC report suggests that India will experience the greatest increase in energy and greenhouse gas emissions in the world if it sustains a high annual economic growth rate. The International energy Agency predicts that India will become the third largest emitter of greenhouse gases by as early as 2015.

India imports large quantities of fossil fuels to meet its energy needs, and the burning of fossil fuels alone accounts for 83% of India's carbon dioxide emissions. Nearly 70% of our electricity supply comes from coal.

The following Tables provide a snapshot of vulnerabilities to climate change hazards in the four mega cities. The aim is not to assess definitively the vulnerability but instead to identify a set of data to understand the vulnerabilities in the four cities of analysis.

Table 1: Vulnerability to Climate Change

City	Pop.	Pop. In 2020	Land Area Sq.Km	Density	Total Slum Popu- lation	% of slum popu- lation	Share of migr- ants in total popu- lation	Population in dry lands (000)	Population LECZ (000)	Per Capita water availa- bility (M3)	Per capita Water 2035
Delhi Greater	12.79	25.83	1295	11050	1851231	18.7	16.4	16.800	_	_	.—
Bombay	16.37	25.97	484	29650	6475440	54.1	15.15	_	8.056	277	101
Calcutta	12.22	18.54	531	23900	1485309	32.5	6.23	_	14000	243	102
Chennai	6.42	8.88	414	14350	819873	18.4	6.64	2.358	2.855	224	113

Source: Slum Population, Census of India 2001.

Table 2: Climate Change Risks

City	Delhi	Mumbai	Calcutta	Chennai
Major risks of climate change	Raising intense rain fall, heat waves, cold waves, increased droughts, water scarcity	Coastal flooding, cyclones, sea level rise, increased rainfall, increased malaria risks	Tidal upsurge, cyclones, flooding and water logging.	Sea level rise, c o s t a l flooding, cyclones, landslides, tsunami, drought, salinity intrusion
Predicted Climate change	A i r temperature, Central Range +15 to +3 5 percent	2050BAU, average annual	Not available	Not available

Source: Centre for Climate Systems Research, Columbia University

Effect on Cities due to Climate Change

Cities are home to half the world's population and this population is steadily growing both due to population growth and migration. Cities world over consume over two-thirds of the world's energy and account for more than 70 percent of global CO2 emissions. The effects of climate change will be strongly felt in cities. Many of the world's major cities are at risk of flooding from rising sea levels. Heat-trapping urban landscapes (buildings and paved surfaces) can raise the temperatures and lower the air quality dangerously through the Urban Heat Island effect. In cities of the developing world, one out of every three people lives in a slum, making them particularly vulnerable to the health and environmental risks posed by climate change. The vulnerability of human settlements in the

slums or mismanaged urban areas particularly will increase. Also the climate change may worsen the access to basic urban services and the quality of life in cities. Most affected are the urban poor – the slum dwellers in developing countries.

Climate change is likely to increase the present climate hazards these cities are facing and it is typically associated with vulnerability and hazard exposure. It is important to understand the different pathways through which climate change can impact the urban residents and increase their vulnerability to climate related risks. The four megacities mentioned in the table above are particularly vulnerable to the impacts of climate change for three reasons. First, a large and growing proportion of people at risk from climate change lives in the four megacities of India. Secondly, these urban centers in India are the engines of growth and successful national economies depend on the well-functioning and resilient urban centres. This provides an important economic rationale for addressing the current urban vulnerabilities to extreme weathers and expanding protection from likely future changes. Thirdly, very little attention has been given to the vulnerabilities of low income population in urban centres in India. For example populations living in the slum areas are most vulnerable to the impact of climate change. An Expert Committee set-up by the Ministry of Housing and Urban Poverty Alleviation to look into various aspects of slum Census in its report has stated that India's slum population is projected to rise to 93.06 million by 2011 and expected to cross 100 million by 2017. These people will be most adversely affected due to climate related impacts. Till now most of the attention has been given to the rural population's adaptation to the impacts of climate change.

Challenges Ahead

In the last few years several measures relating to environmental issues have been introduced. They have targeted increasing significantly, the capacity of renewable energy installations; improving the air quality in major cities (the world's largest fleet of vehicles fuelled by compressed natural gas has been introduced in New Delhi); and enhancing afforestation. Other similar measures have been implemented by committing additional resources and realigning new investments, thus putting economic development on a climate-friendly path.

At the local level UN-HABITAT strives to help cities in developing countries to address climate change and, at the national, regional and global levels, to raise awareness and to help counterparts to build the capacities needed to enable cities and local governments to address climate change effectively. Cities have the potential to influence the causes of climate change and they have the solutions to advance climate protection. The success of adaptation critically depends on the availability of necessary resources, not only financial, but also knowledge, technical

capability, institutional resources and tools. UN-Habitat's Cities and Climate Change Initiative (CCCI) seeks to enhance the preparedness and mitigation activities of cities in developing and least developed countries. It emphasizes good governance, responsibility, leadership and practical initiatives for local governments, communities and citizens. Building on UN-HABITAT's long experience in sustainable urban development, the Cities and Climate Change Initiative helps counterparts to develop and implement pro-poor and innovative climate change policies and strategies

Steps to be taken by the Cities

Cities have greater responsibility now and must play a key part in finding solutions to this problem. The solution to this problem has to be directed towards the local and regional needs but certain basic steps that can be taken are:

- √ Increasing the energy efficiency of their infrastructure such as buildings, outdoor lighting, and transportation systems;
- √ Uusing resources more effectively for example through advanced waste management;
- Producing clean energy at the district-level as well as sourcing clean energy from large-scale suppliers;
- √ Encouraging and engaging the young generation and making them aware
 of the consequences of the climate change;
- Implementing bold steps to reduce greenhouse gas emissions that others may follow; and
- √ Celebrating special days like independence day or republic day or festivals like Diwali and
- √ Holi by either planting saplings or cleaning their immediate surroundings or taking out small processions to encourage others to join .

A similar step has been taken by housing cooperatives at the local level which is encouraging people to take positive steps for environment upgradation under the overall umbrella of the National Cooperative Housing Federation of India (NCHF), a nationwide organisation, the housing cooperatives are contributing in improving the environment of the dwelling place of an individual and thereby contributing in some way in the global challenge faced by humanity. There are more than 100,000 housing cooperatives with a membership of about 70 lakhs. These members can play a major role in joining hands with the National Action Plan by doing a simple task of planting at least one tree per member. Thus, there may be at least 70 lakh additional trees planted with the various housing cooperatives in India. This will be extremely helpful in cleaning the environment and combating the challenge of global warming.

An appeal was issued by NCHF to all the state apex housing federations, district housing federations, primary housing cooperatives as well as other cooperative institutions to play an effective role in protecting environment. All the 70 lakh members of housing cooperatives have been requested to join hands in protecting the nature and consequently helping the mankind to breathe fresh air; they have been urged to plant at least one sapling each for the cause. NCHF Secretariat has received encouraging response regarding the appeal of tree plantation from housing and other cooperatives in various States. Some of the cooperatives are proactive enough in conducting awareness programmes on global warming and benefit of planting trees, while others are contributing their bit by undertaking plantation in collaboration with the State Governments and NGOs.

With only such small efforts we can bring great changes. Although we may not be able to reverse the damage already done but we can surely stop any further damage so that our future generations be able to have a good living.

The Chennai Industrial Cooperative Analytical Laboratory Ltd (MICAL): SWOT Analysis

R. Elangovan*

About MICAL

MICAL is a Small Micro Enterprises is operating in the Guindy Industrial Estate and its functioning in its own premises. The members of the society were Drug and Chemical manufactures. It is one of the recognized laboratories to certify the various ingredients in the drugs, chemical and other items. The society maintains various equipments and chemicals for testing. The society was established in the year 1964. The total membership of the society was 315 of which 314 where individual members. The share capital of the society was constant all the years and stood at Rs.25.50 lakhs. The government contribution was found to be more (Rs.21.50 lakhs). The society borrow loan from TAICO bank which is an apex bank for all ICS. Since the society runs on accumulated loss the TAICO bank stopped the Cash Credit operations. During the year 2008-09 the total quantity tested by the society was 12800 and earned income of Rs.43.90 lakhs and the quantity of testing came down to 11340 in the year 2012-13.

Basic Particulars of MICAL

(Rs. in lakhs)

Sr.	Particulars	Performance Indicators						
No		2008-09	2009-10	2010-11	2011-12	2012-13		
1	Total Membership	334	315	315	315	315		
	a. Individual	333	314	314	314	314		
	c. Govt.	1	1	1	1	1		
2	Total Share Capital	26.375	26.255	26.255	26.255	26.255		
	a. Individual	4.875	4.755	4.755	4.755	4.755		
	c. Govt.	21.5	21.5	21.5	21.5	21.5		
3	Borrowings							
	I TAICO Bank	10.00	10.00	10.00	10.00	10.00		
	ii. Out standing	10.00	10.00	10.00	10.00	10.00		
4	Profit (+) / loss (-)	-7.24	0.006	-16.56	-6.02	-4.18		
5	Accumulated Loss/ Profit	36.05	36.04	52.6	45.92	41.92		
6	Audit Classification	В	В	В	В	В		
7	No of Employees	8	8	8	8	8		

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Testing Activities

Quantity and Value of Testing

2008	8-09	2009	9-10	201	0-11	2011-12		2012	2-13
Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
12800	43.9	10446	51.5	8926	44.91	7500	44.71	11340	65.35

It has been observed that the society is having potential to carry out many tests but absolute and outdated machinery belated testing time and the result. Hence the customer of the society including its members preferred to give the test to the other recognized lab. The society need to purchase modern equipment and accessories to undertake more test which would help them to wipe out the loss as well as to run on profitable line.

SWOT of MICAL

MICAL is a unique type of industrial cooperatives to conduct test on select drugs and cosmetic items. Based on the data and discussion with various stake holders, a strength, weakness, opportunity and threat is prepared.

Madras Industrial Chennai Analytical Laboratory (MICAL) Madras Industrial Chennai Analytical Laboratory (MICAL)

Factors	Strength	Weaknesses
Location	Centrally Located	-
Network	Most of the members belong to the same industry. Hence networking of related industries is very strong	-
HRD	Efficient technicians are available	Lessnumberof technicians i.e. only (6) hampering the sample testing
Nature of t h e organization	User owned, controlled democratic institution recognized by the Directorate of Medical Services, Govt. Of Tamil Nadu	
Certificati- on	Recognised institution for issuance of certificate	
Costof Service	Relatively competitive and stable	Market volatility. Hence shifting of loyalty both by members and non members
Technology		Mostly obsolete. Response time for the sample is too long
Clientele	M o s t l y pharmaceuticals, cosmetics and food industry who are both members and non members.	The members seeks to maximise their potential company profit by sacrificing MICAL's interest (Rent seekers, Free raiders issue)
Principal agent		The Principal (Owners) carried away by their selfish interest and their agents (employees) carry forward/implement the decision taken by the principal.

Contd...

Contd...

Factors	Strength	Weaknesses
Finance		Weak internal finance andmembers contribution was only Rs.4.7 Lakhs
Government Involvement	The state government contributed share to the extent of Rs.21.50 lakbs.	Excessive government involvement and unfettered interference thwart the real spirit of cooperatives
Relationship with clientele/members	Effective samples directly collected from the members and feedback/report is given in person.	
Working results	Showing a little bit of promising efforts in stabilizing the financial performance for the past three years	Accumulated loss to the tune of around Rs.41 Lakhs eroded the internal resources
Infrastructure	Very good	Not utilised considering the locational infrastructure
Boardof Management	In place - restoration of democracy in cooperatives	Conflicting of interest among the elected members
Legal framework	Supported more by the TNSCS Act and State Drug Control and Certification is issued under the Drugs and Cosmetics Act	-
Economical	Presence in sound and ever growing industry	
Suppliers	Maintains very good rapport	Over reliance and dependency syndrome weaken the bargaining power
Creditors	Being the member institution the society avails credit from TAICO bank.	

MICAL's Opportunities and Threats

Factors	Opportunity	Threat
Location	Potential for more business as most of the related industries situated in and around Chennai.	_
Network	Greater scope for including more members in the net work by admitting non members as members.	Competition is high and the private players getting samples from both members and non members.
HRD	More number of B.Sc Chemistry students are interested to join as lab technicians	-
Nature of the organization	Certification for making of the product is must.	- 0
Certification	High demand for obtaining certification from the certifying agencies to market and attract the customer.	In house certification facility owned by the some of the big companies.
Cost of Service	Stable sample rate may help in long run.	Lower rate by competitors impact the members for sample testing
Technology	Modern machineries are available and using the scheme like ICDP to purchase new machine	Private players are having updated latest machineries and response time for sample testing is very short
Clientele	More number of company are unregistered and tremendous scope for increasing the rate of sample testing	Private players through their effective marketing strategy attracting more clients to the industries.
Finance		Weak internal financial resources hampers the functioning of the society
Government Involvement	As chemelikeICDPa government guaranteed scheme will help the society to improve its functioning	More involvement and interference of the government will wear away the real stake holders - members

Contd...

Factors	Opportunity	Threat
Relationship w i t h clientele/me- mbers	Employees need to be trained in CRM under ICDP	Private industries by constant training is effective in CRM may attract the clientele of MICAL
Working results	A scheme like ICDP helps in availing interest free capital in the form of margin money may infuse the working of the society and earn more income	Continuous erosion of own funds weaken the society thereby strengthening the competitors.
Infrastructu- re	Potential scope for utilizing the infrastructure by adding latest infra structure through ICDP scheme	<u>-</u>
Boardof Manageme- nt	Sensitizing the elected members and the importance of cooperatives and its functioning	Political mileage may affect the growth of the society
Legal framework	As a government registered body the certificate issued by the society is more valid than the private players	-
Political	The credit linked subsidy scheme helps the society to modernize their equipments	More political interference in the function of the day to day affairs stops the growth of the society and promoting the interest of the residuals- competitors
Economical	The industry grows more than the GDP of the country hence greater potential	Non aligning with the economic policies and growth will pave the way for domination of private players
Suppliers	With opening up of the economy more suppliers are present and society should bargain hard with the supplier and to create both entry barrier as well as exit barrier	Satisfying the suppliers stake at the cost of the institution will affect the functioning of the institution
Creditors	Schemes like ICDP helps in strengthening the internal capital base by the way margin money assistance	Presence of more externa finance weakens the interna ownership structure of the society

Strategic Options

MICAL should formulate its strategic alternatives based on the above SWOT Analysis. MICAL basic strength lies in its portion as a recognized certifying agency to certify the drugs, chemicals and food items. The market is expanding and there is a greater demand for certification. MICAL should aggressively penetrate/pursue its business by the following a growth strategy. MICAL needs to purchase new machinery for testing along with other accessories, using the available manpower / technicians to work optimally so as to reduce the sample testing time.

MICAL as a unique industrial cooperative can really make a difference by formulating the aggressive growth strategy.

NEED TO RE-VISIT RURAL CREDIT CO-OPERATIVES (RCCS-ST) POST FINANCIAL SECTOR REFORMS AND VAIDYANATHAN PACKAGE

P V A Rama Rao*
B K Swamy**
D Ramesh Sinha****

I. THE STUDY

The Study for mapping the impact of Vaidyanathan Committee package(VCP)on Rural Credit Cooperatives(RCCs-S.T) in composite Andhra Pradesh state was conducted during Nov.- Dec. 2014, covering the pre to post VCP period (2005-06 to 2013-14).

Its modus operandi was:

- MICRO: On-site examination of 3 representative DCCBs- viz:Anantapur (Rayalaseema area) and Nellore (Coastal area) in Andhra Pradesh and Karimnagar in Telangana State and 3 representative Viable/Non-Viable PACS in each selected district.
- ❖ MACRO: Off- site evaluation of performance of the whole RCCS in composite AP**

II. THE COMPOSITE A P STATE COOP. BANK (APCOB):

APCOB, formed in 1963 by merger of the Andhra State Coop Bank (Vijayawada) and the Hyderabad Dominion Coop. Bank (Hyderabad) following the merger of the 2 states, a Scheduled and Licensed Bank, emerged as one of the biggest Apex Banks, with pioneering initiatives, i.e.:

- First and the only RCC System (RCCS) adopting in 1988 the Single Window Credit Delivery by merger of RCC-LT with RCC-ST. (Hazari Committee)
- First State in passing the Mutually Aided Coop. Societies (MACS) Act in 1995, providing for mandatory autonomous, member-driven and democratic cooperatives.

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- Post Financial Sector Reforms, first state in initiating Coop. Banking Sector Reforms with setting up of a High Level Expert Committee (PVA Rama Rao Committee consisting of, among others, international experts) in 2003 by the state govt. to draw up the reforms package. In line with the Committee recommendations, state govt. has taken the bold steps in 2004 in
 - Restructuring its PACS numbering about 4,800 to 2,748, on comprehensive viability criteria.
 - Infusing recap assistance of Rs 216.66 crores in 9 weak DCCBs to secure eligibility for NABARD refinance and compliance with capital requirements (Sec11 (1) of BR Act).
- With the setting up of the Vaidyanathan Committee (VC) in 2004, AP has aligned its further reforms to the V C Package (VCP). AP was the first state to sign MOUs for adopting the VCP and first and the biggest beneficiary (Rs.1, 822 crores) of the VCP- thanks to its lead established in initiating the reforms process even before setting up of the VC.

Soon after its Golden Jubilee in 2013, following the AP state bifurcation in June 2014, the Apex Bank was split up on 2 April, 2015 back to its status quo ante (AP and Telangana Banks) which could deny the split-units the lead position enjoyed by their Composite institution - financially and organizationally too- in their peer group.

III. VAIDYANATHAN COMMITTEE (VC)

3.1 Genesis

In the context of the crippled functioning of RCCS due to severe impairment in Governance, Management and Financial Position on the one hand, and on the other, the imperatives for having a strong, vibrant and sustainable RCCS to support – with its unique Reach and Access- the agricultural sector, the Committee was set up in 2004. The focus of its recommendations was its package (VCP)(2005), i.e.:

- a) provision of one time financial assistance to bring the system to an acceptable level of health, both financial, organizational and managerial, through a time bound action plan,
- b) introduction of legal and institutional reforms essential for their autonomous, democratic, member-centric, self-reliant and efficient Management, and

c) Initiating measures to induce **Professionalism**, both at the Board as well as the Management levels.

3.2 Pre - Conditions for VCP

- i. MOUs for putting in place required Legal and institutional Reforms (APPENDIX I)
- ii. Sharing of losses in the system in agreed manner amongst Centre,

State and RCCS

3.3 Mandated time bound results to be posted by Coop Banks

i. CRAR – 7% within 3 years, to reach a minimum of 12% in 5 years

(Scaled down to 4% upto 31-3-12; 7% by 31-3-15 and 9% by 31-3-17)

- ii. NPA- 5% within 3 years, to maintain a low of not more than 3% in 5 years (With a recovery performance of 80-85%)
- iii. Profitability Positive (both operating and accumulated)

4. VCP- IMPLEMENTATION AND AFTER

VCP 2006, the first-ever recapitalization in the RCCS to write off all financial losses in the system, was conceived as a one-time assistance to strengthen the RCCS to migrate to a stand-alone mode in the competitive rural financial sector. However, at the end of availment of assistance under the VCR package, the perceived revival of the RCCS with reorganisation, restructuring and revitalisation, has not been achieved even half-way and got stranded at cross- roads. The impairment re-appeared in all aspects, rather more vigorously!!!

4.1 Financial Position

Performance under Key financial parameters of the Apex and District level banks, post-VCP, vis a vis Pre-VCP is detailed in the following paragraphs. (The Bank wise **details is given in Annexure-I**)

Capital Adequacy- CRAR

i) During 2001-2014, APCOB maintained the originally mandated CRAR

12% (excepting for a dip to 8.23% in 2007-08), but with wide variance between 12% and 21%.).

ii) All the 9 DCCBs in TS and 9 out of 13 DCCBs in AP have registered a positive swing to reach the original mandated level of 12% (Since scaled down to 7% by 31.03.2015 and to 9% by 31.03.2017). The remaining 4 banks in A.P (Anantapur, Kakinada, Kurnool, Prakasam) are still oscillating between 7% - 9%., but posted compliance with floor rate.

iii) All the DCCBs registered positive net worth, post VCR.

Table 1 CRAR Position (No. of DCCBs) as at end

CRAR (%)		Pre VCP VCP Cut-Off Poset VC 2005-2006 2010-11 2013-14							
(,,,)	AP	TS	TOTAL	AP	TS	TOTAL	AP	TS	TOTAL
<7	8	5	13	3	0	3	0	0	0
7-9	2	1	3	2	3	5	4	0	4
9-12	1	0	1	0	1	1	4	6	10
>12	2	3	5	8	5	13	5	3	8

Uniformly, across all tiers, the Capital as well as Reserves in absolute amounts
are stagnant or declining, indicating the need for stepping up the own funds. As
against the VCP assistance received at about Rs.1,800 crores, the owned funds
of DCCBs improved hardly by Rs 300crores. The decline in Capital was due to
certain restrictive practices including stagnation in business, while the decline
in Reserves was due mainly to transfer of amounts to cover losses.

- Karimnagar and Medak DCC Banks had negative CRAR in the year 2005-06 at (-) 4.55% and (-) 3.09%, respectively. These 2 Banks, along with 7 other DCCBs were then non-compliant with Sec.11 of BR Act, 1949(AACS) and were not eligible for refinance from NABARD. The Government of AP provided, before VCP has come into force, Share Capital assistance enabling all the 9DCC Banks to re-comply with capital requirements and gain eligibility for Banking License from RBI, besides NABARD refinance. RBI has also reduced the floor rate for CRAR to 4% till 2012 to lift the ineligible banks to get Banking License under BR Act. (Mountain goes to Mohd. RBI bends as Banks defy!) (Rakesh Mohan Committee)
- Karimnagar DCC Bank has, post VCR, emerged as a Sustainable Role Model, thanks to its visionary leadership, while Medak DCC bank continued to be a weak bank (as on 31-03-2014-SLTF.Oct. 2014).

Resource Mobilization (DCCBs):

I. Overview

During the period from 2005-06 to 2013-14:

TAB	TABLE 2: RESOURCE MOBILISATOIN (% to W.C) as at end							
Sl. No	Organization	Item	2005-06	2010-11	2013-14			
1	APCOB	Owned Funds	19.4	17.8	13.6			
		Deposits	23.7	41.5	34.5			
		Borrowings	56.9	40.8	52.0			
		C.D. Ratio	332.4	156.3	205.7			
2	DCCBs (A.P)	Owned Funds	22.7	20.2	14.5			
		Deposits	26.4	36.7	36.3			
5	2	Borrowings	50.9	43.1	49.2			
		C.D. Ratio	300.7	187.2	211.2			
3	DCCBs (T.S)	Owned Funds	22.8	23.0	13.9			
		Deposits	23.7	37.3	36.0			
	وقع والمري	Borrowings	53.5	39.7	50.2			
	r x	C.D. Ratio	335.9	170.4	212.7			

i) APCOB:

- APCOB registered a positive annual average growth rate in respect of Own funds (3.91%), Deposits (21.61%), Borrowings (8.91%), as against the Avg. Deposit Growth rate of 9% for all the SCBs in the country.
- There was heavy dependence on borrowings (>50%), as a percentage of working capital indicating high CD ratio (>200%)

ii) DCCBs - Composite state

- ❖ At the combined level, the growth rate in deposits (19.63%) of all the DCCBs in AP and TS compared favorably with average deposits growth rate (13.90%) for all the DCCBs in the country.
- The growth in Deposits across the banks was not even, but highly skewed.
- 12 DCC banks in AP and TS are having growth rate of deposits <15%, of which 4 are having <5% growth rate.
- Metro DCCBs (Visakhapatnam in AP and Hyderabad in TS) registered high growth rates in Deposits.
- CASA Deposits >25% in 17 Banks, 3 Banks having<10%
- ❖ Very high average CD ratio of around 250% does not auger well for the RCCS with their 50% business dependent on high cost market borrowings.(All India average of 30%).
- ❖ As at end 2013-14, as many as 17 banks had deposits less than 50% of borrowings.

iii) DCCBs - Andhra Pradesh

- At the aggregate level, all the DCCBs in AP showed a positive annual growth rate in owned funds(3.37%), Deposits(20.43%), Borrowings (10.68%).
- However, at the individual level,4 DCC Banks showed negative growth rate in own funds position (Guntur, Kadapa, Nellore and Srikakulam), even after VCP assistance
- The borrowings at about 50% of the working capital led to high CD ratio>200%.

iv) DCC Banks - Telangana State

- At the aggregate level, the DCCBs showed negative growth in own funds position (exception being only Karimnagar, Khammam, and Mahabubnagar)
- Deposits(18.04%) and Borrowings(6.35%) showed a positive growth rate.
- The borrowings were >50% of the working capital, indicating high CD ratio and heavy dependence on external funding.

v. Other issues

- Coops, with their rural/semi urban spread, do not have a level playing field vis-a-vis the Com. Banks particularly in the mobilization of deposits in urban centers, which are rich potential places. Further, the Coops' deposit source being mainly the federal units who keep their Reserve Fund / SLR deposits with the higher financing agencies, this will manifest in poor CASA base.
- The recent mandate of the Regulators that deposits of Cooperative Banks with higher financing Banks in the federal set up would not be eligible to be reckoned for SLR investments will prove to be a big blow, on the one hand to the federal set up of Coop. Banks and, on the other, to their not sostrong deposit base. In effect, Coop. institutions may be perpetually poor in their own resource-base and will have to depend on costly market funds. In the circumstances, the hope for financial strengthening of the RCCs could remain a distant dream!
- Central and State Governments allow their depts. and public institutions in their fold as also the public and private trusts to place their surplus funds in Licensed Scheduled Banks, excluding the Apex Coop Banks (though licensed and scheduled). It's a paradox that the Apex coop bank, instead of getting a favoured treatment, has been sinned against. Strangely, Coop leadership has remained a mute spectator for the avoidable injustice inflicted on it!.

Business Development

During the implementation of the VCP, there was stagnancy or decline in the business of the coop banks and PACS, despite massive recap aid under the VCP. However, it suddenly jumped up since 2012, supported more by borrowings uniformly, in all the Banks.

Table - 3: BUSINESS DEVELOPMENT

(Amount in Cr.)

Year	Particulars	АРСОВ	APCOB DCCBs			
			AP	TS	Total	
	Owned Funds	1,388	1,419	807	2,226	649
2005-06	Deposits	1,697	1,655	836	2491	770
	Borrowings	4,075	3,185	1,891	5,076	5,659
- x	Loans	5,641	4,976	2,808	7,784	7,079
	Owned Funds	1,548	1,605	903	2,508	1,167
2010-11	Deposits	3,621	2,915	1,467	4,383	1,209
	Borrowings	3,555	3,430	1,563	4,992	5,412
	Loans	5,660	5,458	2,500	7,958	7,788
	Owned Funds	1,821	1,743	787	2,530	1,076
2013-14	Deposits	4,631	4,359	2,042	6,402	1,260
	Borrowings	6,981	5,906	2,852	8,758	5,491
	Loans	9,526	9,207	4,343	13,550	7,827

Overview

- The average annual growth rate in loans outstanding at 8% 10% corresponded with that of borrowings outstanding, indicating that growth in loans was propelled more by borrowings while the incremental deposits and own funds were diverted for other purposes.
- There was heavy dependence on borrowings (>50%) as a percentage of working capital indicating high CD ratio.(>200%)
- The annual average growth rate in loans at a mere 9.26%, unacceptably low performance, what with inflow of VCP money of Rs 1800 cr.

Lack of Diversification in DCCBs

Nearly, 80% of loan port-folio is concentrated in traditional SAO loans, but its growth was highly skewed, if not erratic!:

Year	ST (SAO)	Agri. LTO
2005-06	Rs 2,981.73 crores	Rs. 270.17 crores
2006-07	Rs.3,141.72 crores	Rs. 186.08 crores
2007-08	Rs.2,169.96 crores	Rs.96.65 crores
2008-09	Rs.1,827.71 crores	Rs.79.19 crores
2012-13	Rs10,727.00 crores	Rs.336.76 crores

Absence of Business Strategy

- Barring loans against gold ornaments, there was no significant diversification of loan port-folio. It remained mostly confined to traditional agriculture finance, that too vulnerable SAO segment
- Even traditional loans are restricted by unrealistic IMBP and Funds constraint.
 Why not go in for market resources and lend at market rates, even applying
 differential rates for different needs / credit worth, risk cover etc.,? Cooperative
 Banking has to take on the paradigm shift to Market Mechanism for survival however not undermining prudent banking and coop. principles.
- While the SF and MF constituted majority of the borrowers at 87%, the average coverage of PACS members as borrowers was a mere 35% on a rough calculation, while some PACS posted dismal coverage of 5%-8% even. Further,
- Traditional Non-Ag credit (for rural artisans) disappearing
- Ineligibles with no security why not SHG/JLG/ Aggregates

Where is their FI agenda?

- No new deposit or loan products matching the market expectations were introduced, nor even thought of, post competition.(e.g.PLP document of NABARD mapping potentials for credit not considered)
- The entire RCCS in AP and TS not introduced any non-fund business, reflecting indifference to take on new business options, despite easy returns
- Business Development does not appear to be a serious Agenda, reflecting absence of business sense and responsiveness.
- Paradoxical as it is:

Flooding inflows of funds (Rs 6,660 cr.) on one hand and unmet demands for credit on the other: but conspicuously absent was the demand driven policy- making and commitment to building up of strategic approach for business development, with "3-R's" loan policy

 Challenges were not translated into Business opportunities through re-orienting the mindset of the leadership and management through training and hand-holding support/guidance.

Working Results

The Bank wise details of Operating Profits /Accumulated Loses is given in Annexure 2 & 3

- I. Profitability: Turn-around
- 9 out of 13 DCCBs in AP and 7 out of 9 DCCBs in TS, which were making losses (during start-up year) also made operating profits by 2013-14(due mainly, to improved recoveries through bonanzas of concession from the centre and the state), while losses accumulated in 5 (AP) and 2 (TS) DCCBs as of 2013-14.

TABLE-4: Accumulated Losses of DCC Banks
(Amts in lakhs)

Sr. No.	DCCBs with Accumulated Losses	2005-06	2006-07	2010-11	2013-14
1	Andhra Pradesh	29,528	33,462	12,137	6,439
	(No, Bks)	(9)	(09)	(06)	(05)
2	Telangana State	22,702	31,099	7,572	2,983
	(No. Bks)	(07)	(08)	(04)	(02)
3	A.P + T.S.	52,230	64,561	19,709	9,392
	(No.Bks)	(16)	(17)	(10)	(07)

Andhra Pradesh

- 9 DCC Banks which were making losses (during the startup year) also made profits by 2013-14, though accumulated losses were there in 5 DCC Banks as of 2013-14.
- It is a matter of concern that apparently, reserves are being liquidated to erase accumulated losses, despite substantial assistance received under VCP and ADWDRS, as observed in some cases. Thus,
 - o Srikakulam DCC Bank, which registered zero profits during 2007-08 and 2008-09 and a mere Rs.19.72 lakhs in 2009-10 showed a decline in accumulated losses from Rs.4186.83 lakhs to Rs.1534.7 lakhs during the same period- which was difficult to comprehend.
 - oSimilarly, the Vizianagaram DCCB which made a profit of Rs.1,098.75 lakhs in 2009-10 showed a decline in accumulated losses to Rs.1,707.80 lakhs from Rs. 4,052.12 lakhs in the previous year.

Telangana State

· 7 DCC banks which were making operational losses in 2005-06 also made operational profits by 2013-14. There were, however, 2 DCC Banks with accumulated losses as on 31-03-2014.

II. Recovery Performance

The Bank wise details given in Annexure 4

 Recovery performance of all DCCBs was below All India level, defying interest rebates and waivers.

TABLE-5: RECOVERY PERFORMANCE

Year	AP+TS	All India
2005-06	56.43%	68.31%
2012-13	74.6%	79.63%

^{*} Catastrophic decline in recovery: Loan waivers announced by political parties in 2014 as an election promise, seriously pulled down Recovery performance as on 30-04-14:

- i. ST loans: 50.82%,
 - One bank having a merel2.85% recovery.
- ii. LT loans: 28.96 %
 - 4 banks having single digit recovery (Eluru-3.72%, Kadapa-9.97%, Anantapur-9.56%, Chittoor- 7.20%).
- iii. All Loans: 49.44%,
- iv. 10 Banks having less than state level figures.
- v. 12 DCCBs in AP and 8 DCCBs in TS showed a recovery of less than the VCP mandated minimum of 85%,
 - Of which 6 and 3 Banks respectively at unacceptable
 <50%

SHOCK THAT LASTS LONG – DAMAGE GETTING BEYOND CONTROL

Table - 6: Recovery Performance

Sr. No.	Recoveries (%)	2006-07	2007-08	2010-11	2013-14 (As of 30-04-14)
			A.P		
1	<50%	03	12	0	06
2	50 > 85%	09	01	08	06
3	>= 85%	01	0	05	01
			T.S.		•
1	<50%	0	09	0	03
2	50 > 85%	08	0	05	05
3	>= 85%	01	0	04	01
		A	.P + T.S		
1	<50%	03	21	00	09
2	50 > 85%	17	01	13	11
3	>= 85%	02	0	09	02

III. NPA Position

The Bank wise NPA position is given at Annexure - 5

- As on 31.03.2014, the net NPA position of APCOB (0.6%) was better than that of all the SCBs (6.16%).
- There is improvement in the NPA position of DCCBs in both AP and TS. However, 7 out of 13 DCC banks in AP had more than 6.14% state average as on 31-03-14. In TS, only 2 DCC banks had NPAs more than the state average of 6.11%.
- Though the average NPAs in AP and TS were less than the all India average of 9.83% for the DCC banks, it is not a matter of comfort due to loaded other factors threatening the future recovery climate and resultant NPA levels.

Table - 7: NPAs of DCCBs Andhra Pradesh

Sr. No.	NPA	2005-06	2007-08	2010-11	2013-14
			A.P	•	
1	<3	0	01	01	02
2	3-4%	0	0	0	0 .
3	> 4 -5 %	01	0	0	04
4	>5%	12	12	12	07
		Telar	igana State	:	
1	<3	0	0	01	02
2	3-4%	0	0	0	02
3	> 4 -5 %	0	0	01	01
4	>5%	09	09	07	04
		A	.P. + T.S	8	20
1	<3	Nil	01	02	04
2	3-4%	Nil	Nil	Nil	02
3	> 4 -5 %	01	Nil	01	05
4	>5%	21	21	19	11

IV. RISK MANAGEMENT

- Are benami loans not in the know of the Managements that they are risk prone? If not, is it unsolvable?
- The standard risk mitigation strategies have to be carefully built into a
 policy, along with rigors of practice. RCCS should adopt zero-tolerance
 for any perceived risk. Failure in this regard has brought misery in the
 mounting defaults under its Long Term loans.

- What Regulator can do? It is management failure and Regulators cannot afford to remain passive. It should be like RBI to Commercial Banks.
- Norms should not remain mere prescriptions- should be made actions for betterment.

V. Weak DCC Banks

According to SLTF's review of financial position of banks as on 31 March 2014 with critical condition of CRAR <7%, Gross NPAs > 10% and accumulated losses, 5 DCCBs in AP were classified as weak banks, as under:

Andhra Pradesh

Table - 8: Weak DCCBs in AP

Sr. No.	DCCB	CRAR	CRAR NPAs	
		(%)	(% to loans)	(Rs lakhs)
1	Prakasam	7.80	4.02	1415.00
2	Nellore	15.97	8.43	274.47
3	Kadapa	10.13	11.63	1692.10
4	Kurnool	7.63	6.18	2462.46
5	Anantapur	7.04	13.81	595.37

Telangana State

The position of gross NPAs of DCCBs(as on 31.03.2014) was as under:-

Table -9: DCCBs in TS

S.No.	% of NPAs	DCCBs
1	NPAs up to the to lerable level of 5%	3-(Adilabad, Khammam& Karimnagar)
2	NPAs ranging between 5-10%	2- (Warangal - 5.44% & Nalgonda - 9.3%)
3	NPAs reported more than 10 %	4- (Mahabubnagar - 14.78%, Medak - 12.10%, Hyderabad - 11.5% and Nizamabad - 10.2%)

- 4 DCC Banks were classified as weak CCBs based on their financial position as on 31.3.2014:
- Adilabad (accumulated losses- Rs. 8 cr),
- Mahbubnagar (Gross NPA 14.78%],
- Medak (Gross NPA -12.10%), and
- Nizamabad (Gross NPA 10,20%).

Andhra Pradesh and Telangana State

- Before the implementation of VCP, thanks to the benevolent support of the State govt in terms of share capital infusion amounting to Rs.216.66 crores to 9 banks, none of the 22 banks was classified as a weak bank.
- It is a matter of great concern that 5 banks in AP and 4 banks in TS have been classified as weak banks after the substantial amount of Rs.6,468.66cores flowed into the system between 2005-06 and 2008-09 as detailed below:

1	Vaidyanathan Committee Package	Rs 1,822.26 cr
2	ADWDR Scheme 2008	Rs 3,949.23 cr
3	State govt's Incentive scheme 2009	Rs 697.17 cr
	TOTAL	Rs.

6,468.66 cr

 In the rest of the banks, the deteriorating working results are quite visible which warrant an urgent damage control and corrective steps to bring the system back on track.

5. STRENGTHENING OF PACS (AP+TS)

The Vaidyanathan Committee Report (VCR) recognized PACS as the source of strength for the whole Rural Cooperative Sector and their sustainable viability was the theme of Vaidyanathan Committee Report. Unfortunately, the lung space given to revitalisation of PACS in planning is wafer-thin and in implementation it is invisible, bordering neglect the end result is that there is nothing to cheer from PACS as post to VCP bonanza is costly lapse warrants urgent corrections

(a) PACS Business Operations:

Table- 10: PACS Business Operations:

Amount Rs. in Crores

Sr. No.	Particulars	Year 2005-06	Year 2012-13
Î	Working Capital	7,079	7,827
2	Deposits	770	1,260
3	Borrowings	5,659	5,491
4	Loans	5,192	5,154
5	Profits	(1,002)*40	(1,222)*50
6	Losses	(3,194)*178	(1,585)*439
-	* (No. of Societies)		-

Financial position - A Slow growth

- ❖ Own funds of PACS grew from Rs.649 crores to Rs.1,076 crores during 2005-13, a jump of Rs.350 crores in reserves not commensurate with VCP re-capitalization of Rs.1,822 cr
- Deposits recorded poor average annual growth of 10% as against its peer groups' (in TN and Karnataka)rate of >100%,
- With the ban imposed on PACS mobilizing deposits from public/nonmembers, DCCBs could have made, selectively, picking up PACS as their agents to collect public deposits in their respective areas.

The performance of PACS being far from satisfactory is reconfirmed when it is compared with its peer group i.e.

The performance of Tamilnadu in the immediate neighborhood of Andhra Pradesh, as evidenced below

Comparison of PACs in Andhra Pradesh and Tamil Nadu (Amt. in crores)

Item	Andhra Pradesh	Tamil Nadu		
a) No of villages per PACS	7	4		
b) Amt of Deposits	1,153	3,450		
c) Amt of loaning	3,871	6,068		
(TN only ST while AP is ST+LT)	4			
d) Recovery rate %	58	80		
e) Profits*	23(951)	76(1,637)		
f) Losses*	476(1,789)	269(2,884)		

^{*(}Information in brackets relate to No of PACS)

The working results revealed that only 50% of the PACS could earn profit to the extent of Rs.50 Crores. The remaining 50% society sustained the losses of Rs.439 Crores. It is disappointing note the losses is increased substationally from Rs.179 Crores in 2005-06 to Rs.440 Crores in 2012-13 while the profit increased meagerly from Rs.40 Crores in 2005-06 to Rs.50 Crores in 2012-13.

• If the imbalances at Rs.1020 crores are taken into account, all the PACS would be making losses, eroding their net-worth and wiping out own funds at Rs.1,067 crores.

c) Imbalances

• There is a net negative **imbalance between Borrowings and loans** of PACS, both in principal and interest heads, mainly on account of unrealistic accounting system in the RCCS, which continued defying correction.

- The **imbalances at PACS level growing steadily** from Rs.725 crores (2007-08) to Rs.1,020 crores (2012-13). If not corrected, this could pose a serious dent into the financial position of PACS
- In the current accounting procedure, DCCBs are gaining at the cost of PACS. It is therefore appropriate to, **firstly**, transfer all imbalances to concerned DCCBs to set-off against the benefit they got, and **secondly**, to institute a new system where recoveries of PACS get passed on in 1 to 1 correspondence of Principal and interest to avoid/minimize future imbalances.
- Problem of imbalances not getting required attention from PACS leadership and their mentors in the federal system. Nor was it flagged at macro-level as an issue for development of PACS by the Regulators.

d) Business Development

- · A mere 35% are **borrowing members**, mostly without rotation- as stipulated in the Crop Loan Policy
- · Loans to members were issued not as per eligibility but as per resources availability / IMBP, resulting in unrealistic under financing.(missing Cardinal principles of "3 R's")
- · Conscious Loan Policy planning and practices are neither put in place nor practiced.

e). PACS: Growing isolation from higher financing tiers

PACS were never in the Agenda of the DCCBs No periodical/ regional meets of DCCBs with PACS (Presidents/CEOs) for review of BDPs, financing the new and non-defaulting members and loan recovery, let alone building up appropriate action plans on identified issues, DCCBs' role in preparation, implementation and review of BDPs were slowly turning into history. It's a vicious circle of indifference, if not neglect!!!.

- Institution of PACS supervisors decimated
- * DCCBs had neither **periodical meetings** nor **MIS** reports from the supervisors looking after PACS. Most worrisome aspect is non-availability of even annual **statistical data from PACS**
- * Even Inspection and audit reports of PACS were meant for mere statistical (for sanction of Credit Limit applications) record but not for scrutiny and follow up.

- The perfunctory association of DCCB supervisor with the PACS board meeting was not serving any purpose either for the management of the PACS or the financing DCC Bank.
- Training to elected board members / secretaries of PACS A mere formality on a one-time basis with no refresher courses. PACS leaders are not without "business-consciousness", but the System has failed to empower them !!!

Growing disconnect between PACS and higher tiers cuts into very spirit of philosophy of Cooperatives and their federal structure. This is a bizarre departure from the strong advocacy made by the earlier Committees for convergence of all units of RCCS.

The defiance of grass root organizations coupled with passive acceptance of the defiance by the DCCBs/ Apex bank is a challenge to be addressed to adequately, timely and effectively, failing which it could lead to wipe out of federal coop system. Its consequences will seriously cripple the RCCS.

This apathy - syndrome has become all pervasive - mainly reflected in the directors of Apex/District Coop Banks conducting themselves as custodians of prudent management of the whole system, but not as the guardians of the PACS they represent - with accountability responsibility.

- POST VCR -REFORMS: ADEQUATE & EFFECTIVE ? 6.
- 1. Institutional Reforms Governance
- i. Composition Of Boards (End of 2013-14)
 - * 4 DCCBs each in AP and TS No professional directors on Boards.
 - * 3 DCCBs in AP need to replace ineligible professionals from Boards.
- If elected members from bank's own electorate satisfy the stipulated standards, treating them as professionals leads to Board continuing to be borrower - managed, with in-built conflict of interests.

And, depositors' interests continue to get overlooked.

- b) Freedom given to Boards to select independent professionals in a culture of 'insider trading' rather than securing real value addition to Governance.
- ii. Induction of Professional Directors
- Only persons with adequate professional expertise and experience who could serve as real watch dogs, trouble shooters and competent professional

advisors should be appointed as Independent Professional Directors in the Boards of DCCB/Apex Banks.

- This calls for the guardian institute NABARD to take over this responsibility and Introduce periodical confidential reports to NABARD from such nominated professionals about the quality and content of the deliberations in the Boards,

iii. Common Independent Directors for AP and TS

- It is desirable to appoint, post bifurcation, at least 2 additional independent directors **concurrently** on the Boards of both the Apex Banks to ensure smooth transition of the process and facilitate smooth resolution of conflicting issues.

iv. Arbitration Board

- To set up an empowered and independent Arbitration Board for full and final resolution of disputes between the 2 State Cooperative Banks expeditiously and cost effectively outside the court.
- Such a Board should have ideally 3 or 4 members drawn from very senior retired professionals with domain experience and knowledge in the areas of coop banking and its regulatory and arbitration processes

v. Board Sub-Committees

- Some Sub Committees constituted by Board on important subjects, had the President of the Board acting as the Head of the Sub-committee- It's a self-defeating option leading to conflict of interests in dual roles of the President.
- Further, some Directors were found to be nominated on most of the Committees instead of taking advantage of the inputs from different directors for different subjects based on their experience and expertise. The Committees should have healthy representation/participation from different members

2. Institutional Reforms - HRD : Professional CEOs

- a) Most of the DCCBs unable to promptly fill up posts of CEOs with required "fit and proper" standards, nor are able to attract talent from market, resulting in positions remaining vacant.
- b) 7 DCCBs in TS and 6 DCCBs in AP have CEOs (insiders) on ad-hoc arrangement. This stalemate is due mainly to-
- Reluctance for taking up promotions to CEO posts from within (fear of political interference)
- Adverse market image of coop banks regarding political interference in the management, inhibiting entry of market talent

Inadequate publicity and conservative/ compromising approach for tapping market talent

This needs to be corrected, appropriately, to fill up the gaps.

c) Professional independence of Chief Executives: There are growing instances of interference from superior non officials outside their domain. It needs to be protected, by suitable amendments to the statutes and bye laws to insulate day to day functioning from any external interference (including Chairman/ Directors).

Any advice or instructions from any Director/Chairman and dept. officials etc., need to be mandated to be in writing for the CEOs to act subject to due diligence

d) Training of Directors/CEOs

- Training of the elected members needs to be inclusive and effective, to facilitate them to practice the principles of prudential governance and management.
- The efficacy of training to Chief Executive Officers of DCCBs is no different and they remained far from getting into vibrant competitive banking platform.
- If the drift in financial performance and working results is to be halted and position start improving, Training should be an integral part of BD strategies and should be a continuous process responding to changing requirements over time.

3. Cracks in the Federalism of RCCS

- a. DLICs(VCP) should have got as its Members, in addition to the DCC Bank, representation from select PACS, to lend realism to the deliberations.
- b. TOR of DLICs confined to processes for release of financial assistance and conditions precedent thereto, but have not covered performance indicators of PACS i.e. the areas of Governance and Business Development to secure sustainable viability, consistent with Prudential Standards.
- c. The meetings of DLICs were not regular. The failure full or partialof performance of the PACS and of some DCCBs could have been checked in good time if some preventive or concurrent actions are taken by the Review Committees in regard to Governance and Business performance, with guided Action Plans.

- d. No MIS on performance of PACSs w.r.t the mandated goals to higher tiers, let alone the SLIC/DLICs. The meetings of PACS with DCCBs were held more by exception, while the meetings with DCCBs by the Apex Bank have been observed more in breach and gradually appeared to be abandoned.
- e. It is gathered that PACS have developed a sort of defiant attitude towards the DCCBs, with the **de-caderisation of PACS** Secretaries. The near break down of federal system spells doom to the entire RCCS.
- f. This indifference at various levels has largely contributed to the severe slippages, mainly in the PACS. Regulators may need to replace their "Green Caps" to "RED CAPS" to break this impasse!
- g. A committee may be formed at the DCC Bank level to recruit staff for PACS basing on a fit and proper criteria and approved staff strength (eg., Mitra committee recommendations for SCBs and DCCBs).
- 7. POST VCP Whither MOUs?

EXTERNAL INTERFERENCE IMPACTING RECOVERY ETHICS

A. Interference - the Right or Might - A Bizzare Violation of MoU

Post VCP, not only "loan recovery", but "repayment ethic" per-se, comes down drastically, with re-appearance of indiscriminate loan waivers, etc., in total disregard to MoUs prohibiting such interferences. At what cost? About Rs.6,000 crores of public money. While the other-wise aggressive Regulators remained as mute spectators, the RCCS had passively accepted the syndrome. This U turn could be an "ultimate warning signal" for the impending devastation of the RCCS.

To adopt a cliché from Oscar Wilde,

"Cooperatives are wonderfully tolerant.

They forgive everything except efficiency".

(Dr. Mohan Kanda in his recent Book "Not by others' hands")

- B. Continued Political interference in cooperative banking operations
- a) Infringing policies and locked up funds
 Policies on autonomy and operational prudence of the institutions continue to be
 imposed on the cooperatives, contrary to the pronouncements of the Govt., MoU
 covenants and the tenets of liberalization.
- i Any direct financial support to farmers should be external to the system, but not by interference into it.

ii Governments Instead of rolling out direct / across the board doles could contribute to the Relief and Guarantee funds set up within the banking system, iii. Other problem – Govts. fail to make good the moneys, either in full or in time, or both, to the financing banks in respect of concessions/ waivers announced by them, resulting in liquidity constraints and interest losses

Thus, as at end March 2013, an amount of Rs.479.65 crores due from the State Govt. to the APCOB was locked up with the Govt. (of which, an amount of Rs. 150 crores pending for over 3 years and Rs 70 crores due for 2 years).

 covenant for conversion of state equity in excess of 25% amounting to Rs.115.90 crores into grant in respect of 8 DCC Banks still defying compliance

This is a travesty of justice, caused **not by authority** but by the all-pervading **permissiveness of the Coop. Institutions.**

b) National Interest and Penal provisions

 National interest is the prime responsibility of all and there should be zerotolerance for non - compliance with prudent principles of governance by any player.

Governments and the regulators should lead from the front and Govts. would do well to limit their roles to "Dry nursing the coops".

ii. Many High Level Committees of Central and State Governments and the RBI/ NABARD echoed for making the pronouncements vitiating recovery climate in financial institutions as cognizable offences under the IPC and appealed to CEC to declare such persons or political parties (including willful defaulters in due clearance of bank loans) as ineligible to contest elections or continue in elected positions.

The political expediency in not introducing such penal provisions further encouraged loan delinquency, to go unchecked, both by will-full and non-willful defaulters. It is time to put in place such rigors to check indiscriminate interference leading to debilitating the financing institutions.

c). Policy Direction

- i. In 2008, under Central Govt's ADW&DRS, 3.69 cr SF/MFs and 60 lakh other farmers were given Rs 52,516 cr debt relief, pan India. CAG found several ineligibles grabbing relief and eligible's omitted.(It was a Massive "across the board waiver" –and a "massive misuse"!)
- ii. Similar misuse was pointed out in the recent" across the board" relief granted by both AP and TS govts. following the Philian damage in 2014 and their election promise.

RBI Governor Says:

Questioning the effectiveness of across the board massive farm debt waiver schemes of Govts, RBI Governor said that such schemes had constrained credit flow to farmers, and the subsidized farm credit is misused and leading to over-indebtedness.

He Questioned:

- a. We subsidise crop loans but not investment credit. Does this change the nature of what kind of activities are subsidized in Agriculture?
- b. How much does the formal banking system alleviate indebtedness that leads to farmers' suicides?

→ 28th Dec. 2014 (The Hindu) Indian Economic Assn annual conf)

And it remained a wild cry! The business went on....

iii. Regulators to regulate:

Regulators have to stop knee - jerk reactions and go surgical, to stop mass scale misuse, rendering "real farmers are not beneficiaries and beneficiaries are not real farmers." (e.g.cases of fraud by misrepresentation i.e. benami for tenants/ land less)

8. EPILOGUE

1. Looking back

End of availment of VCP assistance, impairment in **governance**, management and **financial position**, returned, more vigorously!!!

At end VCP (31 Mar 2014)

Total losses of the system		(Rs crores)	
Accumulated losses in DCCBs		94	
Accumulated losses in PACS		439	
Imbalances in PACS		1,020	
Dues from erstwhile GoAP		480.	
Tota	ıl	2,033	

This bizarre situation holds the threat of wiping out of owned funds of PACS (Rs 1,000 cr) and 20% of the owned funds of the DCCBs (which could mean eroding fully the owned funds of about a vulnerable fifth of DCCBs). This alone should stir all stakeholders into urgent damage control mode with concrete Action Plans for revitalization to secure sustainable viability for all units in the federal set up.

- The defiance of the mandate for time bound revival is not accidental but a conscious one,
- And it just not happened over night, but ab initio, the non/under performance was visible
- It could have been checked but the design of providing assistance was defective. People's money was doled out UP FRONT on a mere promise to perform, with no penal provisions for non-performance/under-performance/ retraction, leading to failure to post the mandated results.
- It is just the inadequacies and ineffectiveness of the entire chain of players - PACS to Policy makers to Regulators!

Late 1980s, the Regulators (RBI/NABARD) strictly ensured - without any legal frame in position - compliance with

- i. Non-interference by the state govts. in the functioning of the elected Boards and the professional CEOs,
- ii. Ban on declaration of across- the- board loan waiver/ concessions; and its critics were silenced by the Supreme Court and the Parliament.

Again, this was done successfully and more comprehensively, in mid1990's by NABARD under informal MoUs executed jointly by the State Govts. and the Apex Banks with NABARD—with no incentives for performance, but only penalties for non—performance.

2. To re-invent

VCP's basic hypothesis was

- i. Inevitability of RCCS in Rural credit with its REACH and ACCESS
- ii. RCCS derives strength from Viable and vibrant PACS
- a) Then, is the trade off in putting RCCS on par with Com. Bks for competitive efficiency and adequate delivery realistic?? Different species cannot have same habitat!

It carries a threat- Both institutions could give less of both quality and quantity! Experience of cross-breeding for RRBs and introduction of Multi Agency approach in difficult areas proved it. And, this is what is happening in Rural Credit delivery too!

b) Both the Coop Banking and Commercial Banking can go together as complementary units- with appropriate strategies- with clear role demarcation, but not as competitors

And, no free lunch for anybody. Banking is Banking and should be Banking. Credit needs to be provided in Right time, Right quantum and Right terms.

c) Farmers too are not bothered about free doles by way of interest concessions/ waivers/ subsidies, etc. and, Govt. ideally, with no interference with normal banking channels, could have their own entity with their own funding for supporting the under privileged groups with liberal TOR, as is the case with some developed countries

3. Next Steps

a) Agreed Action plan

AP (includes TS) has always been in the fore-front in adopting the Reforms – even in the case of RCCS. Current set back is a contributory failure of all players; future should be an Agreed Action Plan for total revival, with shared concerns and shared responsibilities. And the future is now.

b) DIME

The Design, Implementation, Monitoring and Evaluation (DIME) of the new dispensation should be handled by Group(s) of Independent Professionals with domain expertise, in coordination with all the players

c) AP + TS to emerge as Role Models

Let us Walk the Extra Mile and re-establish strong viable RCCS in AP and TS and vindicate their lead position. And it is the pious responsibility of today's players to pass on the RCCS to the next generation in the shape as strong as we have inherited.

It is not an option, but a compulsion

Appendix-1

Legal & Institutional Reforms (as per MoU)

- 1. The actual reasons for the cooperative societies and banks making losses are poor management and governance, and unless these are improved, the entire capitalization amount would get wasted as the real functioning of cooperatives would not change. It is therefore necessary that suitable amendments are made in the relevant Acts such as Cooperative Societies Acts of states, BR Act, NABARD Act, DICGC Act etc.,
- 2. The fundamental principle behind all these amendments has to be the basic principle of cooperation: that a cooperative is meant to be a member centric and member governed institution and all members have equal voting rights. Thus, no cooperative should transact any business with a non-member including accepting deposits. Therefore, any user of services in a PACS, be that as borrower or depositor, should have a full voting right. The Task Force has noted that nine states have enacted parallel Acts similar to the model Act which is a step in the right direction. DCCBs and SCBs are however federal structures and they would have to make a choice: either they transact business only with member cooperatives and do not accept public deposits or, if they choose to accept public deposits, be subject to full regulation by the RBI without any duality of control with the Registrar of Cooperative Societies.

A: Legal Reforms

The Task Force had also suggested a model Cooperative Law that can be enacted by the state governments. It also recommends that in states where there are already two laws, the old cooperative societies Act and the new Act on the lines of the model Act, it would be better to gradually converge and have only one Act so as to reduce confusion and legal problems. In respect of states, which do not pass the model Act, the Task Force has recommended for inclusion of a separate chapter for Agricultural and Rural Credit Societies incorporating the provisions salient in the model Act in the extant Cooperative Societies Acts.

- i) All cooperative banks would be on par with the commercial banks as far as regulatory norms are concerned.
- ii) RBI will prescribe fit and proper criteria for election to Boards of cooperative banks. Such criteria would however not be at variance with the nature of membership of primary cooperatives which constitute the membership of the DCCBs and SCBs.

- iii) However, as financial institutions, these Boards would need minimum support at the Board level. Thus, the RBI will prescribe certain criteria for professionals to be on the Boards of cooperative banks. In case members with such professional qualifications or experience do not get elected in the normal electoral process, then the Board will be required to co-opt such professionals in the Board and they would have full voting rights.
- iv) The CEOs of the cooperative banks would be appointed by the respective banks themselves. However, as these are banking institutions, RBI will prescribe the minimum qualifications of the CEO to be appointed and the names proposed by the cooperative banks for the position of CEO would have to be approved by RBI.
- v) Cooperatives other than cooperative banks as approved by the RBI would not accept non-voting member deposits. Such cooperatives would also not use words like "bank", "banking", "banker", or any other derivative of the word "bank" in their registered name.

B. Institutional Reforms

As making legal amendments is time consuming process, the Task Force has recommended that under the existing powers, the state governments may issue Executive Orders to bring in the desired reforms which will relate to:

- i. Ensuring full voting membership rights on all users of financial services including depositors.
- ii. Removing state intervention in administrative and financial matters in cooperatives.
- iii. Removing provision for government equity and participation in the Boards of cooperatives.
- iv. Withdrawing restrictive orders on financial matters.
- v. Permitting cooperatives freedom to take loans from any financial institution and not necessarily from only the upper tier and similarly placing their deposits with any financial institution of their choice.
- vi. Permitting cooperatives under the parallel Acts to be members of upper tiers under the existing cooperative societies Acts and vice versa.
- vii. Limiting powers of state governments to supersede Boards.
- viii. Ensuring timely elections before the expiry of the term of the existing Boards.
- ix. Facilitating full regulatory powers for RBI in case of cooperative banks.

Prudential norms including CRAR for all financial cooperatives including PACS.

Appendix-2

Visits to PACS

PACS visited by Study Team in 3 districts showed varied performance:

ANANTAPUR

- 1) Of the 3 PACS in Anantapur district, 2 PACS showed negative growth in deposits and borrowings. And the aggregate figures for all the PACS under borrowings showed a negative growth which also resulted in decline in loaning.
- 2) The borrowing members constituted a mere 16.35% of the total members of PACS in the district
- 3) Borrowings constituted 98% of the working capital in one PACS which was also not maintaining books of accounts properly. The salaries were paid out of ad-hoc advances given by the DCC bank. No loan recovery efforts despite prosperous environment. The staff had not showed any inclination to improve
- 4) As a healthy contrast, the other 2 PACS showed enthusiasm to improve and have diversified successfully into Agro-processing, supply of agriinputs and exploring other avenues of business like milk collection on behalf of the coop milk society with a plan to set up a milk processing unit.
- 5) These two PACS have also ensured continuous power supply for their office trough solar power. At the instance of the DCCB, they have exhibited charter of services to the members as an awareness building initiative.

NELLORE

- 1) The 4 PACS visited in Nellore District showed not very encouraging results.
- 2) The growth rate in own funds was negative in 2 out 4 PACS visited with one PACS having negative annual average growth rate of 14.42%.
- 3) The borrowing members were a mere 9.46% of the total members of the PACS in the district which was reflected in the borrowing members at 3% to 7% in 3 PACS and only33.7% in the other PACS. The district average was very low at 9.46%.
- 4) The merger of weak PACS with strong PACS has not been given proper treatment in the years that followed. The DCC Bank needs to provide hand holding support in terms of business diversification, issues relating to non-recoverable loans (ex. blocking of interest calculation followed by need based write off at DCC Bank level etc.)- especially, where the problems were inherited. A PACS wise in-depth study by assigning them to senior officers to provide guidance for improvement is required.
- 5) The Presidents and the managements were eager to diversify their business but lacked support from the DCCB.

KARIMNAGAR

- In Karimnagar district of the 4 PACS visited, the overall position was encouraging though 1 PACS was not up to the mark, mainly on account of the disinterested staff.
- One PACS is running a petrol pump. All the PACS were into agriinputs sale.
- 3) All the PACS visited had >60% borrowing members with district average at 61%.
- 4) The PACS in the district were participating in the paddy procurement operation of the state government giving them substantial income (Rs.5.70crores in Kharif 2014). The operations were computerized and monitored continuously by the DCC Bank.
- 5) 9 PACS are having petrol pumps; 46 PACS have RO water plants providing clean drinking water at minimal price; 12 PACS have tie-up with Western Union Money Transfer.; 4 PACS have locker facility for customers.
- 6) The Bank has built up good data base of the PACS members and is able to send SMS alerts on loan due dates etc.
- The earnest efforts and guidance provided by the DCC Bank, specially the President and the past and the present CEOs & their staff and the enthusiastic participation of the managements of PACS and their staff is evident in the overall growth of PACS in the district which resulted in net profit position of the DCC Bank which had huge accumulated losses in 2005-06.

Appendix 3

Government Interference with Loan recovery

The waivers were announced following the devastating cyclone "Philian" (2014) as an election manifesto of political parties outside the stipulated norms.

Andhra Pradesh Government Loan Waiver Scheme 2014-15

Government of Andhra Pradesh has announced the Agriculture loan waiver scheme for the farmers through G.O M.S No.174 dt: 14.08.2014.

Salient features of the scheme:

- All the crop loans disbursed and out standings as on 31.12.2013 are eligible for waiver, even if they are repaid subsequently.
- Waiver of eligible loans (including loans against gold jewels under agriculture) not exceeding Rs.1.50 lakhs per family.
- In the Cooperative Credit Structure, an amount of Rs.5243.20 Crores in respect of 14,53,996 farmer members, is eligible for waiver.
- Of this, Rs.1071.01 crores, being 20% of the eligible amount, was released by the Government of Andhra Pradesh.
- The amount released by the govt. adjusted to KCC accounts of farmers and thus enabled KCC accounts to be renewed.

Telangana State Debt waiver scheme (2014-15):

Government of Telangana has announced the Agriculture loan waiver schemes for the farmers through G.O M.S No.69 dt: 13.08.2014.

Salient features of the scheme:

- All agricultural production loans including loans against pledge of gold, together with applicable interest up to 31.8.2014, which were disbursed and outstanding as of 31st March 2014 or Rs.1.00 Lakh per farmer family whichever is lower eligible for waiver.
- In the Cooperative Credit Structure, an amount of Rs.2333.07 crores in respect of 8,81,487 farmer members, eligible for waiver.
- Of this, Rs.581.20 crores, being 25% of the eligible amount, was released by the Government of Telangana
- The amounts so released were credited to the KCC accounts of the farmers enabling them to be renewed.

Impact on Farmers:

- The farmers could not get additional/fresh crop loans- confining their drawal eligibility to balance in their credit limit after crediting money released by the govt. minus interest due there on.
- Interest subsidy etc., lost due to renewals after due dates.
- Ineligible for crop insurance despite drought declaration by the State govt., in several mandals.

Impact on Coop Banks

- Vitiated recovery climate.
- Liquidity problems owing to repayment to higher financing agencies and depositors on due dates without cash inflows.
- Opportunity cost of locked-up funds.
- Adverse impact on the balance sheet.
- Government's interference in the autonomy of CCIs violation of MoU with GoI and NABARD under Revival Package.

[The study was sponsored by National Institute for Rural Banking, Bengaluru as part of it Silver Jubilee Seminar organised on 19th June, 2015]

 $\frac{ANNEXURE-1A}{Financial \ Position \ of \ Rural \ Cooperative \ Credit \ Institutions \ in \ AP \ \& \ TS}$

S1.	Organization	Out Sta	nding	s as at th	e end	of the ye	ar (R	s. In lakh	is)	% Annual
No.	Organization	2005-06		2007-08		2010-11		2013-14		Avg. Growth
1	A.P State Coop Bank									
i)	Own Funds (% of WC)	138,749.00	19.38	148,104.00	20.17	154,831.00	17.75	182,112.00	13.56	3.91
ii)	Deposits (% of WC)	169,715.00	23.71	217,275.00	29.59	362,087.00	41.50	463,078.00	34.47	21.61
iii)	Borrowings (% of WC)	407,473.00	56.91	368,871.00	50.24	355,534.00	40.75	698,080.00	51.97	8.91
iv)	Working Capital	715,936.00		734,250.00		872,452.00		1,343,270.00		10.95
V)	Loans	564,068.00		599,638.00		565,958.00		952,576.00		8.61
2	Select DCCBs in A.P									
Α	Anantapur DCCB									
i)	Own Funds (% of WC)	17,529.96	27.49	21,343.80	28.56	22,246.30	34.05	22261.79	31.13	3.37
ii)	Deposits (% of WC)	6,401.24	10.04	10,723.01	14.35	15,110.41	23.12	20299.64	28.39	27.14
iii)	Borrowings (% of WC)	39,840.04	62.47	42,661.23	57.09	27,986.21	42.83	28953.64	40.49	(-) 3.42
iv)	Working Capital	63,770.87		74,728.04		65,342.92		71515.07		1.52
v)	Loans	58,819.16		61,678.18		49,413.03		57100.59) 0.37	
В	Nellore DCCB									
i)	Own Funds (% of WC)	9,806.76	30.13	11,557.09	32.90	7810.65	22.68	8304.46	19.57	(-) 1.91
ii)	Deposits (% of WC)	4174.4	12.83	4425.43	12.60	8051.19	23.38	11716.91	27.61	22.59
iii)	Borrowings (% of WC)	18565.23	57.04	19143.79	54.50	18570.23	53.93	22410.87	52.82	2.59
iv)	Working Capital	32546.39		35126.31		34432.07		42432.24		3.80
v)	Loans	22188.34		22403.22		20496.22		30564.68	4.72	
3	Select DCCBs in T.S									
	Karimnagar DCCB									
i)	Own Funds (% of WC)	7,622.58	20.06	7,264.58	17.42	7,690.15	13.43	8,633.81	9.92	1.66
ii)	Deposits (%ofWC)	10551.11	27.77	15510.9	37.20	25470.1	44.48	38945.49	44.73	33.64
iii)	Borrowings (% of WC)	19816.36	52.16	18916.03	45.37	24102.76	42.09	39484.86	45.35	12.41
iv)	Working Capital	37990.05		41691.51		57263.01		87064.16	16.15	74
Ŋ	Loans	29726.48		29162.35		38986.38		64899.44	14.79	
	All DCCBs in T.S									
i)	Own Funds (% of WC)	80717.98	22.84	95394.52	24.16	90322.55	22.96	78657.67	13.85	(-) 0.32
ii)	Deposits (% of WC)	83608.18	23.66	105269.6	26.66	146747.07	37.31	204243.56	35.95	18.04
iii)	Borrowings (% of WC)	189111.93	53.51	194244.43	49.19	156258.77	39.73	285166.06	50.20	6.3
M)	Working Capital	353438.09		394908.55		393328.39		568067.29		7.59
v	Loans	280819.14		286305.05		250045.56		434347.08		6.83
7	Total of All DCCBs in									
4	A.P&T.S									
i)	Own Funds (% of WC)	222606.55	22.73	261191.11	23.29	250820.89	21.11	252983.82	14.30	1.7
ii)	Deposits (% of WC)	249075.23	-				36.88	-	36.19	19.6
iii)	Borrowings (%of WC)	507573.59	+		+		42.01	-	-	9.0
in)	Working Capital	979255.37	-	1121607.56	+	1188298.78	1	1768914.50	+	10.0
N)	Loans	778392.94	+	831100.08	+	795805.59		1355032.73	+	9.2

ANNEXURE 1 B

Financial Position of Rural Cooperative Credit Institutions in AP & TS (Rs. In lakhs)

SI. No.	Organization	2007-08	% sh. In wc	2010-11	% sh. In wc	2012-13	% sh. In wc	% Annual Growth
5	PACS (Selected)							
A)	ANANTAPUR							
	District	-						
a)	MARALA PACS							
i)	Own Funds							
	(% of WC) Rs.	46.44	6.15	53.55	11.13	60.59	11.16	6.09
ii)	Deposits							
	(% of WC) Rs.	46.15	6.11	35.66	7.41	26.72	4.92	-8.42
iii)	Borrowings							
	(% of WC) Rs.	662.9	87.74	391.79	81.45	455.42	83.91	-6.26
iv)	Working Capital Rs.	755.49		481		542.73		
v)	Loans Rs.	672.79		536.31		522.8		
vi)	Borrowing							
	Members (%)	NA		NA		28.52 (27.60 %		
b)	GUNIPALLI PACS							
i)	Own Funds	-						
	(% of WC) Rs.	35.4	7.27	40.34	5.50	74.96	16.98	22.35
ii)	Deposits							
	(% of WC) Rs.	24.94	5.12	432.54	58.94	44.75	10.14	15.89
iii)	Borrowings							
	(% of WC) Rs.	426.55	87.61	260.97	35.56	321.67	72.88	-4.92
iv)	Working Capital Rs.	486.89	g*	733.85		441.38		-
v)	Loans Rs.	352.33		253.48		294.83		
vi)	Borrowing Members (%)	NA	. 15	97 (39.04%)	15	69(37.78 %)		
c)	BATHALAPALLI PACS							
i)	Own Funds							
	(% of WC) Rs.	67.2	4.91	67.32	13.956	8.71 (2011-	2) 8.51	0.45
ii)	Deposits							
	(% of WC) Rs.	10.71	0.78	17.58	3.64	7.56	0.94	-5.88
iii)	Borrowings							
	(% of WC) Rs.	1291.01	94.31	397.83	82.41	799.79	99.06	-7.61
iv)	Working Capital Rs.	1368.92		482.73		807.35		
v)	Loans Rs.	1260.71		718.78	1	673.74		
vi)	Borrowing							
	Members (%) 2	500(22.50%)		2481(22.33%)				
d)	Total of All PACS						5	W.
·i)	Own Funds	3"		0 " = "	H	-	and the second	(45)
	(% of WC) Rs.	2062.09	5.50	2463.4	8.30	9261	26.34	69.82
ii)	Deposits					9	(dis)	
-	(% of WC) Rs.	569.91	1.52	838.6	2.82	725.5	2.06	5.46
iii)	Borrowings	21 21				-	. K	
4	(% of WC) Rs.	34891.8	92.99	26383	88.88	25178.8	71.60	-5.57
iv)	Working Capital Rs.		- T	29685		35165.3		
v)	Loans Rs.	32717.7		22838		18625.91		-
vi)	Borrowing							
- /	Members (%)	NA		101388(18.66%)	-	91373(16.35%)		

ANNEXURE 1B (contd..)

Financial Position of Rural Cooperative Credit Institutions in AP & TS (Rs. in lakhs)

SI. No.	Organization	2007-08	% sh. In wc	2010-11	% sh. In wc	2012-13	% sh. In wc	% Annual Growth
	PACS (Selected)							
B)	NELLORE							
a)	KODURUPADUPACS							
i)	Own Funds						-	
	(% of WC) Rs.	54.6	19.33	70.54	43.05	101.27	39.42	17.10
ii)	Deposits							
	(% of WC) Rs.	4.51	1.60	1.3	0.79	8.76	3.41	18.85
iii)	Borrowings					35		
	(% of WC) Rs.	223.36	79.07	92.02	56.16	146.89	57.17	-6.85
iv)	Working Capital Rs.	282.47	•	163.86		256.92		
v)	Loans Rs.	286.62		134.52		199.57		
vi)	Borrowing						-	
	Members (%)	618(10.29%)		450(8.56%)		373 (7.09%)		
b)	PODALAKURU							
	PACS			10				
i)	Own Funds							
	(% of WC) Rs.	48.84	6.76	45.52	10.65	51.56	11.36	1.11
ii)	Deposits						8	
	(% of WC) Rs.	0.45	0.06	4.49	1.05	9.05	1.99	382.22
iii)	Borrowings							
	(% of WC) Rs.	672.99	93.18	377.25	88.30	393.43	86.65	-8.31
iv)	Working Capital Rs.	722.28		427.26		454.04		
v)	Loans Rs.	627.93		245.12		261.63		
vi)	Borrowing						- 6	
	Members (%)	1074(3.54%)		856 (2.81%)		975(3.10%)		
c)	DUVVURU PACS							
i)	Own Funds	372		9				
	(% of WC) Rs.	18.69	15.64	11.08	9.80	11.62	8.88	-7.57
ii)	Deposits (% of WC) Rs.	0.09	0.08	0.52	0.46	1.31	1.00	271.11
iii)	Borrowings							
	(% of WC) Rs.	100.74	84.29	101.43	89.74	117.98	90.12	3.42
iv)	Working Capital Rs.	119.52		113.03		130.91		

SI. No.	Organization	2007-08	% sh. In wc	2010-11	% sh. In wc	2012-13	% sh. In wc	% Annual Growth
v)	Loans Rs.	86.21		87.91		108.71		
vi)	Borrowing							
	Members (%)	140(2.79%)	:	209(4.14%)	;	28(4.41%)		
d)	CHOWTAPALEM							
	PACS							
i)	Own Funds							
	(% of WC) Rs.	179.84	26.65	43.69	11.45	50.16	11.57	-14.42
ii)	Deposits				÷			
	(% of WC) Rs.	0.57	0.08	0.39	0.10	0.38	0.09	-6.67
iii)	Borrowings							
	(% of WC) Rs.	494.38	73.26	337.61	88.45	383.04	88.34	-4.50
iv)	Working Capital Rs.	674.79		381.69		433.58		
v)	Loans Rs.	403.04		270.97		288.41		
vi)	Borrowing Members (%)	2845(73.62%)		1922(48.21%)		1753(33.77%)		
e)	Total of All PACS							
i)	Own Funds (%of WC) Rs.	2946.37	12.46	2643.22	12.95	3951.76	15.98	6.82
ii)	Deposits (% of WC) Rs.	428.17	1.81	1535.61	7.52	1124.38	4.55	32.52
iii)	Borrowings (% of WC) Rs.	20281.4	85.73	16237.42	79.53	19658.64	79.48	-0.61
iv)	Working Capital Rs.	23655.94		20416.25		24734.78		
v)	Loans Rs.	18450.1		15427.3		18903.36	-	
vi)	Borrowing		-					
	Members (%)	62786 (9.93%)		57604(7.47%)		66859(9.46%)		

ANNEXURE 1B (contd..)
Financial Position of Rural Cooperative Credit Institutions in AP & TS

						andings		(Rs. in lakhs)	lakhs)	
SI. No.	Organization	2004- 05	% sh. In wc	2007- 08	% sh. In wc	2010- 11	% sh. In wc	2011- 12	% sh. In wc	Annual Growth
	PACS (Selected)								
C)	KARIMNAGAR									
a)	Chigurumamidi									
	PACS	3			313					
i)	Own Funds									
	(% of WC)	16.16	4.78	15.1	4.24	13.72	10.28	13.75	9.56	-2.13
ii)	Deposits (% of WC)	0.21	0.06	0.22	0.06	0.22	0.16	0.19	0.13	-1.36
iii)	Borrowings									
	(% of WC)	322.01	95.16	340.42	95.69	119.56	89.56	129.83	90.30	-8.53
iv)	Working Capital	338.38		355.74		133.5			143.77	
v)	Loans	244.66		278.38		54.88			54.24	
vi)	Borrowing	1339		1678		2067			2144	
	Members (%)	(100%)		(55%)		(59%)			(61%)	*
b)	Metpalli PACS			r'						
i)	Own Funds									a
	(% of WC)	15.75	19.74	18.4	11.97	47.31	9.62	58.39	8.98	38.68
ii)	Deposits						1.5			
	(% of WC)	7.51	9.41	26.13	16.99	46.24	9.41	88.55	13.62	154.16
iii)	Borrowings	- 48						-		
	(% of WC)	56.54	70.85	109.24	71.04	398.06	80.97	502.99	77.39	112.80
iv)	Working Capital	79.80		153.77		491.61			649.93	
v)	Loans	75.41		127.94		433.77			585.73	
vi)	Borrowing	1009	- 0	553		946			978	
	Members (%)	(100%)		(45.37%)		(59%)			(61%)	
c)	Sultanabad_PAC	\$								
i)	Own Funds									
	(% of WC)	24.60	9.35	26.35	8.70	57.55	11.39	60.44	10.75	20.81
ii)	Deposits									
	(% of WC)	0.06	0.02	0.17	0.06	0.32	0.06	0.43	0.08	88.10
iii)	Borrowings									
'	(% of WC)	238.34	90.62	276.41	91.25	447.31	88.54	501.44	89.18	15.77
iv)	Working Capital	263.00		302.93		505.18			562.31	1

						tandings		(Rs. in lakhs)		%
SI. No.	Organization	2004- 05	% sh. In wc	2007- 08	% sh. In wc	2010- 11	% sh. In wc	2011- 12	% sh. In wc	Annual Growth
v)	Loans	251.47		308.05		531.07			577.24	
vi)	Borrowing	1667		2135		2382			2464	
	Members (%)	(100%)		(55%)		(59%)			(61%)	
d)	Mahadevpoor		K 2							
	PACS						1			
i)	Own Funds									
	(% of WC)	9.36	5.83	10.42	4.34	19.3	11.74	19.19	10.44	15.00
ii)	Deposits									
	(% of WC)	0.05	0.03	0.05	0.02	11.73	7.13	24.97	13.59	7120.00
iii)	Borrowings									
,	(% of WC)	151.1	94.14	229.68	95.64	133.40	81.13	139.58	75.97	-1.09
iv)	Working Capital	160.51		240.15		164.43			183.74	
v)	Loans	146.74		177.58		169.99			165.78	
vi)	Borrowing	848		1631		1928			1995	
	Members (%)	(100%)		(55%)	·	(59%)			(61%)	
e)	Total of All PACS									
i)	Own Funds									
	(% of WC) Rs.	1613.18	6.75	1914.5	6.98	3,156.79	11.03	3269.55	10.86	14.67
ii)	Deposits					2				
	(% of WC) Rs.	1052.13	4.40	1408.68	5.14	3,167.78	11.06	3582.50	11.90	34.36
iii)	Borrowings									
	(% of WC) Rs.	21228.21	88.85	24107.1	87.88	22,307.11	77.91	23257.71	77.24	1.37
iv)	Working Capital Rs.	23893.52		27430.28		28,631.68		80,109.76		
v)	Loans Rs.	17701.18		22681.17		28721.71		30109.83		
vi)	Borrowing	139301		219574		227444		219626		
	Members (%)	(100%)		(55 %)		(59%)		(61%)		

ANNEXURE 1C
Financial Position of DCCBs in A.P and T.S

Ö		2005	0, 1	Own I	Funds	(Rs. in la	akhs)	2042	0/ -1-	%
SI. No.	DCCBs	2005- 06	% sh. In wc	2007- 08	% sh. In wc	2010- 11	% sh. In wc	2013- 14	% sh. In wc	Annual Growth
1	Andhra Pradesh									
	State (A.P)									
i)	Srikakulam	7475.64	37.80	6534.69	26.86	4509.82	18.90	6729.91	15.176	(-) 1.25
ii)	Vizianagaram	7520.96	36.29	8646.92	33.25	6643.58	26.31	7643.5	20.04	0.20
iii)	Visakhapatnam	6731.38	19.37	7467.65	18.86	6159.34	13.74	7530.94	8.92	1.48
iv)	Kakinada	17018.09	22.25	19209.46	22.72	19210.82	20.25	20940.26	15.55	2.88
v)	Eluru	11945.23	17.83	13357.17	17.55	14151.94	12.44	18432.09	8.92	6.79
vi)	Krishna	15740.88	18.32	17647.52	15.87	20900.8	17.18	25213.26	12.62	7.52
vii)	Guntur	10764.79	18.72	14173.64	21.51	14832.95	18.41	10025.13	9.17	0.86
viii)	Prakasam	4995.31	13.26	6078.85	14.11	6840.67	11.34	10022.99	11.28	12.58
ix)	Nellore	9806.76	30.13	11557.09	32.90	7810.65	22.68	8304.46	19.57	1.91
x)	Kadapa	13562.27	36.12	14947.35	34.53	14954.36	33.50	10323.4	18.23	2.99
xi)	Kurnool	7451.06	20.39	9816.83	23.07	7137.44	20.48	7476.24	12.57	0.04
xii)	Anantapur	17529.59	27.49	21343.8	28.56	22246.3	34.05	22261.79	31.13	3.37
xiii)	Chittoor	11346.61	20.42	15015.62	24.93	15099.67	29.87	19422.18	30.11	8.90
	Total	141888.57	22.67	65796.59	22.82	160498.34	20.19	174326.15	14.52	2.86
2	Telangana State (T.S)									
i)	Adilabad	5148.8	17.10	7719.83	22.51	3568.33	17.98	4649.02	11.80	1.21
ii)	Hyderabad	5418.25	15.23	7067.24	17.96	7482.33	18.10	3894	8.46	3.52
iii)	Karimnagar	7622.58	20.06	7264.58	17.42	7690.15	13.43	8633.81	9.92	1.66
iv)	Khammam	5132.14	15.75	6202.03	15.88	6669.65	11.80	9677.53	9.58	11.07
v)	Mahabubnagar	10125.16	25.42	15677.98	32.83	11478.94	26.63	14351.43	20.47	5.22
vi)	Medak	10439.89	28.76	10002.04	25.25	8134.93	25.84	9424.96	21.47	1.22
vii)	Nalgonda	12876.9	24.66	14670.81	25.71	16283.93	28.93	7064.6	(-) 10.41	5.64
viii)	Nizamabad.	9319.1	20.79	10368.63	22.43	12755.41	25.30	7286.52	(-) 11.21	2.73
ix)	Warangal	14635.16	33.28	16421.38	32.95	16258.88	43.84	13675.8	28.69	0.82
	TOTAL	80717.98	22.84	95394.52	24.16	90322.55	22.96	78657.67	13.85	0.32
3	A.P + T.S	222606.55	22.73	261191.11	23.29	250820.89	21.11	252983.82	14.30	1.71

ANNEXURE 1D Financial Position of DCCBs in A.P and T.S

01		2005		Dep	osits	(Rs. in lal	khs)	2040	٥, ١	%
SI. No.	DCCBs	2005- 06	% sh. In wc	2007- 08	% sh. In wc	2010- 11	% sh. In wc	2013- 14	% sh. In wc	Annual Growth
1	Andhra Pradesh									
	State (A.P)									
i)	Srikakulam	1373.1	6.94	4564.36	18.76	4576.38	19.18	8843.84	19.94	68.01
ii)	Vizianagaram	2787.3	13.45	4441.61	17.08	3651.13	14.46	5104.65	13.38	10.39
iii)	Visakhapatnam	17245.8	49.62	20944.39	52.89	25702.06	57.34	62200.61	73.64	32.58
iv)	Kakinada	22718.13	29.70	27411.92	32.42	34907.98	36.79	47744.24	35.46	13.77
v)	Eluru	27016	40.32	30043.96	39.49	47948.36	42.14	68667.18	33.23	19.27
vi)	Krishna	37453.74	43.58	45351.42	40.78	62750.98	51.59	86494.77	43.28	16.37
vii)	Guntur	15065.54	26.20	20075.21	30.46	29273.56	36.33	38478.03	35.20	19.43
viii)	Prakasam	12354.27	32.80	16388.24	38.04	23585.62	39.09	32997.97	37.12	20.89
ix)	Nellore	4174.4	12.83	4425.43	12.60	8051.19	23.38	11716.91	27.61	22.59
x)	Kadapa	4797.89	12.78	6264.65	14.47	10205.02	22.86	15089.75	26.64	26.81
xi)	Kurnool	6449.87	17.65	8853.7	20.81	13481.12	38.69	22105.83	37.17	30.34
xii)	Anantapur	6401.24	10.04	10723.01	14.35	15110.41	23.12	20299.64	28.39	27.14
xiii)	Chittoor	7629.77	13.73	7990.92	13.27	12278.91	24.29	16186.71	25.09	14.02
	Total	165467.05	26.44	207478.82	28.55	291522.72	36.67	435930.13	36.30	20.43
2	Telangana State	(T.S)								
i)	Adilabad	7267.41	24.14	7919.91	23.10	8159.42	41.12	11633.98	29.52	7.51
ii)	Hyderabad	16842.23	47.33	20781.55	52.81	23430.93	56.69	27823.71	60.47	8.15
iii)	Karimnagar -	10551.11	27.77	15510.9	37.20	25470.1	44.48	38945.49	44.73	33.64
iv)	Khammam	10251.61	31.45	13236.44	33.88	26782.38	47.40	41996.55	41.56	38.71
v)	Mahabubnagar	6190.29	15.54	7816.05	16.36	11507.73	26.69	18342.47	26.16	24.54
vi)	Medak	5399.94	14.88	7435.9	18.77	9074.41	28.82	13578.73	30.93	18.93
vii)	Nalgonda	9631.56	18.44	11190.71	19.61	15562.37	27.65	17365.93	25.60	10.04
viii)	Nizamabad.	11631.91	25.95	13004.83	28.13	16561.3	32.85	22142.68	34.07	11.30
ix)	Warangal	5842.12	13.28	8373.31	16.80	10198.43	27.50	12414.02	26.04	14.06
	Total	83608.18	23.66	105269.6	26.66	146747.07	37.31	204243.56	35.95	18.04
3	A.P + T.S	249075.23	25.44 3	12748.42	27.88	438269.79	36.88	640173.69	36.19	19.63

ANNEXURE 1E Financial Position of DCCBs in A.P and T.S Borrowings (% of wc) Rs. in lakhs

<u> </u>				Own F	unds	(Rs. in I	akhs)			%	% sh.
SI. No.	DCCBs	2005- 06	% sh. In wc	2007- 08	% sh. In wc	2010- 11	% sh. In wc	2013- 14	% sh. In wc	Annual Growth	in wc
1	Andhra Prades	h State (A.P.)								
i)	Srikakulam	10926.26	55.25	13233.78	54.39	14778.9	61.93	28772.03	64.88	20.42	24.64
ii)	Vizianagaram	10416.38	50.26	12917.51	49.67	14959.31	59.24	25392.47	66.58	17.97	27.31
iii)	Visakhapatnam	10775.31	31.01	11189.27	28.25	12964	28.92	14732.59	17.44	4.59	12.76
iv)	Kakinada	36759.16	48.05	37926.17	44.86	40759.75	42.96	65964.59	48.99	9.93	27.3
v)	Eluru	28044.29	41.85	32688.09	42.96	51689	45.43	119542.84	57.85	40.78	13.57
vi)	Krishna	32749.07	38.11	48217.06	43.35	37981	31.23	88131.37	44.10	21.14	16.39
vii)	Guntur	31664.53	55.07	31655.87	48.03	36464.56	45.26	60817.39	55.63	11.51	28.96
viii)	Prakasam	20316.99	53.94	20614.93	47.85	29910.25	49.57	45871.92	51.60	15.72	22.86
ix)	Nellore	18565.23	57.04	19143.79	54.50	18570.23	53.93	22410.87	52.82	2.59	43.75
x)	Kadapa	19186.28	51.10	22075.94	51.00	19480.87	43.64	31219.98	55.13	7.84	33.88
xi)	Kurnool	22636.86	61.95	23879.61	56.12	14228.11	40.83	29887.31	50.26	4.00	38.06
xii)	Anantapur	39840.04	62.47	42661.23	57.09	27986.21	42.83	28953.64	40.49	3.42	(-) 55.71
xiii)	Chittoor	36581.26	65.84	37220.35	61.80	23177.14	45.84	28893.93	44.79	2.63	(-) 56.71
	Total	318461.66	50.89	353423.6	48.63	342949.33	43.14	590590.93	49.18	10.68	26.52
2	Telangana State	e (T.S)						ý.			
i)	Adilabad	17690.07	58.76	18648.2	54.39	8113.44	40.89	23121.72	58.68	3.84	44.89
ii)	Hyderabad	13325.09	37.45	11500.93	29.23	10415.78	25.20	14294.6	31.07	0.91	28.96
iii)	Karimnagar	19816.36	52.16	18916.03	45.37	24102.76	42.09	39484.86	45.35	12.41	22.76
iv)	Khammam	17211.25	52.80	19629.22	50.24	23051.64	40.80	49385.32	48.87	23.37	17.03
v)	Mahabubnagar	23519.9	59.04	24267.09	50.81	20123.27	46.68	37416.53	53.37	7.39	33.55
vi)	Medak	20454.16	56.36	22179.74	55.98	14272.83	45.34	20901.59	47.61	0.27	46.59
vii)	Nalgonda	29718.7	56.90	31200.01	54.68	24445.69	43.43	43417.39	63.99	5.76	43.8
viii)	Nizamabad.	23874.73	53.26	22856.53	49.44	21105.19	41.86	35567.87	54.72	6.12	36.73
ix)	Warangal	23501.67	53.44	25046.68	50.25	10628.17	28.66	21576.18	45.27	1.02	(-) 49.3
	Total	189111.93	53.51	194244.43	49.19	156258.77	39.73	285166.06	50.20	6.35	33.29
3	A.P+T.S	507573.59	51.83	547668.03	48.83	499208.1	42.01	875756.99	49.51	9.07	28.69

ANNEXURE 1F Financial Position of DCCBs in A.P and T.S

SI.	DCCBs		Working (Capital (Rs.	In lakhs)	%
No.	DCCBS	2005- 2006	2007- 2008	2010- 2011	2013- 2014	Annual Avg. Growth
1	Andhra Pradesh State (A.P)					
i)	Srikakulam	19775.00	24332.83	23865.10	44345.78	15.53
ii)	Vizianagaram	20724.64	26006.04	25254.02	38140.62	10.50
iii)	Visakhapatnam	34752.49	39601.31	44825.4	84464.14	17.88
iv)	Kakinada	76495.38	84547.55	94878.55	134649.09	9.50
v)	Eluru	67005.52	76089.22	113789.3	206642.11	26.05
vi)	Krishna	85943.69	111216	121632.78	199839.4	16.57
vii)	Guntur	57494.86	65904.72	80571.07	109320.55	11.27
viii)	Prakasam	37666.57	43082.02	60336.54	88892.88	17.00
ix)	Nellore	32546.39	35126.31	34432.07	42432.24	3.80
x)	Kadapa	37546.44	43287.94	44640.25	56633.13	6.35
xi)	Kurnool	36537.79	42550.14	34846.67	59469.38	7.85
xii)	Anantapur	63770.87	74728.04	65342.92	71515.07	1.52
xiii)	Chittoor	55557.64	60226.89	50555.72	64502.82	2.01
	Total	625817.28	726699.01	794970.39	1200847.21	11.49
2	Telangana State (T.S)			2		
i)	Adilabad	30106.28	34287.94	19841.19	39404.72	3.86
ii)	Hyderabad	35585.57	39349.72	41329.04	46012.31	3.66
iii)	Karimnagar	37990.05	41691.51	57263.01	87064.16	16.15
iv)	Khammam	32595	39067.69	56503.67	101059.4	26.26
v)	Mahabubnagar	39835.35	47761.12	43109.94	70110.43	9.50
vi)	Medak	36293.99	39617.68	31482.17	43905.28	2.62
vii)	Nalgonda	52227.16	57061.53	56291.99	67847.92	3.74
viii)	Nizamabad.	44825.74	46229.99	50421.9	64997.07	5.62
x)	Warangal	43978.95	49841.37	37085.48	47666	1.05
	Total	353438.09	394908.55	393328.4	568067.29	7.59
3	A.P + T.S	979255.37	1121607.56	1188298.8	1768914.5	10.08

ANNEXURE 1G Financial Position of DCCBs in A.P and T.S

SI.	DCCBs		Loans out	standing (F	Rs. In lakhs)	%
No.		2005- 2006	2007- 2008	2010- 2011	2013- 2014	Annual Avg. Growth
1	Andhra Pradesh State (A.P)					
i)	Srikakulam	13246.46	15326.85	18759.14	38863.06	24.17
ii)	Vizianagaram	11115.92	11606.64	17325.27	30194.22	21.45
iii)	Visakhapatnam	25637.46	27191.8	29016	33041.32	3.61
iv)	Kakinada	62537.83	64947.38	71627.68	108381.21	9.16
v)	Eluru	51162.6	62888.2	82456.98	175610.95	30.41
vi)	Krishna	69340.9	87947.62	75484.08	140380.4	12.81
vii)	Guntur	49321.68	51345.56	48215.85	91951.57	10.80
viii)	Prakasam	27104.28	30567.29	47329.14	71779.17	20.60
ix)	Nellore	22188.34	22403.22	20496.22	30564.68	4.72
x)	Kadapa	25223.56	28032.86	28413.79	43885.39	9.25
xi)	Kurnool	29926.32	30393.82	21819.24	44522.41	6.10
xii)	Anantapur	58819.16	61678.18	49431.03	57100.59	0.37
xiii)	Chittoor	51949.29	50465.61	35385.61	54410.68	0.59
	Total	497573.8	544795.03	545760.03	920685.65	10.63
2	Telangana State (T.S)					
i)	Adilabad	24590.1	23604.72	9074.07	30350.19	2.93
ii)	Hyderabad	25697.57	26796.7	20647.86	30675.6	2.42
iii)	Karimnagar	29726.48	29162.35	38986.38	64899.44	14.79
iv)	Khammam	28927.32	30761.59	33371.99	74054.2	19.50
v)	Mahabubnagar	33658.63	34073.11	34550.87	55990.16	8.29
vi)	Medak	23975.47	26886.08	21771.53	32481.66	4.43
vii)	Nalgonda	43473.03	43762.69	36076.62	57961.23	4.17
viii)	Nizamabad.	40341.03	37939.6	36512.83	54901.92	4.51
ix)	Warangal	30429.51	33318.21	19053.41	33032.68	1.07
	Total	280819.14	286305.05	250045.56	434347.08	6.83
3	A.P + T.S	778392.94	831100.08	795805.59	1355032.73	9.26

Operational Profits (Rs in Lakhs)

Annexure 2

SI.No.	Name of DCCBs	2005-2006	2007-2008	2010-2011	2013-2014
	Andhra Pradesh			es, 9 = 12	
1	Srikakulam	115.23	0.00	96.04	242.65
2	Vizianagaram	00	00	1100.68	18.82
3	Visakapatnam	00	49.83	63.77	335.80
4	Kakinada	153.35	00	12.17	173.54
5	Eluru	1167.62	210.40	426.11	301.76
6	Krishna	847.42	233.99	519.95	797.52
7	Guntur	231.94	27.96	111.74	433.84
8	Prakasam	00	157.61	29.24	309.31
9	Nellure	. 00	00	49.32	5.07
10	Kadapa	00	00	83.28	148.52
11	Kurnool	00	00	36.38	229.55
12	Ananthapuram	00	55.11	28.73	169.62
13	Chittoor	00	00	108.21	1067.09
	Telangana State			1 1	
1	Adilabad	00	00	00	397.59
2	Hyderabad	19.84	00	187.47	206.05
3	Karimnagar	00	1978.48	561.20	662.22
4	Khammam	00	00	210.64	271.61
5	Mahabubnagar	00	1458.11	21.38	239.88
6	Medak	00	314.94	60.48	212.35
7	Nalgonda	00	00	166.17	363.14
8	Nizamabad	137.34	60.78	54.82	152.46
9	Warangal	00	263.07	550.37	306.69

Annexure 3

Accumulated losses

SI.No.	Name of DCCBs	2005-2006	2007-2008	2010-2011	2013-2014
	Andhra Pradesh				
1	Srikakulam	3349.65	4186.83	00	00
2	Vizianagaram	4766.32	5426.59	606.91	00
3	Visakapatnam	1413.54	1303.38	00	00
4	Kakinada	00	00	00	00
5	Eluru	00	00	00 .	00
6	Krishna	00	00	00	00
7	Guntur	00	00	00	00
8	Prakasam	2407.03	2625.47	2438.31	1415.00
9	Nellure	4292.95	4273.96	472.17	274.47
10	Kadapa	4951.99	5560.06	4769.69	1692.10
11	Kurnool	3994.36	5620.46	2777.26	2462.46
12	Ananthapuram	2648.48	2700.57	1072.44	595.37
13	Chittoor	1703.53	2265.28	00	00
	Telangana State				
1	Adilabad	2084.97	4509.71	1222.80	802.86
2	Hyderabad	00	1092.56	00	00
3	Karimnagar	4737.94	3613.21	1887.54	00
4	Khammam	305.40	951.33	00	00
5	Mahabubnagar	2204.28	7783.48	00	00
6	Medak	4456.84	5406.51	150.96	00
7	Nalgonda	1827.54	1220.44	00	00
8	Nizamabad	00	00	00	00
9	Warangal	7104.89	6521.50	4311.18	2179.53

Annexure

4

Recovery Performance (%)

9	8	7	6	5	4	u	2	1		13	12	11	10	9	8	7	6	5	4	ω	2	1		SI.No.
Warangal	Nizamabad	Nalgonda	Medak	Mahabubnagar	Khammam	Karimnagar	Hyderabad	Adilabad	Telangana State	Chittoor	Ananthapuram	Kurnool	Kadapa	Nellure	Prakasam	Guntur	Krishna	Eluru	Kakinada	Visakapatnam	Vizianagaram	Srikakulam	Andhra Pradesh	Name of DCCBs
58.47	69.66	59.73	57.83	62.12	75.22	74.42	89.06	67.11		47.51	49.70	54.28	40.36	66.77	70.56	52.24	81.95	95.4	62.06	74.62	54.94	57.85		2006-2007
17.26	34.53	31.09	22.28	25.95	29.59	44.79	40.06	8.11		15.10	34.57	34.57	18.54	27.24	20.35	20.48	40.67	53.21	24.53	40.66	37.43	44.58		2007-2008
73.36	90.62	91.25	81.73	74.03	93.07	98.31	76.62	75.57		84.39	65.75	72.65	81.97	84.21	91.63	84.85	84.76	97.16	89.63	81.94	87.76	85.13		2010-2011
72.37	72.05	98.00	48.26	75.37	90.86	98.54	52.60	64.55		45.00	78.12	75.49	91.55	87.45	80.00	67.76	88.82	97.68	93.33	81.86	88.82	96.00		2006-2007 2007-2008 2010-2011 2012-2013
61.47	66.24	55.08	45.08	40.39	13.41	96.73	74.02	44.71		71.87	20.24	49.51	31.27	48.74	65.70	62.68	43.09	28.05	47.17	53.19	62.23	84.98		30-04-14

Annexure - 5

NPAs (%)

SI.No.	Name of DCCBs	2005-2006	2007-2008	2010-2011	2012-2013	30-04-14
	Andhra Pradesh					
1	Srikakulam	25.01	31.21	8.04	1.96	1.64
2	Vizianagaram	25.20	37.68	31.89	6.46	6.63
3	Visakapatnam	15.34	19.23	13.67	9.44	11.33
4	Kakinada	12.93	22.94	9.45	4.87	4.63
5	Eluru	4.19	2.98	2.57	1.80	1.37
6	Krishna	9.87	10.84	6.43	4.11	4.95
7	Guntur	11.28	25.19	6.97	4.28	4.84
8	Prakasam	11.65	11.11	5.13	2.33	4.02
9	Nellure	28.64	22.49	16.71	9.56	8.43
10	Kadapa	27.35	32.76	24.75	9.00	11.63
11	Kurnool	18.60	37.51	18.44	6.19	6.18
12	Ananthapuram	10.29	12.14	14.17	19.45	13.81
13	Chittoor	21.95	27.71	14.04	6.83	10.31
	Telangana State					
1	Adilabad	1.79	31.72	15.27	4.87	3.05
2	Hyderabad	6.22	8.31	7.62	9.68	11.50
3	Karimnagar	9.58	8.09	2.22	1.83	1.62
4	Khammam	12.85	18.95	4.62	2.14	2.64
5	Mahabubnagar	13.58	10.55	17.82	13.14	14.78
6	Medak	12.02	13.96	8.56	8.20	12.10
7	Nalgonda	9.37	42.98	9.12	4.37	9.30
8	Nizamabad	10.79	14.80	8.53	9.13	10.20
9	Warangal	17.86	19.24	12.58	8.46	5.44

Annexure -6

Money Receivable from State Government

S. No.	Year	Interest reb	ate - Particulars (Rs. in lakhs)
		Total	Received	Balance
1	2007-8	5361.96	3531.37	1830.59
2	2008-9	7400.05	0	7400.05
3	2009-10	2164.05	0	2164.05
4	2010-11	2901.73	0	2901.73
5	2011-12	4805.09	0	4805.09
6	2012-13	5548.69	0	5548.69
		28181.57	3531.37	24650.2
	Interest rebate	28181.57	3531.37	24650.20

Money receivable from State Government

S. No.	Year	Interest reb	ate - Particulars	(Rs. in lakhs)
5. 110.	Icai	Total	Received	Balance
1	2007-8	0	0	0
2	2008-9	0	0	0
3	2009-10	3982.52	0	3982.52
4	2010-11	4260.48	0	4260.48
5	2011-12	7751.82	0	7751.82
6	2012-13	5485.64	0	5485.64
		21480.46	0	21480.46

Annexure -7

Money receivable from State Government				
Year	Interest subvention	on- incentive- Particu	lars (
	75.4.1	15	-	

S. No.	Year	Interest subvention- incentive- Particulars (Rs. In lakhs)		
		Total	Received	Balance
1	2007-8	0	0	0
2	2008-9	0	0	0
3	2009-10	1090.44	1090.44	. 0
4	2010-11	4399.95	4399.95	0
5	2011-12	10867	10867	0
6	2012-13	14577.41	10880.99	3696.42
	30934.8	27238.38		3696.42

Money receivable from State Government

S. No.	Year	Interest subvention- incentive- Particulars (Rs. In lakhs)		
		Total	Received	Balance
1	2007-8			0
2	2008-9			0
3	2009-10	2603.44	2603.44	0
4	2010-11	880.28	880.28	0
5	2011-12	1253.46	1253.46	0
6	2012-13	2820.53	4682.84	(-) 1862.31
	7557.71	9420.02		(-) 1862.31

DUES FROM STATE GOVT. (B RS. IN LAKHS)

S. No.	Particulars	total claim	Total received	outstandings
1	Interest rebate	28181.57	3531.37	24650.20
2	Interest subsidy	21480.46	0	21480.46
3	Interest subvention- incentive	30934.8	27238.38	3696.42
4	Interest subvention	7557.71	9420.02	(-)1862.31
		88154.54	40189.77	47964.77

Free Trade Agreement

Gentlemen,

With immense pride, I introduce myself as a dairy farmer from India. Indeed, my heart swells with happiness and joy when I behold the tremendous contribution of 150 million Indian milk producers towards nation-building, during the last six decades. Through our dedication, ingenuity, commitment, sacrifice and sheer hard work, we have ensured food-security for our country in one of the most critical dimensions - milk and dairy products. Through the spirit of cooperation, we have transformed a nation which, till 1970s, was struggling with severe milk scarcity and heavy dependence on import of dairy commodities, into the largest milk producing county in the entire world. In the process, we have secured selfsufficiency for India in dairy sector and propelled our nation towards a position of eminence on the global dairy map. Just sixty years ago, our citizens in urban India had to suffer due to inadequate availability of milk as well as hygiene and quality issues related to dairy products. However, dairy cooperative movement initiated by millions of small and marginal dairy farmers across rural India, through aweinspiring value-chain innovations, have not only organized the Indian dairy industry but have also ensured wide-spread availability of high-quality, branded, packaged milk and dairy products to consumers across the country. Indian dairy industry has gained global recognition and world-wide respect, thanks to the wisdom and dedication of our farmers. This remarkable success of Indian dairy industry can be largely attributed to dedicated, visionary, selfless leadership of Indian dairy farmers, combined with high commitment and competence of professionals working with dairy cooperatives. To commemorate the achievements of our dairy farmers and to honor the legacy of the father of White Revolution, Dr. Verghese Kurien, the entire dairy community of India has decided to designate 26th November; the birth anniversary of Dr. Kurien; as National Milk Day. On 26th November 2014, National Milk Day was celebrated for the first time, with several events organized across the entire country by various dairy cooperatives and state governments, with the objective of highlighting achievement of dairy cooperative sector and its contribution to nation-building.

[Appeal by Jethabhai P. Patel, Chairman, Gujarat Cooperative Milk Marketing Federation (GCMMF) at 41st Annual General Body Meeting held on 14th May, 2015]

Due to the remarkable efforts of Indian dairy farmers, per-capita milk availability of India which was only 110 gm per day till 1970s, has now exceeded 315 gm per day, despite significant increase in population of the country during the same period. Thanks partly to better nutrition from higher per capita milk availability; our nation has seen remarkable improvement in various health-related social indicators, since independence. Prevalence of malnutrition among children in our country has also fallen sharply in recent decades.

Today, milk is the largest agricultural crop in India with market value exceeding Rs 4 lakh crore (US \$ 65 billion) per annum and the milk group contributes the highest to the total output of our agricultural sector, surpassing the output value of wheat, rice and oilseeds. Milk directly affects livelihood of more than 150 million Indian farmers; a vast majority of whom are small and marginal farmers. Further, most of the dairy business in organized sector is in the hands of cooperatives, which are owned by farmers themselves. In fact dairy cooperatives have triggered a socio-economic revolution in rural India by generating gainful employment for the most vulnerable sections of our rural population; especially rural women and landless labourers. Thanks largely to dairy cooperative movement led by Amul, our rural women have gained some measure of economic independence. The realization obtained by sale of milk is the medium through which farmers meet their expenses, earn livelihood and most importantly, stay in the business of milk.

Our dairy farmers are the backbone of our nation. Thankfully, successive governments, both at the centre and also in various states have in their wisdom, ensured a pragmatic policy environment which allowed the domestic dairy industry to flourish. This in turn, has benefitted farmers in rural India, as well as consumers in urban India. Milk production in our country is growing at a healthy rate of 4.5% per annum and is expected to touch 200 Million MTs per annum by 2020. India has tremendous potential for increasing production of milk as the current yield of milch animals is still very low, about 3 litres per animal per day, as compared to the developed world where the yield is around 30 litres per animal per day. We are actively working on providing information and training to farmers on better feeding practices such as silage feeding, use of mineral mixture, urea straw treatment, chaff cutting etc, in order to improve milk productivity.

Several programs such as National Dairy Plan (NDP) of Government of India implemented through NDDB, with outlay of Rs 18000 crore (USD 2.9 billion), are currently being implemented in our country, with the objective of improving productivity of milch animals. This will ensure that growth in milk production is in sync with expected growth in demand for branded, packaged dairy products in this country.

India is not only the largest milk and dairy products consuming country in the entire world, but we are also among the fastest growing dairy markets across the globe. Nations such as New Zealand, Australia and EU which have sizable export surpluses in dairy sector are trying every means at their disposal to gain access to Indian dairy market on highly favourable terms. Their latest strategy is to demand inclusion of dairy products under bilateral FTA (Free Trade Agreement) negotiations, currently underway with these countries. Faced with the prospect of mounting inventory of dairy commodities on one hand and stagnating demand in their own home markets, these countries intend to use India as a dumping ground for their export surpluses. If they succeed in their objective, then domestic dairy industry of India will be crippled forever. This in turn will have a devastating impact on our rural economy, adversely impacting livelihood of 150 million small and marginal farmers. If EU, Australia, New Zealand and other dairy export surplus countries gain access to Indian market at concessional or even zero import duty, India stands to lose its self-sufficiency in dairy sector, severely compromising the food-security of our nation in coming decades.

The pragmatic and responsible policy environment of last sixty years has not only made India, the largest milk producing nation but also the only country in the world, where dairy cooperatives ensure that 80% of consumer's rupee flows back to the farmers. In most of the developed countries, only 35% to 38% of consumer's dollar ultimately flows back to the dairy farmers.

The year 2014 witnessed continuous growth in milk production, in the major milk exporting countries. On the other hand, import demand from China has actually declined in the same year. Trade sanctions by Russia have also led to accumulation of dairy commodities inventory in EU. Due to softening in import demand for dairy products and higher production in major exporting countries, there has been a major meltdown in global prices of dairy commodities. Farm-gate prices of milk continue to fall in countries such as Australia, New Zealand and EU nations, which are heavily dependent on dairy exports. These countries are lobbying hard for access to Indian dairy market through bilateral Free Trade Agreement negotiations. On the other hand, India's access to the markets of developed countries is being denied by several non-Tariff Barriers like FMD, Brucellosis, Residue monitoring, Aflatoxin etc.

In Australia, there are just 6300 dairy farms, supporting similar number of people engaged in dairy farming. Similarly, in New Zealand, there are only 12000 dairy farms supporting similar number of people engaged in dairy farming. On the other hand, in India, there are 150 million small and marginal dairy farmers, dependent on dairying for their livelihood. Due to limited domestic market, countries such as Australia and New Zealand have to export most of their dairy production

and are constantly looking out for new markets. This is the reason why these countries are deeply interested in free access to Indian dairy markets.

It may be pertinent to note that EU does not allow import of Indian dairy products as they do not approve any Indian dairy plant for export to EU, under their so called extremely strict Sanitary and Phyto-Sanitary (SPS) standards. These are actually non-tariff barriers imposed by them, which India has never been able to break. It may be noted that whole of Europe does not permit import of any of dairy products from India under one or other non-tariff barrier even if India is willing to pay import duties. Since their own domestic markets within EU are stagnant, they are actually trying to protect their markets through different tactics.

EU is providing very high subsidy on exports of dairy products to their milk producers which results into lower prices of milk powder and fat based products such as Ghee and butter. They can dump such subsidized products at low prices if the market access is granted to EU at concessional or zero import duty. Unfortunately, under FTA, India cannot negotiate on these subsidies but we must keep this factor in mind during FTA negotiations. Major dairy exporting countries are actually anticipating huge market opportunity in India once the comprehensive free trade agreement is ratified and hence are looking forward for every way to utilize marketing opportunity in India. We need to be conscious of the fact that our own national interest should not be hampered. Elimination of milk quotas in EU from 1st April 2015 will definitely trigger further growth in milk production within Europe. This will not only depress farm-gate prices in EU but also create mountains of exportable surplus inventories of dairy commodities. This is one of the primary reasons why EU has been insistent on free access to Indian dairy markets under FTA negotiations.

EU is also demanding GI protection of certain variety of Cheeses which are of EU origin. Many of these cheese variants have been manufactured in India since several years and granting GI protection now, will adversely impact both our dairy farmers as well as Indian consumers. It is pertinent to note that in entire Europe, one can find ethnic Indian products such as paneer and lassi, which have been manufactured in dairy plants within EU. However, EU is not willing to grant GI protection to India for these ethnic Indian dairy products.

We request our policy makers to keep in mind the fate that China's domestic dairy industry suffered after entering into FTA with New Zealand on dairy products. China's milk production was growing at a very healthy rate of 25.5% till 2008, but soon after China signed FTA with NZ, China's import dependency increased suddenly and has resulted into stagnation in local milk production. Thus, FTA only helped in killing domestic industry within China and increased outflow

of foreign exchange towards huge import of dairy products. It would also be useful for us to learn from Canada, a country which has pro-actively ensured protection for its own domestic industry, while negotiating FTA's with other nations.

India should also learn from its experience in liberalizing edible oil imports post WTO implementation in 1996-97. India, as the largest producer of oilseeds in the world, was mostly self-sufficient in 1990s. India imported about 500,000 MT of edible oils in 1990-91 which was about 9% of the total requirement. Currently, India imports more than 12,000,000 MT of edible oils valued at Rs 60,000 crore (USD 10 billion) which is 65% of our total requirement. So, the entire industry has moved from 91% self-sufficiency to 65% import dependence in just two decades. We cannot let our dairy industry suffer the same fate.

I urge our policy-makers to recall the pertinent lessons learnt during our own Operation-Flood, which created 'White Revolution' in India and made our country, the highest milk producing nation of the world. In the 1960's, the situation was quite similar since even then. Europe was saddled with mountain of surplus milk powder & butter stocks. In order to protect their own market, European countries were trying to dump these stocks into market of some developing country, in guise of free aid. Instead of allowing free import of subsidized dairy commodities, Government of India on advice of Dr. Verghese Kurien, decided to monetize this aid and use generated funds to develop infrastructure for Indian dairy industry. Dairy markets in some of our neighboring SAARC countries are dominated by MNCs from EU or Oceania. Therefore, we should also ensure that the developed nations of EU and Australia should not use these SAARC nations as bouncing ground for dumping their dairy commodities in India. Rules of origin must be followed while negotiating flow of goods from one country to the other. Relevant measure would be to check the value of the content each country has contributed towards making the final product.

Granting concessions or free market access to major dairy exporting countries under FTA negotiations will be contradictory to the 'Make in India' strategy of our Honorable Prime Minister. Our policy makers should never allow FTA for products or raw material which is abundantly available in India. India has the potential to be the dairy to the world. On the other hand, modern machinery and

state-of-the-art technology which is not available in India and are necessary for the development of domestic dairy industry should actually be brought under the purview of FTA and we can reduce duty on their import from developed countries. This is necessary for manufacturing technologically superior dairy products for Indian consumers and truly achieves the goal of 'Make in India'.

We strongly urge the Government of India to take all necessary steps to protect the interests of 150 million rural milk producers, who are mainly small and marginal farmers and whose livelihood depends on dairy industry. We request our policy makers to ensure that dairy products are completely kept out of the ambit of FTAs with major dairy exporting nations. No duty concessions and no GI protection on dairy products should be given to countries such as Australia, New Zealand and EU. These steps will go a long way towards ensuring that our nation's self sufficiency in dairy sector is maintained in future and our food-security is safeguarded with respect to milk and dairy products.

Source: www.amul.com/m/41st-annual-general-body-meeting.

Report of High Powered Committee

The RBI of India constituted a High Power Committee on Urban Cooperative Banks (UCBs) in June, 2015 with the following the terms of references under the Chairmanship of Shri R. Gandhi, Deputy Governor.

- (i) What lines of business (that commercial banks undertake) can be permitted for UCBs and what should be the benchmark in terms of size of business, capital requirement, regulatory regime etc.
- (ii) In view of the limited legal powers and resolution options, what should be the appropriate size upto which a UCB may be able to grow without undue risks to the system, under the current regulatory framework.
- (iii) When enabling legal framework is in place for conversion of a co-operative bank into a joint stock bank, what should be the criteria for allowing voluntary conversion by a UCB? What should be the benchmarks in terms of asset size, capital etc. for mandatory conversion of UCB to a Joint Stock bank?
- (iv) Examine whether the time is opportune to give license to new UCBs as per the recommendations of the Expert Committee on Licensing of New UCBs (Malegam Committee) and if so the modalities of taking forward the recommendations of Malegam Committee.
- (v) Determine the modalities of implementing the suggestion of the Malegam Committee that 50 per cent in value of deposits should be held by voting members to assure that confidence regarding proper management is generated among investors. Alternatively propose a feasible structure that puts majority voting in the hands of contributors of funds
- (vi) Any other matter incidental to the above

The Executive Summary is given below:

The Banking Regulation Act, 1949 was made applicable to primary co-operative banks commonly known as Urban Co-operative Banks (UCBs) w.e.f. March 1, 1966 and to review the performance of these banks the Reserve Bank constituted different committees and working groups from time-to-time.

The Reserve Bank pursued a liberal licensing policy, especially pursuant to the recommendations of the Marathe Committee, which had suggested dispensing the 'one-district, one-bank' approach. As a result, the number of UCBs had increased from 1311 in 1993 to 1926 by March 2004. However, nearly one-third of these newly licensed UCBs became financially unsound within a short period of time. The Reserve Bank has taken several steps to improve the financial soundness of the UCBs. The Reserve Bank of India entered into Memoranda of Understanding (MoUs) with all State Governments and the Central Government since 2005. The MoUs facilitated coordination of regulatory policies and actions through the mechanism of TAFCUBs, a comprehensive set of capacity building initiatives and measures to bring in efficiency through adoption of technology.

As a result of the new initiatives and sustained efforts by RBI, the number of financially weak banks in the UCB sector has declined. Further, due to consolidation in the sector on account of closures and mergers, the number of UCBs came down from 1770 as at end-March 2008 to 1589 as on March 31, 2014 and further to 1579 by end-March 2015. The sector has recorded growth and financial strength after consolidation. The deposits and advances of UCBs increased from '1398.71 billion and '904.44 billion as at end-March 2008 to '3155.03 billion and '1996.51 billion, respectively, as at end-March 2014. The Gross Non Performing Assets (NPAs) decreased from 15.5% to 5.7% in the same period. However, this growth was not uniform across the UCB sector as a few UCBs grew exponentially during the period. In the process, some UCBs acquired the size of smaller commercial banks.

Thus, the UCB sector has traversed a long distance over the years. As UCBs form an important vehicle for financial inclusion and facilitate payment and settlement, it may be appropriate to support their growth and proliferation further in the background of the differentiated bank model. However, the question remains whether unrestrained growth can be allowed. And keeping in view the restricted ability of UCBs to raise capital, lack of level playing field in regulation and supervision and absence of a resolution mechanism at par with commercial banks, in what form this unrestrained growth should be allowed.

UCBs now have high aspirations of competing with commercial banks and they expect RBI to provide relaxations in various regulatory restrictions. However, due

to the weak resolution regime with respect to UCBs and non-availability of powers to RBI to regulate and supervise UCBs at par with commercial banks, RBI faces constraints in making such relaxations. Thus it becomes necessary to ensure that UCBs balance their growth ambitions in keeping with the risks that they undertake and the risk mitigation measures that are in their control. The growth of the sector therefore has to be in a carefully calibrated manner, consistent with the legal framework and regulatory parameters and their limitations.

A study was conducted on behalf of the committee to ascertain the range of loans granted by scheduled and non-scheduled UCBs. The study shows diametrically opposite trends in the range of loans granted by the two types of co-operative banks. While the scheduled banks granted 59.6% of the total loans in the largest loan size ranges of '1-5 crore and above '5 crore, non-scheduled banks catered to the small loan segments upto '10 lakh in a substantial way as this segment constituted 59.5% of the loans granted by this component of UCBs. The study further supports the premise that large MS-UCBs have aligned their business models and goals with those of commercial banks while availing of the concessions granted to the sector.

A comparison of regulatory parameters prescribed for UCBs and Small Finance Banks (SFBs) as against the list of activities permitted to them shows an interesting result. SFBs despite having stringent capital requirements of Rs.100 crore networth and a CRAR of 15% are not permitted to undertake a host of activities which UCBs are currently allowed with lesser capital requirements starting from Rs.25.00 lakh.

Though UCBs were set-up as small banks offering banking services to people of small means belonging to the lower and middle classes, a well laid out transition path is required for at least the larger UCBs to convert themselves into universal/niche commercial banks due to the changing financial landscape in the country and providing further growth opportunity to well managed UCBs. The major considerations to be kept in mind are the aspirations of large UCBs, conflicts of interest, decline in cooperativeness, regulatory arbitrage, limitations on raising capital, limited resolution powers of RBI, the capital structure of UCBs and opportunities for growth that will accrue after such conversions.

As conversion of UCBs into commercial banks requires certain amendments in the provisions of the Co-operative Societies Acts of all states which is a long drawn process, the Committee recommends that only UCBs which are registered under Multi-state Co-operative Societies Act, 2002 may be considered for conversion to commercial banks. The new provisions of Section 366 of the Companies Act, 2013 have already come into force in terms of which definition of company includes, among others, co-operative societies. As such the issue of conversion of a co-operative society into a joint stock bank has been addressed. However, amendments

to the Multi-State Co-operative Societies Act will still be needed; these have already been suggested by the RBI to Government of India (GoI).

Business Size and Conversion of MS-UCBs into joint stock bank:

The Committee feels that a business size of '20,000 crore or more may be the threshold limit beyond which a UCB may be expected to convert itself into a commercial bank. This may necessitate some transition facilities also. The conversion need not be *de jure* compulsory and large UCBs can continue the way they are operating currently in terms of balance sheet/asset size. However, this will be subject to the regulatory guidelines requiring that the types of businesses they undertake remain within the limits of plain vanilla products and services and hence, growth will be at a much slower pace. Their expansion in terms of branches, area of operations and business lines may thus be carefully calibrated to restrict unrestrained growth.

Conversion of other UCBs into SFBs:

As per the Committee smaller UCBs voluntarily willing to convert to SFBs can do so irrespective of the threshold limit provided they fulfil all the eligibility criteria and selection processes prescribed by RBI and further provided that the SFBs licensing window is open .

Issue of fresh licences:

The Committee unanimously recommends that licenses may be issued to financially sound and well-managed co-operative credit societies having a minimum track record of 5 years which satisfy the regulatory prescriptions set by RBI as licensing conditions. With regard to the concern of providing banking access in unbanked areas, the Committee recommends that RBI may put in place an appropriate set of incentives for existing banks to open branches there.

Board of Management (BoM) in addition to Board of Directors (BoDs): The Committee recommends that the concept of BoM as put forward by the Malegam Committee has to be one of the mandatory licensing conditions for licensing of new UCBs and expansion of existing ones.

Entry Point Norms:

The Committee also feels that licenses may be issued to well-managed co-operative societies which satisfy the following capital requirements:

- (a) To operate as a Multi State Urban Co-operative Bank- Rs.100 crore
- (b) To operate beyond two districts and as a State level UCB Rs.50 crore
- (c) To operate as District level UCB (upto 2 districts) Rs.25 crore
- (d) In case of conversion of co-operative credit societies in unbanked areas and in the north-east, suitable relaxation may be made by RBI.

Depositors as voting members:

It was concluded that depositors ought to have a say on the Boards of UCBs. For this, a majority of the board seats be reserved for depositors by making suitable provisions in the bye-laws.

Suggestions:

The committee, during deliberations on the specific terms of reference also had occasion to briefly discuss, some issues that have relevance to the sector but did not pursue them in detail both because they were not specifically relevant to the aspects that the Committee was looking into and also because that would have delayed the conclusion of the report. The Committee therefore has not dealt with them in this report but feels it necessary to highlight them so that they can be taken forward in an appropriate manner and time as determined by the Bank. These are:

(i) At present, no powers are available with RBI for constituting boards of UCBs, removal of directors, supersession of BoDs, auditing of UCBs and winding up and liquidation of UCBs. However, such powers for commercial banks are vested with RBI. There are certain sections in the BR Act 1949 such as provisions of Section 10A (professional BoD), 10B (removal of a whole time chairman), 30 (audit), 44 (winding-up of banks), 44A (amalgamation of banking companies) and 45 (suspension of business) which were not replicated while amending Section 56 of the BR Act, 1949. These amendments can be incorporated in Section 56 of the Act ibid for effective regulation and supervision of UCBs. In addition to these, the committee identified and deliberated in detail on the problems and issues afflicting the sector including restricted ability of UCBs to raise capital resources and to handle risks, lack of RBI's powers for supervision and regulation of UCBs at par with commercial banks, lack of powers for compulsory/voluntary merger etc. apart from the basic fault lines in the structure of the urban co-operative banking sector. However, in view of the limited terms of reference and the given time frame of the committee, the long term solution to all the problems could not be covered under the recommendations

(ii) **Resolution Mechanism:** The resolution regime for UCBs exists in a rudimentary form in as much as it ensures pay-outs to small depositors by DICGC while large depositors' interests are not taken care of fully in the event of cancellation of the licence of a bank. As belated action accentuates problems of resolution, any prompt corrective action framework should require supervisory action at the initial stages.

As time is of essence in any resolution framework, there is a need to review the existing supervisory action, revisiting existing guidelines on mergers, revision in instructions on restructuring negative net-worth UCBs including revisiting instruments for augmenting capital for UCBs. Moving forward, it is necessary to start with the requirement that UCBs need to frame their recovery and resolution plans within the current legal framework when they are operating on sound lines. There is also a need to empower the RBI for implementing resolution techniques without involving other regulators such as RCS and CRCS. There should be a regulatory set up to provide legal backing for RBI to play a central role in the winding up of the banking business of UCBs without the intervention of the authorities under the co-operative societies' laws. The possibility of winding up the banking business of UCBs by RBI directly by appointing DICGC as the liquidator for liquidating the banking business of a UCB may also be explored.

(iii) Umbrella Organisation: The concept of having an Umbrella Organization for UCBs in India has been mooted for a long time. In fact the Malegam Committee deliberated on the issue in detail. Some of the members referred to the structure of Rabobank running successfully abroad. The Committee feels that a prerequisite for such a successful umbrella organisation is inherently sound and well-run member institutions. However, the question remains whether the Rabobank kind of model is possible under existing laws in India.

Thus, although such a structure has long been envisaged, certain legal hurdles are precluding its implementation.

The Committee recommends that given the importance of the issue RBI may expedite a decision on the structure of the urban co-operative banking system and appropriate Umbrella Organization/s.

Institute News

- √ The following Research Officers joined the Institute on Contract Basis.
 - 1. Shri T. Swapna Chander
 - Ms. Madhuri M. More
 - 3. Shri Amol Damodar Londhe
 - 4. Ms. Smita Singh
- $\sqrt{}$ Sahaja Yoga Meditation was organised at the Institute on 12/7/2015.
- √ The Swachh Bharat Mission was organised on 12/7/2015 to clean the campus. Faculty, Staff and Students participated.
- √ Shri P.K. Panda, Principal, College of Agricultural and Banking, Pune
 was the Chief Guest for the Inaugural Function of PGDM 2015-17
 Batch on 14/7/2015.
- ✓ In collaboration with Department of Higher Education, Ministry of Human Resource Development (MHRD) and All India Council for Technical Education (AICTE) Digital India Week celebrations from 14th July to 19th July, 2015 was celebrated at Institute. Mr. Yogesh Shinde, AVP, Barclay Technology spoke on Digital Innovations, Dr. Milind Pandey, Project Director, MITSOT, Pune delivered session on "Digital India unleashing Prosperity". The delegates from academics and industries had put up their views on different opportunities and prospective paradigms in digital revolution. Dr. D.A. Divekar put up his views through interactive session on "Cyber Security and Cyber Hygiene". Interactive Session on "Digital India Initiatives" was delivered by Prof. Manjusha S. Kadam
- √ Institute received the award on Leadership of Management Education by ABP News National Education Award at Mumbai on 23/7/2015.

- √ Rotaract Club of VAMNICOM has organised Blood Donation Camp in association with Rotary Club of Ganesh Khind on 25/7/2015.
- √ The Institute celebrated Raksha Bandhan Programme on 29/7/2015 in Shivneri Auditorium. All faculty and staff members with their Children were present on the occasion.
- Dr. Y.S. Patil, Associate Professor conducted International Programme on Database Management for Agricultural Cooperatives and Rural Financing Institutions (10-14 August, 2015). The study visit to Data Centre of Shamrao Vithal Cooperative Bank, Thane, along with the participants of the CICTAB programme on 11/8/2015.
- ✓ Institute has organised spiritual talk of Bramhma Kumar Atam Prakash of Prajapita Brahma Kumaris Ishwariya Vishwa Vidyalaya on Importance of Spirituality in One's Life on 17/8/2015 in Jubilee Hall.
- Dr. Y.S. Patil, Associate Professor was the Member of Committee for Ph.D. Topic Finalization round in Management at India International Multiversity PGRC Management, Pune on 17th August, 2015
- √ Programme on Information Technology Governance for Business Growth
 of Cooperative Banks (in collaboration with (Andaman & Nicobar State
 Cooperative Bank) at Port Blair, Andaman (26-28 August, 2015) conducted
 by Dr. Y.S. Patil, Associate Professor.
- √ Dr. T. Paranjothi, Professor participate in the 9th International Society for Third Sector Research Asia Pacific Regional Conference at Tokyo on 27th and 28th August, 2015.
- √ National Board of Accreditation (NBA), New Delhi and the Expert Team
 of NBA visited Institute for evaluating the PGDM-ABM Programme for
 granting NBA Accreditation to the PGDM-ABM Programme on 29/8/
 15 and 30/8/2015.

- √ Hindi Fortnight (Pakhwada) was organised at the Institute during 14-28 September, 2015. Shri Sanjay Kumar, IPS,UDG, CID, Maharashtra State, Pune inaugurated Hindi Week celebration and Ms. Alka Pawar was the Chief Guest of the inaugural function on 1/9/2015.
- The Memorandum of Understanding (MoU) between VAMNICOM and NABARD for NABARD Chair Unit was signed on 2/9/2015 in the Committee Room at our Institute. Dr. R. Elangovan, Associate Professor and HoC-R&P joined as Professor-NABARD Chair at VAMNICOM on 2/9/2015.
- √ Dr. Y.S. Patil, Associate Professor was the Panel Member for conduct of Interview for selection of candidates pursuing Ph.D. for scholarship of Dr. Babasaheb Ambedkar Research & Training Institute (BARTI), Pune on 20th & 21st Sept. 2015.

TRAINING PROGRAMME FOR THE YEAR 2015-16

Sr. No.	Name of the Programme	Programme Date	Programme Director
1.	Programme on Credit Apprisal/Project Apprisal, Documentation, Society, Auditing Recovery & NPA Management for Officers of District Cenatral Coop.Bank Ratnagiriat Ratnagiri	1/7/2015	Dr. Y.S.Patil
2.	Programme for the Officers of District Central Cooperative Bank Ltd, Pune	2 9 /6 /2 0 1 5 to 3 /7 /2 0 1 5	Dr. D.A. Divekar
3.	Youth Leadership Development Training Programme sponersed by BARTI,Pune	2 9 /6 /2 0 1 5 to 5 /7 /2 0 1 5	Mrs. M. Kadam
4.	Youth Leadership Development Training Programme (Samatadut) sponersed by BARTI, Pune	5 /7 /2 0 1 5 to 11 /7 /2 0 1 5	Dr. M. R. Joshi
5.	Proagram meon Recovery Management & SAARFAESI Act 2002	7 /7 /2 0 1 5 to 9 /7 /2 0 1 5	Mr. K.C.S.Kutty
6.	Programme for Directorate of Municipal Administration Govt. of Manahashtra	7/7/2015 to 9/7/2015	Dr. Y.S. Patil
7.	Program mefor Leadership Development for the Office Bearers & Board of Directors of Sugar Factories	1 0 /7 /2 0 1 5 to 1 2 /7 /2 0 1 5	Mr. A.M.Karanjkar
8.	Programme on Loan Recovery & NPA Management for Chairman & Secretaries of Multipurpose Cooperative Societies under District Central Cooperative Bank Ratnagiri at Dapoli	14/7/015	Dr. Y.S. Patil
9.	Programme on Loan Recovery & NPA Management for Chairman & Secretaries of Multipurpose Cooperative Societies under District Central Cooperative Bank Ratnagiriat Khed	15/7/2015	Dr. Y.S. Patil
10.	Programme on Awreness for Cooperatives	18/7/2015	Dr. T. Paranjothi
11.	Programme on Loan Recovery & NPA Management for Chairman & Secretaries of Multipurpose Cooperative Societies under District Central Cooperative Bank Ratnagiri at Mandangad	16/7/2015	Dr. Y.S. Patil
12.	Youth Leadeship Development Training Programme sponersed by BARTI, Pune	15/7/2015 to 21/7/2015	Dr. R. Elangovan
13.	Programme on Loan Recovery & NPA Management for Chairman & Secretaries of Multipurpose Cooperative Societies under District Central Cooperative Bank Ratnagiri at Gubagar	21/7/2015	M r.K.C.S.Kutty
14.	Training Program me for Trainers under State Cooperative Unions	2 0 /7 /2 0 1 5 to 2 2 /7 /2 0 1 5	Dr. T. Paranjothi
15.	Programme on Loan Recovery & NPA Management for Chairman & Secretaries of Multipurpose Cooperative Societies under District Central Cooperative Bank Ratnagiri at Chiplun	2 2 /7 /2 0 1 5	Mr. K.C.S Kutty
16.	Programme on Accrual based Double Entry Accounting System for Auditors & Accountants of Urban Local Bodies in Maharashtra	2 3 /7 /2 0 1 5 to 2 5 /7 /2 0 1 5	Dr. Y.S.Patil
17.	Programme on Legal Aspect of Outsourcing of Human Resource	27/7/2015 to 29/7/2015	M r.K.C.S.Kutty
18.	Proagramme on Information Technology updates & IT Security Challenges for Board Members, GM/CEO & Officers of Coop.Banks at GOA	28/7/2015 to 30/7/2015	Dr.Y.S.Patil

Sr. No.	Name of the Programme	Programme Date	Programme Director
1.	Programme on Customer Centric Culture in Cooperatives-	3/8/2015 to 6/8/2015	M r.V.Sudhir
2.	Programme on Loan Recovery & NPA Management for Chairman & Secretaries of Multipurpose Cooperative Societies under District Central Cooperative Bank at. Devrukh Dist.Ratnagiri	4/8/2015	Dr.Y.S.Patil
3.	Training Programme on Successful Cooperative 'M odel-U.K.(International)	4/8/2015 to 8/8/2015	Dr. T. Paranjothi
4.	Programme on Loan Recovery & NPA Management for Chairman & Secretaries of Multipurpose Cooperative Societies under District Central Cooperative Bank at. Lanja Dist.Ratnagiri	5/8/2015	Dr. Y.S. Patil
5.	Management Development Programme for Agricultural Assistant & Scientists on Climate Change in Indian Agriculture Sector	2 0 /8 /2 0 1 5	Mr. A.M.Karanjkar
6.	Programme on Database Management for Cooperatrive Rural Financing of Institution (Collobration with CICTAB)	10/8/2015 to 14/8/2015	Dr. Y.S. Patil
7.	Programme on Municipal Administration Govt.of Maharashtra	17/8/2015 to 19/8/2015	Dr.Y.S. Patil
8.	Short Term Programme on Regulatory frame work and Compliance with NAFCUB	19/8/2015 to 21/8/2015	Shri K.C. S. Kutty
9.	Management Development Programme for Agricultural Assistant & Scientists on Climate Change in Indian Agriculture Sector	1/8/2015 to 22/8/2015	Mr. A.M.Karanjkar
10.	Training Programme on Future Bazar and forward Marketing	21/8/2015 to 22/8/2015	Dr.M.R.Joshi
11.	Seminar on Cooperative Governance-Corporate Governance Practice for Cooperatives at Goa	23/8/2015 to 25/8/2015	Dr. R. Elangaovan
12.	Programme on Branch Management	24/8/2015 to 27/8/2015	Shri K.C. S. Kutty
13.	Proagramme for the Officer of D is trict C entral Cooperative Bank, Pune	2 4/8/2 0 1 5 to 2 8/8/2 0 1 5	Dr. D.A. Divekar
14.	Proagramme on information Techonology Goverance for Business growth of Coop. Bank-Andman-Nicobar	26/8/2015 to 28/8/2015	Dr.Y.S.Patil

Sr. No	Name of the Programme	Programme Date	Programme Director
1.	Programme on M unicipal Administration	31st to 4th Sept. 2015	Dr.Y.S.Patil
2.	Programme on Renewable Energy Management for IFS Officers	3rd to 4th Sept. 2015	Dr.D.Ravi
3.	Programme on Competitive advantage through Human Resource Management	2nd to 4th Sept. 2015	M r.V.Sudhir
4.	Proagramme on Sugar Futures Trading	Date to be decided	Dr. R. Elangovan
5.	Proagramme on Cooperative Reforms	7th to 9th Sept. 2015	Dr.T.Paranjothi
6.	Programme on Business Communication and Customer Relation	7th to 9th Sept. 2015	Dr.K.H.S.Singh
7.	NCDC Programme	7th to 9th Sept. 2015	M r.A.M .Karanjkar
8.	Management Development Programme for Sr./Jr.Officers of Pune District Central Cooperative Banks	7th to 11th Sept. 2015	Dr. D.A. Divekar
9.	Big Data Analytics	8th to 10th Sept. 2015	Dr.D.A. Divekar
10.	Programme for Bhartiya Sugar	12th to 14th Sept. 2015	M r.A.M .Karanjkar
11.	Programme on H.R. & Legal Aspects of Business for Cooperative & Rural Financing Institutions	14th to 18th Sept. 2015	M r.K.C.S.Kutty
12.	BARTI Programme	25th Sept.to 3rd Oct. 2015	To be decided
13.	Programme on Security Concerns for e-delivery channels & Security Policy Inclusions	22nd to 23rd Sept. 2015	Dr.Y.S.Patil
14.	M icro Finance for Urban Coop.Banks	22nd to 24th Sept. 2015	Dr.M. Dubhashi
15.	Programme on Developing Strategies and Action Plan to meet Challenges in Industrial Coop.	22nd to 24th Sept. 2015	M r.A.M .Karanjkar
16.	Programme on M unicipal Adminis tration	28th to 30 Sept. 2015	Dr.Y.S.Patil
17.	Bench Marking of Micro Finance & Micro Enterprises Practices in Cooperatives	Date to be decided	Dr.M. Dubhashi
18.	Programme on Challenges in Dairy Cooperative	Date to be decided	Mrs. M. Kadam
19.	Exposure visit - Srilanka Delegates	28th Sept. to 2nd Oct. 2015	Dr.D.Ravi

Sr. No.	Name of the Programme	Programme Dates	Programme Directo
1.	Strategic M anagement and M anagement of Change	5th to 8th Oct. 2015	M r.V.Sudhir
2.	Programme on Municipal Administration	5th to 7th Oct. 2015	Dr.Y.S.Patil
3.	Proagramme on Leadership Development	5th to 8th Oct. 2015	M r.K.C.S.Kutty
4.	IFFCO Proagramme		Dr.M.R.Joshi
5.	Programme on Municipal Administration	8th to 10th Oct. 2015	Dr.Y.S.Patil
6.	Programme on ATM in application in Coop. Banks with Special Focus on Customer Convenience	12th to 14th Oct. 2015	M r.P. Chattopadhyay
7.	Seminar on FIU-IND, KYC & AM L for CEOs & Sr. Officers of UCBs(NAFCUB)	12th Oct.2015	Mr.K.C.S.Kutty
8.	Programme on Municipal Administration	12th to 14th Oct. 2015	Dr.Y.S.Patil
9.	Programme on Corporate Governance for Financial CoopsTraining of Board of Directors of DCC Banks	13th to 16th Oct. 2015	Dr. M. Dubhashi
10.	Prog.on Financial management & Tax Planning	14th to 16th Oct. 2015	Dr.R.Ravi
11.	Prog.on Impact of Information Technology on Business performance through Exposure visit to Surat DCC Bank for State & Dist Coop.Banks- Surat	15th to 16th Oct. 2015	Dr.Y.S.Patil
12.	Vishkha Guidelines- Information & Implmentation	19th to 20th Oct. 2015	Dr. M. Dubhashi
13.	Prog. On Commodity Trading	Date to be decided	Dr. R. Elangovan
14.	Programme on Renewable Emgery Management for Dairy Cooperatives	21st to 23rd Oct. 2015	Dr. D. Ravi
15.	Leadership Development Programme for employee Cooperative	26th to 28th Oct. 2015	Dr. T. Paranjothi
16.	Programme on M unicipal Administration	26th to 28th Oct.2015	Dr.Y.S.Patil
17.	M anagement Development Programme for Sr./Jr.O fficers of Pune District Central Cooperative Banks	26th to 30th Oct. 2015	Dr. D.A. Divekar
18.	Programme on Business Communication and Customeer Relation	28th to 30th Sept. 2015	Dr. Kh.S.Singh
19.	Programme on Municipal Administration	29th to 31st Oct. 2015	Dr.Y.S.Patil
20.	Prevention for Alcohol/Anti Addiction	30th Oct. 2015	Dr. M. Dubhashi

Sr. No.	Name of the Programme	Programme Dates	Programme Director
1.	Programme on Competitive advantage through innovative products & Services	2nd to 5th Nov. 2015	Mr. V. Sudhir
2.	Management Development Programme for Coop. Leaders	2nd to 4th Nov. 2015	Mr. P. Chattopadhyay
3.	Programme on Municipal Administration	2nd to 6th Nov. 2015	Dr.Y.S.Patil
4.	Management Development Programme for Sr./Jr.O fficers of Pune District Central Cooperative Banks	2nd to 6th Nov. 2015	Dr. D.A. Divekar
5.	Programme on Municipal Administration	16th to 20th Nov. 2015	Dr. Y.S.Patil
6.	Climate Change and Role of Cooperatives	18th to 20th Nov. 2015	Dr. M. Dubhashi
7.	Proagramme on Human Resource Development	18th to 21st Nov. 2015	Mr.K.C.S.K utty
8.	Programme on prevention & Detection of Frauds in Computerized Environment & Technology Risk Management for UCBs	18th to 20th Nov. 2015	Dr. D.A. Divekar
9.	Single Women/Women Household's Problems and its Solution	20th Nov. 2015	Dr. M. Dubhashi
10.	Programme on ALM for UCBS	23rd to 25th Nov. 2015	Dr. R. Elangovan
11.	Information Technology Update for Board of Directors, CEOs, of Non-IT background need of core banking system for New Age Banking	24th to 26th Nov. 2015	Dr.D.A. Divekar
12.	Leadership Development Programme on Organizational Development	26th to 28th Nov.2015	Dr.K.H.S. Singh
13.	Programme on Municipal Administration	26th to 28th Nov. 2015	Dr.Y.S.Patil
14.	Workshop on De-addiction	27th Nov. 2015	Dr. M. Dubhashi
15.	Exposure visit cum Training Programme for Coopertive Banks	30th Nov. to 4nd Dec. 2015	Dr. N. K. Dubey
16.	Management Development Programme for Sr./Jr.O fficers of Pune District Central Cooperative Banks	30th Nov. 4th Dec. 2015	Dr. D.A. Divekar

Sr. No.	Name of the Programme	Programme Date	Programme Director
1.	Proagramme on Business Strategies for Coops.	2nd to 4th Dec.2015	Mr. V. Sudhir
2.	Programme on Legal Issue & Aspects affecting UCBs	2nd to 4th Dec. 2015	Mr. K.C.S.Kutty
3.	Programme on M unicipal Administration	7th to 9th Dec. 2015	Dr.Y.S.Patil
4.	Programme on Issue Enhancing Profitability and Productivity for Chairman & Directors of UCBs	8th to 10th Dec. 2015	Mr. A. M. Karanjkar
5.	Training Prog.on Financial Inclusion with Special Focus on Application of Information Technology (IT) in Implemention of FI	7th to 9th Dec.2015	Mr. P. Chattopadhyay
6.	Programme on Municipal Administration	10th to 12th Dec.2015	Dr.Y.S.Patil
7.	Financial Inclusion Through Cooperatives	14th to 16th Dec. 2015	Dr.M. Dubhashi
8.	Programme on Municipal Administration	14th to 16th Dec. 2015	Dr.Y.S.Patil
9.	Application of Information Technology for Rural Fianancing Institutions & Coops. In Collaboration with CICTAB-Min. of Agril. Govt.of India	14th to 18th Dec. 2015	Dr.D.Ravi
10.	Management Development Programme for Sr./Jr.Officers of Pune District Central Cooperative Banks	14th to 18th Dec.2015	Dr. D.A. Divekar
11.	Programme on M unicipal Administration	17th to 19th Dec. 2015	Dr.Y.S.Patil
12.	Programme on Labour Laws	21st to 23rd Dec.2015	Shri K.C. S. Kutty
13.	Programme omn presentation skills and Leadership Development	21st to 23rd Dec.2015	Dr.K.H.S. Singh
14.	Programme on M unicipal Administration	21th to 23th Dec. 2015	Dr.Y.S.Patil
15.	Boosting office Productivity through Technology	21st to 24th Dec. 2015	Dr.D.A. Divekar
16.	Programme on M unicipal Administration	28th to 30th Dec. 2015	Dr.Y.S.Patil
17.	Programme on M unicipal Administration	28th to 30th Dec.2015	Dr.Y.S.Patil
18.	Programme on M unicipal Administration	31st Dec. 2015 to 2nd Jan. 16	Dr.Y.S.Patil

GUIDELINES TO CONTRIBUTIONS

- Two copies of the manuscript typed in double space and soft copy along with an abstract of 100 words should be sent to the Managing Editor, Cooperative Perspective, VAMNICOM, University Road, Pune 411 007.
- 2. The articles are sent for review to the Referees.
- 3. Name (s) and affiliation (s) of author (s) should be provided in a separate page along with title of the article.
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- 5. Five off prints of the article and a copy of the journal are provided.
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