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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 cooperation/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'.

The journal is published quarterly (April, July, October, and January) of each year. Subscribers are enlisted from any issue. The non-receipt of the issue should be reported within 2 month's time to which the issue relates.

# Co-operative Perspective

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### DTP Assistance:

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### VAMNICOM

Phone: 020-66221400

020-66221422

Fax: 020-25537726

Email: crp@vamnicom.gov.in

Web: www.vamnicom.gov.in

### Printed by:

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During the second half of 2015 one important Report pertaining to Cooperative Bank sector was submitted, i.e. the Report of the High Power Committee on Urban Cooperative Banks under the Chairmanship of Deputy Governor of the Reserve Bank of India. This report if accepted will have larger implications and ramifications for the Cooperatives Bank operations.

The High Power Committee was of the view that Urban Cooperative Banks have high aspirations on competing with Commercial Banks and are expecting Reserve Bank of India to provide relaxations in various regulatory restrictions. The Committee was of the view that the weak regulation regime with respect to UCBs and non-availability of powers of RBI as applicable to Commercial Banks restrains them for giving relaxations. The Committee discussed some issues that have relevance to cooperative sector also as follows:

(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 affecting 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.

The representatives of the Cooperative Movement especially the National Federation of Urban Cooperative Bank have tooth and nail opposed the recommendations of the Committee to convert Urban Cooperative Banks into Joint Stock Banks. One needs to analyse this problem very objectively. It is the need of the hour for the regulators i.e. Reserve Bank of India and the representatives of the cooperative movement to sit together and appreciate each other's point and come out with the middle ground solutions for the issues raised.

Let us optimistically hope that during ensuing year 2016 the issues raised shall be sorted out and cooperatives would continue to grow and serve the needy people of India.

Cooperative Perspective Wishes its readers A Happy New Year 2016!

Er. Sanjeeb Patjoshi, IPS
Director-VAMNICOM & CICTAB,
Ministry of Agriculture & Farmers Welfare, Govt. of India
&
Dr. R. Elangovan, HoC-R&P

### RRBs REJUVENATED POST REFORM CHALLENGES

K.S. Prabhakara Rao\*

RRBs have rejuvenated themselves, with the support of reforms and reorganisations. They are in a better position today to achieve their mandate of rural banking. Reforms has brought in new challenges and created a new scenario. Paper presents the story and impact of reforms & makes an analysis of opportunities& challenges before the RRBs. Opportunities can be encashed and challenges can be converted to opportunities through development of Human resources, which is the focus of the paper. Author was closely involved in the story of RRBs as General Manager of erstwhile Kolar Gramin Bank, later as chairman of Pragathi Krishna Gramin bank and as General Manager, overseeing RRBs sponsored by Canara Bank, before his superannuation.

SECTION I ORIGIN OF RRBs

"The regional rural banks(RRBs) supplement the efforts of scheduled commercial banks, co-operatives & rural development banks and cater to the specialized credit requirement of the rural sector" –Reserve Bank of India, Trend & progress of banking.

**1.1 Background**: Taking the benefits of economic growth and development to all sections of the society and particularly weaker sections has always been engaging attention of government, planners and economists, since independence. Bank credit being an instrument of economic development, ensuring flow of credit to all sectors and all sections of people becomes all the more important.

Nationalisation of Banks in the year 1969 was one major step in this direction. Prof. Gadgil group which has examined the flow of credit position, prior to nationalization has noted uneven credit distribution between states, districts and sectors and also observed that bank credit was virtually unavailable to small borrowers. Post nationalization, it was expected that Banks would spread branches in rural areas and disburse loans to rural people for development of Agriculture and other economic activities. However doubts were also expressed as to whether commercial banks will be able to achieve this, as their functioning was in such a

<sup>\*</sup>Ex-General Manager, Canara Bank

manner that weaker sections of the people find it difficult to access them. Banking commission headed by Prof A M Khusro in 1969 had voiced this concern.

Working group headed by Mr.Narasimham in1975 had the mandate of suggesting ways and means for providing Institutional credit to weaker sections-small and marginal farmers, rural artisans, agriculture and non agriculture labourers. This group which identified the strong points of commercial banks and co-operatives, felt the necessity of an alternate structure which is an integration of commercial banking culture with the rural ethos of co-operatives.

### 1.2 Major recommendations of the committee were

- § Setting up of state sponsored, region based rural oriented Commercial banks which would blend rural touch, local feel, familiarity with rural problems and low cost profile which cooperatives possessed in large degree. The modern business outfit's commercial discipline, ability to mobilise deposits and access to central money market had to be integrated.
- § Role of the new institution would be to supplement and not supplant the existing financial institutions
- § Objective of the institutions would be to reduce regional imbalances by mobilizing and simultaneously deploying resources in the same region.
- New institution would cover primarily small and marginal farmers, landless labourers, rural small traders and other weaker sections of rural society, for their productive credit needs and to a limited extent the consumption credit needs.

The committee's vision was of a neighborhood poor man's bank which he can access without hesitation, communicate his needs in his own language and manner, and obtain credit and other financial services, with minimum or limited formalities & at an affordable cost.

The committee recommended that the new entity

- Regional rural bank would be a scheduled commercial bank, to be promoted by GOI, State Government, and a commercial bank that may hold equity jointly.
- Sponsor bank (commercial bank contributing to equity) to provide managerial, financial and training support to rural bank.
- Chairman to be appointed by GOI in consultation with RBI and sponsor bank with due regard to his professional competence, background and experience.

Have emphasis on viability with recognition that in initial years the rural bank might suffer losses.

The major recommendations of the committee were accepted by the government and an ordinance was issued on 26thSept 1975 paving the way for setting up of Regional Rural Banks in the country. On 2nd October 1975, the Gandhi Jayanthi day, first 5 Regional Rural Banks were set up in the country. The ordinance was later replaced by RRBs Act 1976.

RRBs Act mentions the objective of the Act as," developing rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs."

Thus RRBs came into existence to serve the marginalized & vulnerable weaker sections in the rural areas, to provide credit & banking services to them, to assist in raising their productivity and income levels and to make them active partners of development process& be instrumental in development of rural economy.

The concept of financial inclusion that has gained importance, internationally and nationally in recent times, aims at the same objective and hence it can be said that, creation of the RRBs is an attempt to address the issue of financial exclusion and RRBs were expected to serve as an instrument of achieving financial inclusion.

# SECTION II GROWTH OF RRBs, THEIR PROBLEMS & CONSTRAINTS

2.1 Regional Rural Banks are set up jointly by central govt., state govt., and commercial bank. Central govt. was very enthusiastic about setting of Regional Rural Banks. Commercial banks, mainly the nationalized banks who were initially asked to sponsor RRBs were ready to sponsor, the response of state govts., was not uniform. Some states were very quick, while some states like Tamilnadu, where Co-ops were strong resisted setting of RRBs. As a result, growth of RRBs was not uniform across the country. However number of Gramin banks increased to 186 within 10 years. The 6th five year plan had envisaged 8200 RRB branches by Mar 1985. No. of RRB branches reached 10245 by Dec 1984 itself. By Mar 1985, there were 188 RRBs with 12606 branches covering 353 districts. No. of gramin banks increased to 196 by June 1987 covering 362 districts with 13076 branches. Thus RRBs as a group, made good progress as far as the first objective of reaching rural areas was concerned. Even regarding coverage of small borrowers also, by June 1984, RRBs had 58 lakh loan accounts with an average credit of Rs 1860. This is significant because low income families have a much lower absolute and proportionate need for credit than better off sections of the population that are in any case better able to access commercial banks. Thus RRBs initially demonstrated

themselves as nucleus of rural development& financial inclusion with low cost profile, local ethos and professional management.

### 2.2 Growth of RRBs- Branches and Business: 1975-1990

(pre reform period)

Business indicators	Dec 1975	Dec 1980	Dec 1985	Mar 1990
No of branches	17	3279	12606	14443
Deposit Amount (in lakhs)	20	19983	128582	415052
Avg dep. per br(in lakhs)	1.18	6.09	10.20	28.74
Advances amount (in lakhs)	10	24338	140767	355404
Avg adv o/s per br(lakhs)	0.59	7.42	11.17	24.61
CD ratio in %	50	121	109	86
No. of RRBs/ no. of districts covered	6/12	85/144	188/333	196/372

Source: NABARD statistics on RRBs-2003

No New RRB came into existence from 1987 till establishment of Puduvai Bharathihar Gramin bank in Puducherry, sponsored by Indian Bank in 2008, after a gap of over 20 years.

While RRBs initially demonstrated themselves as nucleus of rural development, they soon got into problems, raising questions of their very existence. By Dec 1986, out of 194 RRBs, 157 were loss making and their accumulated losses was estimated at Rs 94.31 crores and had wiped off share capital of 117 RRBs (ACRC 1989).

### 2.3 Problems & Constraints : (Pre-Reforms Period)

- **2.3.1. Problem of recovery**: RRBs started experiencing the recovery problem, which was the bane of co-operative banks, in their early years itself.. By Dec. 1984, 50% of the aggregate demand was overdue and 63 of 173RRBs had overdues more than 50% of their demand. Percentage of overdues to outstanding increased from 17% in Dec 1980 to 24% by dec1984. Lending exclusively to weaker sections, wrong identification of projects, lack of supervision over utilization and willful default was contributing to this, which hindered the recycling capacity of these banks.
- **2.3.2 Problem of deposit mobilization**: RRBs were in a vulnerable position as their customers were mainly from weaker sections who had little surplus to deposit .Big farmers and rich landlords did not favour them as they had no access to credit facilities.

High CD ratio of RRBs, over 100 percent demonstrated this, which was possible due to refinance facilities extended by sponsor bank & NABARD. High incidence of overdue affected flow of refinance also, as a result of which RRBs had to restrain their operations.

- **2.3.3. Personnel problem:** By 1986, RRBs had employed over 38000 employees. Absence of career prospects, lower remuneration as compared to commercial banks, lack of infrastructure and facilities at rural areas contributed to employee unrest for equal wage, attrition and low morale; which in turn led to under- performance and complacency.
- **2.3.4 Problem of infrastructure & manpower at branches**: branches were opened in far flung areas, where it is difficult to think of pucca premises. Even though state govt. agencies were expected to support, it did not come up at many centers. Branches were opened in available premises. Many premises were unsecure, lacked appropriate roofing and access to basic amenities. Many branches were provided with only 1 officer and 1 clerk (commonly referred 1+1 branches). Lack of appropriate infrastructure made working at banks and living in the villages, difficult propositions and staff operated from nearby semi urban centers affecting their involvement in development of the village.
- **2.3.5** Lack of professionalism in management: Management of RRB vests in the board of directors, comprising representatives of all 3 stakeholders and RBI& NABARD. Chairman is appointed by sponsor bank, with the approval of NABARD. As per the act, Sponsor bank was expected to provide managerial assistance to RRBs initially for a period of 5 years, but which has continued even to today and sponsor banks are made accountable and responsible for affairs of RRBs. In fact the proposed amendment bill to RRBs act intends to remove this 5 years period from the act, as a fait accompli.

However during the initial years of RRBs, this role of sponsor bank had both plus and minuses. Sponsor banks had its own branches in the districts, being lead banks of the districts and continued its branch and business expansion presumably to take care of them on target group clients. This dual role of sponsor banks as Master & competitor and chairman's natural non-inclination to compete with sponsor bank branches, created a trust deficit in the minds of RRB employees & unions about their chairman & sponsor bank which still runs today. Further the initial appointees as Chairmen of RRBs were, even though successful branch managers (scale-III), lacked administrative and institution building skills and deep knowledge in handling HR, IR and disciplinary issues. In addition, acquisition and routine management of staff gained more importance and priority, as compared to HRD. Training was *adhoc* and concentrated on technical skills of lending and routine branch banking only; it was not aimed at building professionalism and leadership.

Emphasis on growth and achieving targets, coupled with difficulties in monitoring of branches, led to deficiencies in quality of lending, frauds, misappropriations, instances of corruption which affected recovery and recycling.

However there were exceptions with some RRBs under some sponsor banks showing a markedly better performance than the group, but they were only few RRBs.

- **2.3.6.** Issues in Governance: Management vests with Board of Directors of RRB, which comprised of representatives of sponsor bank, RBI, NABARD, state govt. and GOI. Collective wisdom and commonality of purpose is the hallmark of Board of directors of any organization. However it was often found that the directors of RRB pursued their own organizations interests and their participation was superficial. State govt. directors were often absent in the board meetings and even when present limited their participation to Govt. schemes. GOI representatives, non official directors, who were intended to represent agriculturists and rural entrepreneurs, had political backgrounds and leanings, which affected quality of board discussions. Working groups and committees on RRBs have recommended appointment of professionals on the board of RRBs and training on corporate governance, to improve the governance.
- **2.3.7.** Viability: The objective behind setting of RRBs was effective coverage of SF/MF and weaker sections of society and hence initially profitability was not focused. However increasing no. of RRBs incurring losses, without any promise for immediate future raised concern.

The number of gramin banks increased to 196 by 1987, out of which 136 were incurring losses. By Mar. 1995, out of 196 RRBs, 173 were incurring losses.

RBI had conducted a study in 1980, which had found that RRBs are capable of breaking even at an outstanding of Rs.8cr with a margin of 5% between their average borrowings and lending rates. It also identified the following as limiting factors:

- (a) Location of branches at centers where business potential is limited
- (b) Difficulty in expansion in volume due to keen competition from co-ops. & commercial banks.
- (c) The target group which is historically weak &un-enterprising clientele.

Further the administrated interest regime depressed interest rates for loans, as the borrowers were from weaker sections, but at the same time they were paying to their depositors a rate slightly better than commercial banks.

NIT award implemented in 1991 which brought the salary and allowances almost on par with public sector commercial banks, ended the low cost character of RRBs, adding to the existing viability concerns.

RRBs as a banking network were on the verge of collapse with 172 out of 196 recorded as unprofitable in 1993 and a recovery performance of just 40.80% with

a consequent erosion of public deposits in addition to the meager Rs 25 lakhs of paid up capital.

Time had come to seriously look at the studies made by different working groups and committees, for reforming the working of RRBs.

# SECTION III REFORMS AND REORGANISATION

The working of RRBs and their issues / constraints have been deliberated by various committees/working groups. As viability of RRBs posed a concern, various options including the extreme option of merging of RRBs with their sponsor banks were also suggested (ACRC1989). Suggestion of establishing a National Rural Bank and bringing all RRBs under this apex institution, either through amalgamation or as associates also came up. Hence both options of horizontal merger (with sponsor bank) and vertical merger (of all RRBs) into single institution has been examined. However committee on Financial sector reforms (Narasimham committee) 1991 put the focus on improving the viability of RRBs without sacrificing the basic objective for which they set up. This approach has been adopted and several attempts have been made, over almost four decades of their existence to strengthen RRBs in view of their importance to the rural economy. The major such reforms which had impact on the functioning of RRBs and relevant in today's context are discussed below:-

### 3.1. Reforms Initiated:

The committee on financial system (Narasimham committee 1991) which made far reaching recommendations for improving the efficiency of entire banking system recommended that RRBs should be permitted to engage in all type of banking business and should not be forced to restrict their operations to the target groups. This was the beginning of Reforms phase for RRBs.

Starting from here, reform measures were initiated for 1)Widening and enhancing Business dimensions; 2)Improving their earnings capacity; 3)Toning up and strengthening their organization; 4)Liberalization and deregulation; 5)Recapitalization and restructuring. Along with this some special dispensations and regulatory relaxations earlier provided for RRBs are also being phased over to bring them on par with the other banking institutions and making them competitive.

### 3.1.1. Business Operations:

- a) RRBs were permitted in the year 1992 to lend to non target group (other than Small & marginal farmers, agri. and non agri. labourers etc.) to an extent not exceeding 40 percent of their fresh lending. Later it was enhanced to 60 percent.
- b) In the year 1993, permission granted to RRBs for issue of Guarantees, cheque purchase and discounting, and other subsidiary services like providing of Lockers.

- Allowed to participate in consortium lending with their sponsor bank and other PSBs/Dev. Fin. institutions for big projects with in their area of operation.(yr 2007)
- d) RRBs were also initially allowed to accept Non-resident deposits(excepting FCNR) and later acceptance of FCNR was also permitted.
- e) RRBs were permitted to extend Housing loans to their customers (yr 1995)
- f) Permitting RRBs to set up ATMs and issue Debit/Credit cards(yr2005)

### 3.1.2 Adoption Of Information Technology:

RRBs were a late entrant to IT adoption, even though need was felt with commercial banks achieving fair success in computerization. While a few sponsor banks and RRBs took some initiatives, major thrust came from GOI and NABARD direction in 2001, that RRBs to achieve computerization of HO, AOs and minimum 50 branches in next 5 years.

Review in 2007 indicated that only 35 RRBs had achieved 100 percent and 25 RRBs reported 50 to 100 percent

RBI midterm review of monetary policy 2007-08 set-up a working group to draw a roadmap for moving RRBs to CBS. Basing on the group recommendations, RBI fixed a deadline of September 2011 for 100 percent migration of RRBs to CBS.

Now all RRBs are on core banking solutions.

**3.1.3 Development Action Plans:** During 1994-95 NABARD advised RRBs to prepare Development Action plans branch-wise and bank-wise, which were business plans aimed at bringing current viability (breaking even and making profit for the current year) in a phased manner, reducing losses year by year. NABARD pursued and reviewed implementation of DAPs, which brought the concept of viability among the RRBs and their staff and business planning for reaching and improving viability. Some RRBs entered into current viability as a result of DAPs.

### 3.1.4 Improving Earnings:

- 1. Permission to RRBs to enter into insurance business as Corporate agents both for Life and non life insurance.(yr 2007)
- 2. Permission for cross selling of mutual fund products to their customers
- 3. Interbank participation certificates
- Investment of SLR funds in Govt. securities and Non SLR funds in corporate bonds

### 3.1.5 Organisation Strengthening:

RRBs, having more than 50 branches, were permitted to create the post of Area/ Senior managers at the rate of one post for every 25 branches. (year 1984)

### 3.1.6 Liberalisation/Deregulation:

- a) Year 1997-98: RRBs permitted to open new branches, on the condition that no additional staff to be recruited.
- b) Year 1999-2000: Permission to relocate loss making branches
- Year 2001-2002: permission to convert loss making branches to satellite/ mobile offices
- d) Year 2004- RRBs permitted to shift/merge Area offices without prior approval and also to shift/merge/relocate/branches with in the same block/locality/ municipal ward and same service area.
- e) Year 2008.-permission to RRBs to open branches in areas with population below 50000 without prior permission.

### 3.1.7 Recapitalisation and Restructuring

Recapitalization of RRBs was initiated in the year 1994-95. The process continued till 2000 and covered 187 RRBs with aggregate financial support of Rs 2188.44 crore from the shareholders (GOI, state and sponsoring bank) [Ms.Navkiranjit, Growth and performance of regional rural banks, 2010]

Process of amalgamation commenced in year 2005, when RRBs with same sponsor bank with in the state were amalgamated into single RRB. As a result of this, no of RRBs declined from 196 to 96, by mar 2007 and 88 by june 2008 (45 amalgamated, 42 stand alone and 1 new).

As at Mar 2007, 27 RRBs still had a negative worth of 1741 crore. Union budget 2007-08 announced recap of these RRBs. Recap amount of Rs1795.97 cr was released to these 27 RRBs. (NABARD annual report 2009-10)

Dr.K.C.Chakrabarthy committee recommended recap of 40 RRBs to enhance their CRAR to 9%. Amount of Recap assessed at Rs 2200 crore. Process of recap, as per this recommendation commenced in 2010-11. As at Mar 2014, Rs 2076.51 crore has been released to 38 RRBs in 20 states.

The second round of amalgamation based on geographic contiguity was initiated in 2012, by Government of India No. of RRBs were 82 at that time. "Still, there are large no. of RRBs sponsored by different banks, functioning in a state and many of the RRBs are very small, say with network of less than 100 branches. It is envisaged that geographically contiguous RRBs sponsored by different banks with in a State could be amalgamated with single sponsor bank. Such amalgamation will also help in optimizing the use of modern technology" (MOF,GOI). As per this plan, No. of RRBs were expected to come down to 46 and no. of sponsor banks would come

down from 26 to 20. In this second round of amalgamation, No. of RRBs reduced to 57 as at 31st mar 2014. With one more amalgamation taking place in 2014-15, Mewaranchalik GB(sponsor ICICI bank) with Marudhar Gramin Bank(SBBJ) to form Rajasthan Marudhar Gramin Bank, there are 56 RRBs now.

### 3.1.8 Prudential Norms & Capital Adequacy Standards

- a) RRBs advised to adopt income recognition norms w.e.f 1995-96and provisioning norms from 1996-97.
- b) RBI monetary policy 2007-08 advised RRBs to disclose their capital to Risk weighted assets ratio (CRAR) in their Balance sheets from 31st Mar 2008 onwards.
- c) RRBs to maintain a minimum CRAR of 9 % from 31st mar 2014 onwards.
- d) Withdrawal of exemption from Mark to Market norms reg. investments made by RRBs with effect from mar 2015.RRBs to value their investments on the same terms as applicable to commercial banks.

### 3.2. Impact of Reforms on RRBs:

Key performance indicators of RRBs 1991 -2014

(business figures - Rs in crore)

Year	No of RRBs	No.of branches	No of taffs	Business	CD ratio	No. of RRBs in profit	No of RRBs in loss		Per Employee Business
1991	196	14527	67161	8599	72	43	153	0.59	0.13
1995	196	14509	70848	17441	56	32	164	1.20	0.25
2000	196	14301	70294	45389	41	162	34	3.17	0.65
2005	196	14484	68912	95013	53	166	30	6.56	1.38
2010	82	15480	69042	227854	57	79	3	14.72	3.30
2014	57	19082	80028	391872	66	57	Nil	20.90	4.98

3.2.1 Reform measures had a far reaching effect on the functioning of RRBs. They were able to rationalize branch locations thereby improving business opportunities. They were able to open branches in semi urban centers as well as district head quarters. New business opportunities, scope of investing surplus funds, emphasis on viability and recapitalization resulted in most desirable outcome of reduction of No. of RRBs in loss. By the year 2005, before the first round of amalgamation, number of RRBs in loss has come down to 30 from a high of 153 in 1991.

### 3.2.2 However there were a few less desirable outcomes as under:

### a) Freeze on Branch expansion and urban bias:

Freeze on recruitment of staff put a stop to branch expansion. The number of branches in 1991 was 14527 came down to 14484 in 2005. The fact that they were able to have branches in semi urban centers & district headquarters also during this period, proves that No. of rural branches of RRBs not only came down due to relocation etc but there was no branch expansion from RRBs in rural areas such a long period. As Bose(2005) points out ,permission given by RBI to relocate unviable branches& merge loss making branches, led to a relocation of 459 rural branches to semi urban area between 1996-2003 with a consequent reduction of 6% in rural portfolio from 77.5to71.5% during this period. (Bose, Sukanya 2005- Regional Rural Banks - the past and present debate).

Thus Rural India and RRBs both missed an opportunity of growth in banking facilities for a long period. However position improved after 2006, due to emphasis on financial inclusion and number of branches has gone up from 14484 in 2005 to 19082 in 2014.

### b) Decline in CD ratio - Shift from Lending to Investment

Initially, Gramin banks were operating with very high credit deposit ratio..It was hovering around 100 plus during the period 1976 to 1987.It came down to 86 in 1990 and further down to 41% in 2001. Investment to Deposit ratio went up to 72% indicating a marked shift to investment.

Higher CD ratio indicates that higher portion of resources mobilized in the area is utilized for extending credit support to the local customers, and is highly desirable. By design, preemption of resources of gramin banks was lower than that of commercial banks. Added to that liberal refinance support from NABARD & sponsor bank kept the percentage of lendable resources of RRBs at higher levels compared to commercial banks. They are in a position to maintain CD ratio at higher levels and provide resources for local development. The fact that CD ratio continuously was on decline and Investments to Deposit ratio was increasing indicated that RRBs were pursuing viability at the cost of their basic objective of rural dev& financial inclusion. However we see a slight reversal, past 2001 with CD ratio looking up and RRBs trying to draw a balance between the two objectives. Recap support & restructuring, new areas and avenues has helped them to improve the lending. As at Mar 2014, CD ratio of RRBs is at 66.6%, which is an improvement over the earlier position.

### SECTION IV

### POST REFORM SCENARIO - RRBs TODAY

"Gramin banks have travelled a long way since 1975, transforming into IT sauvy credit outlets in rural India, selling many new financial products, along with traditional products". (Dr.Thingalaya, Gramin Banks Revisited)

As a result of the collective initiatives of reforms, recapitalization and restructuring by GOI, RBI, NABARD, Sponsor banks, RRBs themselves and other stake holders, RRBs have become strong, viable, tech. sauvy banks with extended operational area, large branch net work, diversified business portfolios and serving all types of customers in rural and urban areas. Some of the RRBs are bigger than some old generation private sector banks. Sponsor banks have lesser no. of RRBs to monitor, leaving them sufficient time to exercise effective control and aid in their development.

"Regional Rural Banks maintained stable growth in assets around 16% in 2013-14. Major sources of growth were borrowings & capital infusion by NABARD & Sponsor Banks on the liabilities side and loans &advances on the assets side. As per provisional results, all the 57 RRBs reported profits in 2013-14 with their net profits going up by 18.5% during the year. Net margin( Net int. income as percentage of average total assets) also recovered from previous year"- Financial Stability (RBI Report Dec 2014).

- **4.1:** Performance of RRBs (consolidated) as at Mar 2014 (key indicators in Annex-1)
- 4.1.1: No of RRBs: The number of RRBs on 1st March, 2014 was 57.
- **4.1.2: Branch Net work:** RRBs opened 1221 branches during the year taking the net work to 19082 branches, across 642 districts. 75 per cent of the branches of the RRBs are located in rural areas. All branches are under CBS.

### 4.1.3: Business position:

a) *Deposits*: Deposits of RRBs stood at Rs 2,39,494 cr registering 13.24 % over previous year.21 RRBs had deposits of over Rs 5000 cr and account for 66 percent of all RRBs. Highest is Baroda UP gramin bank Rs11307 cr. lowest is Nagaland rural bank Rs 72 cr.

Positive aspect of composition of Deposits is CASA share which is at 55 percent. 6 RRBs had more than 70 % while 14 RRBs had less than 40 percent.

b) Advances(loans outstanding): (purpose-wise break up in Annexure 2); Loans outstanding of RRBs stood at Rs159406, registering a growth rate of 16.29 percent over previous year. Share of priority sector advances is at 81.69 % and share of

Agriculture is at 56.64%. Point of concern is the low share of term loans in total agriculture loans which is declining for last 3 years and stands at 24.39%.

- c) CD ratio: credit deposit ratio of RRBs stood at 66.56 as at mar 2014. Positive sign is that there is consistent increase in the ratio since 2009-56.41%. Eight RRBs had CD ratio above 100 percent. 33 RRBs had CD ratio lower than the all India average.
- d) Investment Deposit ratio: This ratio of RRBs stood at 58 percent as against 51 percent as on 31st mar 2013. 40 RRBs had ID ratio of over 50 %. Baroda UP Gramin Bank has highest ID ratio of 79 percent followed by Chattisgarh GB at 77 percent. NABARD has advised RRBs to bring down such high levels of ID ratio (by increasing lending operations).

Annexure 3 & 4 gives state wise& sponsor bank wise position of CD Ratio.

Range of CD ratio	States
Less than 40	Arunachal Pradesh(21), Chandigarh(31), Himachal Pradesh(39), Jharkhand(40), Manipur(38), Nagaland(33), Tripura(40)
41 to 50	J&K(43), Meghalaya(48), Mizoram(47), West Bengal(50)
51 to 70	Assam(55), Bihar(53), Gujarath(53), Madhya Pradesh(56), Maharastra(66), Haryana(65), Odisha(60), Uttar Pradesh(55), Uttarkhand(56),
71 to 100	Karnataka(82), Punjab(81), Rajasthan(75),
Above 100 %	Andhra Pradesh(114), Kerala(105), Puducherry(110), Tamilnadu(12)

Range of CD ratio as at Mar. 2014-statewise

However it is to be noted that Year end CD ratio of RRBs gets reduced due to sale/ transfer of priority sector assets to sponsor banks/commercial banks, through Inter Bank Participation Certificates. As the funds received is invested till due date of IBPC, Investment to Deposit ratio goes up. In the absence of data as to the IBPC transactions, exact impact could not be assessed.

### 4.1.4 Business Accretion during 2013-14:

- a) Growth rate: consolidated Balance sheet of RRBs recorded an increase of 19.09 percent. On the assets side, net advances increased by 18.04 percent while deposits increased by 13.24 percent. Borrowings went up by 31.90 percent.
- b) Credit flow to Agriculture: RRBs achieved only 59 % of their GLC target. While it recorded 70 percent under crop loan, achievement under term loan is only 27 percent. Over emphasis on KCC both from Farmers side, for all credit needs, in view of interest subvention and by RRB branches as it is easier & simpler to sanction/disburse is leading to this position.

# Total Agri credit flow – Target and achievement by RRBs (Amount in Crores)

Crop Loan			Te	Term Loan Total			Total		
Target	Ach.	Ach%	Target	-Ach.	Ach%	Target	Ach.	Ach%	
90000	63070	70	30000	8031	27	120000	71101	59	

Even though increasing trend is observed in the share of RRBs under GLC during the years, share under Term loan is hovering around 13-14 percent.

(Table 4&5)
Agency wise ground level credit flow to Agriculture
(Amount in crores)

Agency	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR	Growth 2013-14
Cooperatives	63497	78007	87963	111203	118422	20	6
Share	16.5	16.7	17.2	18.4	16.8	Х	х
RRBs	35217	44293	54450	63681	83307	22	31
Share	9.2	9.5	10.7	10.5	11.6	Х	х
Com. bks	285800	345877	368616	432491	521496	14	21
Share	74.3	73.9	72.1	71.2	71.5	Х	х
Total	384515	468291	511029	607376	723225	16	19

(Source: NABARD annual report 2013-14)

### Share of term loans in total agriculture lending

(Figures in percent)

Agency	2009-10	2010-11	2011-12	2012-13	2013-14
Commercial Banks	34	34	28	27	24
Cooperative banks	10	12	7	8	5
RRBs	15	14	13	12	14
Total	28	28	22	22	19

RRBs have to increase credit flow under Agriculture term loans. Investment credit can only increase Agricultural productivity. Increasing number of small holdings in our country further emphasises need to raise productivity of land (yield per hectare) and it can be achieved only through investments in agriculture.

### c) Share of SF/MF in agriculture credit flow

It is a noteworthy point that RRBs had the highest share of disbursement to SF&MF both in number (67%) and amount (62%) during 2013-14, followed by cooperative banks and commercial Banks.

### d) Recovery and NPA:

Recovery % as at June 2013 showed a marginal improvement from 81.2(june12) to 81.9%, but overdues in absolute terms increased from Rs 14046 cr to Rs 17263 cr. during the same period. Similarly Aggregate Gross NPA s increased from Rs 8330 cr. as on 31st Mar. 2013(6.08%) to Rs.9708 cr(6.09%) as on 31st Mar 2014. Net NPAs also increased from Rs.4748 cr(3.59%) as on Mar. 13 to Rs 5732 cr(3.53%) as on Mar 2014. Percentagewise Gross NPA remained almost constant and Net NPA decreased marginally due to increase in base figure(Total adv.) only as in absolute terms both Gross and Net NPA increased. Position indicates need for improvement in Recovery performance. RRB wise 23 RRBs have Gross NPA less than 5%, 14 RRBs Gross NPA above 10 percent, 20 RRBs had Gross NPA ranging from 5 to 10%.

### 4.1.5 Working Results: Productivity& Profitability:

a) Productivity of RRBs as a group is consistently improving.

Productivity	2009-10	2010-11	2011-12	2012-13	2013-14
Per branch	14.72	16.57	17.90	19.52	20.90
Per employee	3.30	3.78	4.07	4.57	4.98

### b) Profitability / Viability:

As at Mar. 2014, all RRBs have earned profits. Consolidated profit of all RRBs for Mar. 2014 stood at Rs.2694 crores (prev year 2273 cr). Profit of individual RRBs ranged from 0.05 cr. (Nagaland RB) to 194 cr. (Baroda UP Gramin Bank).

Of the 57 RRBs, 49 are sustainably viable viz. earning profits and not carrying accumulated losses. 8 RRBs have accumulated losses, which is coming down steadily. It has come down by 17% during 2014 to Rs 903 cr. RRBs are not paying dividend to shareholders at present.

### 4.1.6: Owned Funds and Capital Adequacy

Owned funds comprise share capital, share capital deposit and Reserves & surpluses. Owned funds increased from Rs.19445 crore to Rs.22172 crore, due to plough back of profit earned to the tune of Rs.2694 cr.

RBI advised RRBs to maintain minimum CRAR of 9 percent on an ongoing basis with effect from 31st Mar. 2014. Excepting one RRB, all 56 RRBs are maintaining CRAR above 9 percent. CRAR of Manipur RRB is 3.86 percent. Steps are being

taken by sponsor bank & NABARD. CRAR of other RRBs range from 9.16 to 19.88 percent. 7 RRBs are just above the line in the range of 9 to 9.76 percent. NABARD has also sought & received proposals from sponsor banks assessing additional capital required by RRBs to comply with CRAR norms on an ongoing basis. They are under consideration.

### 4.1.7 Financial Inclusion and PMJDY:

RRBs were advised to undertake an aggressive branch expansion particularly in unbanked areas, as a strategy towards financial inclusion. As per allocations made by SLBCs, 22000 villages were allotted to RRBs. RRBs prepared financial inclusion plans 2010-13 and later for 2013-16. During 2011-12, RRBs were advised to plan for 10 percent increase in no of branches, with focus on unbanked centers. New branches opened by RRBs Year wise are: 2011-12:-913; year 2012-13:-947; year 2013-14:-438 and the Total is 2298. Further as per the MOF directions, Banks were allowed to open ultra small branches, in villages where opening of a full pledged branch is not viable, which can later be upgraded on reaching desired level of branches. RRBs opened 10885 USBs where basic banking services are provided by Business correspondents. In addition, RRBs have also deployed Business correspondents with ICT solutions (micro ATMs) in sub service areas, with an intention to provide basic banking services at the village or at the nearest possible point.

Under PMJDY, RRBs have opened 217.87 lakh accounts, a share of 17.36% and issued RuPay debit cards to 149.68 a/c holders. Balance in PMJDY accounts is Rs.1599.48 cr. and Rs.159.35 lakh in Zero balance accounts and their activation is being pursued.

### 4.1.8 Banking Technology Adoption:

All RRBs are under CBS and moved forward in providing technology products to customers. RRBs are issuing RuPay debit and KCC cards. RRBs have on boarded themselves on Aadhaar payment bridge services and participating in Direct Benefit Transfer. While a few RRBs are on Aadhaar enabled payment services also, others are in the process of on boarding themselves. RRBs have established ATMs and in the process of placing POS machines also. Presently under PMJDY, RRBs are in the process of enabling their Business correspondents in villages to 1 open accounts of villagers in their respective bank seamlessly through E KYC and 2. To allow cash withdrawals to A/c holders basing on Aadhaar authentication/RuPay debit cards to both his bank & other bank customers.

11.04 lakh RuPay Kissan credit cards have been issued as against 1.18 crore live KCC acts. 7 RRBs have to start issuing cards. NABARD is pursuing this with RRBs to ensure issuance of RuPay Kissan credit cards to all eligible KCC a/c holders.

**4.1.9** Skill Upgradation of Youth and Imparting Financial Literacy: Few RRBs in association with their Sponsor Bank are also involving themselves in capacity building of rural youth and villagers in general. Pragathi Krishna Gramin Bank & Kerala Gramin banks are co sponsorers of Rural self employment Training institutes empowering youth for setting up micro enterprises. They have also set up financial literacy centers, with assistance from NABARD to impart financial literacy & provide counselling to bank customers on a bank neutral basis.

# 4.2 Comparing Performance of RRBs with SCBs (incl. RRBs) – Trend Analysis

Our discussion on performance of RRBs will not be complete unless we compare their performance with their counterparts in the banking industry. As they are a synthesis of commercial banks and co-operative banks, it is difficult to find a perfect match for comparison, nevertheless as Reforms have made their functioning similar to commercial banks, following table presents a comparison of RRBs with the consolidated position of larger group of All scheduled commercial banks (including RRBs) on bench mark dates.

Branch expansion by RRBs till 1991 was at a good speed, which almost stopped during 1991-2007 due to viability concerns. Unviable rural branches got relocated and merged, which explains in reduction of branches during this period. SCBs continued their branch expansion, even in rural areas; as a result share of RRB branches to total SCBs has come down. RRBs resumed branch opening from 2007 onwards after I round of amalgamation.

RRBs improved their share under deposits due to opening of branches in semiurban &urban areas, but moved to investment operations, rather than increasing lending, which explains decline in CD ratio from 1991 to 2005. CD ratio of RRBs started improving after I round of amalgamation.

RRBs market share both under Deposit and Advances is low as compared to share in number of branches, as by design RRBs handle such class of customers whose resources and needs both are limited as compared to that of commercial banks. Low market share is indicative of the potential available to RRBs to compete effectively with other players and increase their business share.

### (Amount in crores)

	Particulars	Years						
SI		1979	1991 Pre- reform	2005 Pre-amalga mationround	2010	2013		
1	No of banks-all SCBs	131	272	284	163	151		
5	No of RRBs	56	196	196	82	64		
2	No of Branches - all SCBs	30202	60220	70373	88203	109811		
	No of branches-RRBs	2420	14527	14484	15776	17564		
	Share of RRB Br. to total(%)	8.01	24.12	20.58	17.88	15.99		
3	No of Rural branches -all SCBs	13337	35206	31967	32529	39439		
	No of rural branches-RRBS	2420	14527	11824	NA	12722		
	Share of RRB Rural to total Rural	18.14	41.26	36.99		32.26		
4	Deposits- All SCBs	28671	201199	1700198	4492826	6750454		
	Deposits-RRBS	123	4989	62143	145035	211488		
	Share Of RRB To Total(%)	0.42	2.48	3.65	3.23	3.13		
5	Advances- All SCBs	19116	121865	1100428	3244788	5260459		
	Advances- RRBs	167	3609	32870	82819	137078		
	Share Of RRB To Total(%)	0.87	2.96	2.98	2.55	2.61		
6	CD Ratio All SCBs	66.7	60.6	62.6	73.7	79.1		
	CD Ratio – RRBS	136	72	53	57	65		

Source: RBI Statistical Tables, Trend & Progress of Banking-Progress Of Commercial Banking at a Glance

### RRBs Today:

"These banks are no more a drag on the national exchequer" writes Dr. Thingalaya and observes that the total profits of all gramin banks have increased faster than the accumulated losses.

Even though recapitalisation support has been provided, it is claimed that the quantum of Recap assistance of over Rs 6000 crore is quite less as compared to the assistance provided to co-operative banks (Vaidyanathan committee-Rs 13600 crore) and recapitalisation provided to commercial banks.

RRBs have proved their capability to bounce bank, take on new responsibilities, explore new avenues and opportunities, adopt new technologies and deliver results. RRBs as a group have demonstrated that they can strike a balance between social responsibility and commercial viability and contribute effectively.

There are concern areas, common to banking system in the country like Asset quality, strengthening capital base & improving risk management capabilities which are to be addressed by RRBs and Stakeholders.

## SECTION V ROAD MAP FOR FUTURE - OPPORTUNITIES & CHALLENGES

Sri C.K.Prahlad, the famous management guru said, "it is not enough to imagine the future, you have also to build it". In this regard, banks have to find out their strengths, weakness, opportunities, and threats within themselves and turn their weakness into strengths, utilize the opportunities for the best and proceed into the future. (Dr.K. Shanker Shetty, Indian Banking Towards 2020).

### 5.1 Strengths and Opportunities

### 5.1.1 Increasing role of SF/MF in Indian Agriculture

Clientele base of RRBs still today has a major share of SF &MF and other categories of the target group for whom they came into existence. As per Agri. census 2011, out of 138 million farmer households, 117 million farmer households are Small and marginal farmers. Share of SF&MF in total farmers which was at 62% in1960-61 has grown to 85% in 2010-11 having 44% of cultivable land in the country. As per NABARD Annual report 2013-14, out of 14 crore farm households, only half are covered by formal banking institutions, leaving the remaining to informal finance or self financing. Though financial inclusion has been one of the agenda for the banks, in order to achieve 100% financial inclusion of farmers is still a long way to go. As regards quantum of credit disbursed also they shared only 12 % of total agri. credit disbursals for 2013-14 while comm. banks shared 72% and 16% came from co-op banks. Having become strong and tech sauvy, RRBs can now target the vast potential under agri. credit and increase their share, especially under Investment credit, benefitting the huge no of small and marginal farmers.

### 5.1.2. Emerging New Rural India

Changing face of rural india, improvement in transport & connectivity, rising income levels & Financial inclusion initiatives offers an expanding market to RRBs. Generally RRBs offer products and services similar to those of commercial banks and co-operatives. Tendency to copy the entire scheme of commercial bank (especially the sponsor bank) and launch under their name is very high, as a result they will be targeting the same group of customers, competing with their own sponsor bank branches and garnering business, many times at a higher rate in case of deposits and a lower rate in case of advances. Importance should be given by RRBs to product innovation by research on the needs of their clientele group and target group. With product and model innovation, new opportunities can be created.

### 5.1.3. Enhancing capital formation in Agriculture

NABARD annual report highlights two concerns in the area of agriculture -1)Average size of landholding in has come down to 1.16 hectares challenging viability of farming and 2) Investment credit is almost stagnating at 28 to 30% for the last few years. collectivization and aggregation thru models of JLG, producer organization is suggested for addressing the first issue as it would reduce transaction costs and empower the farmers to negotiate competitive and remunerative price for their inputs and produce. Credit for investments with higher rate of return, i.e. low investment and high impact on productivity, has to come from banks. RRBs can devise products aimed at both the issues, affordable to small and marginal farmers.

### 5.1.4. Lending to the poor is viable and profitable

MFI's loans grew a robust 61% in FY 15" reads business line report 27th May 2015. Report say that loan disbursement grew by 55% and MFIs attracted 84% increase in funding received by them. This is indicative of the potential and opportunity available for lending to small borrowers. RRBs can harness these potential by devising products suitable to them.

### 5.1.5 Service Delivery Innovation is the Key to Success

Experience of MFIs has demonstrated that rural people are ready to pay for good service. RRBs have to do innovations in service delivery also to reach people at a time and place convenient to them. RRB branches in villages also keep a window of 5 hours for transactions just like their commercial bank counterparts, while it may not be needed now with all delivery channels being introduced. In fact Nachiketmor committee suggests considering of any outlet which is open for 100 days as a rural branch, for optimum utilisation of resources and reaching more villages and people. RRBs are now best suited to do service delivery innovations in rural credit, as they are on core banking solutions. Staff of RRBs has to spend more time on customer contact, marketing, follow up & recovery rather than handling transactions at branches. Business correspondent services- A regulator induced service delivery innovation, has to be made successful by RRBs, by creating innovative support systems.

### 5.1.6 Expanding foot prints to new areas

In March 2011, rural branches of RRBs were 11,778; while rural branches of com. banks were 21589. Even considering the fact that RRBs entered late into the scene in 1975, while com. banks started rural branch expansion since 1969, pace of

branch expansion of RRBs has been slower, due to various constraints faced by them. "While these banks (commercial banks) stepped into rural areas out of compulsion, gramin banks went thereby design. Yet their spread is not fast enough. The inference, therefore, is that gramin banks have to step up their branch expansion programme to be effective in the programmes of financial inclusion." (DR. Thingalaya, Gramin banks revisited)

### 5.1.7 Meeting consumption needs of rural people

Consumption credit needs of rural people are yet largely met by Informal sources, as we have been discouraging it as unproductive credit and do not generate additional income to support repayments. Commercial banks are providing such credit through instruments of credit cards. RRBs can enter into arrangements with their sponsor banks for issue of co- branded credit cards to their customers with good track record, on security of non agri. properties of such customers.

### 5.1.8 Building up capital through new avenues

Amendments to RRB act intend to provide new avenues to RRBs for strengthening their capital base. It intends to permit RRBs, access to capital market, for equity." Partial privatization of public sector banks has improved their corporate governance visibly" (Dr. Thingalaya, Gramin banks revisited). Same can be expected of RRBs.

### 5.2 Weaknesses and Threats / Challenges:

**5.2.1 Stressed Assets**: The aggregate gross NPA of RRBs stood at Rs. 9708crore (6.09%) & Net NPA stood at Rs5372 cr (3.53%) as at 31.03.2014. During the year 2013-14, both gross NPA & net NPA increased in absolute terms, but ratios decreased marginally, due to increase in outstanding credit. Even recovery percentage improved only marginally from 81.17% as on June 2012 to 81.89 % as on June 2013 as a result of which overdues increased from Rs.14046 cr. to Rs.17253 cr. during the same period.

Frequent ups and downs in Agriculture and Rural economy poses a great challenge to efforts of RRBs in reduction of NPA. High share of SF/MF & weaker sections further aggravates the problem.

In addition, Agriculture loans often get converted /restructured due to natural calamities, followed by fresh dose of finance which increases the indebtedness of the farmer, sometimes disproportionate to his capacity & assets. These accounts continue as standard assets as per the policy guidelines on relief measures.

While Restructured accounts under General Advances are subjected to additional provisioning treatment as impaired assets and disclosure; Agriculture restructuring due to natural calamities is exempted from these provisions as a result data as to such accounts and the stress on quality of assets is also not available for RRBs group as a whole.

Hence RRBs have to devise an aggressive strategy for reduction/ management of NPA. Further it is suggested that a reporting system for capturing data on such accounts be introduced to arrive at the quantum and related stress on asset quality. Commercial Banks are permitted for prudential write off of loan accounts (commonly called as Technical write-off) where chances of recovery are remote & not backed by realizable security, without actually writing off the accounts in the books of the Bank. This enables the bank to write-off the accounts at HO level without affecting the process of recovery at branch level, out off its profits. Whenever recovery is affected in these accounts, it is directly recognised as income. This helps the bank to create a buffer in good times, over and above the standard provisioning to take care of losses in bad times. This provision is presently not available to RRBs. It is suggested that this provision is also extended to RRBs.

### 5.2.2 Competition from small & payment Banks:

The establishment of Small & Payment Banks may pose a great challenge to RRBs. RRBs enjoyed the advantage of monopoly & captive customers, in rural areas, for a considerable period as they went into such places where commercial banks did not prefer to go,due to lack of infrastructure and basic amenities. Co- operatives were weak .Rural scene of India is changing and seeing the business level of some RRB branches, commercial banks including their own sponsor banks have moved/are moving in to the same Rural areas and competing for business. Revamp of co-operatives is happening & they are also adopting technology. In addition Small & Payment Banks, who are expected to work on high technology & low cost model with service delivery innovations are likely to give a challenge to RRBs as by their concept they would be competing in the same space of RRBs.

The advent & history of New Generation Pvt. sector banks-ICICI, UTI (now AXIS) & HDFC Bank made long standing PSBs to change themselves, embrace technology and provide similar services. New players can bring in disruptive technologies and change the way, banking is done.

RRBs have adopted technology, as they are already into core banking & tech products. They have 4 decades of experience in dealing with their target group. What is needed is to combine both and bringing in Product innovation & Service innovation, suitable to the target group and not copy commercial banks. Our

Policymakers & sponsor banks should provide this much of independence & autonomy to RRBs..

### 5.2.3: Mobilization of capital: RRB to compete with RRB

Unlike commercial banks, who compete with other commercial banks, for business, RRBs had no opportunity to compete with other RRB in view of assigned geographies. But in the area of Capital mobilization, this scene is likely. Govt. of India, in the recent allocation of capital for commercial banks, has favoured an efficiency based allocation and allotted capital to those commercial banks who satisfy certain parameters of efficiency. RRBs used to get capital based on their extent of weakness, more the weakness more the support, so far. If govt. decides to adopt the efficiency criteria for RRBs also then each RRB has to compete with other and prove its better efficiency to get capital support.

Recent Amendments in RRB act also provides access to capital market for capital mobilization. It may take some more time as RRBs are not paying any dividend so far to stakeholders and they have to equip themselves for complying with market requirements. But when it materializes, performance and efficiency will determine valuation & scope for mobilization.

Both ways RRBs have to improve efficiency of operations. Boards of RRBs have to devise both short term & long term strategy for improving efficiency as well as plans for conservation & optimization of capital resource.

### 5. 2.4 Intergroup divergence:

With the 2nd round of amalgamation there are 56 RRBs, some of them very big and some of them are very small, for example

		No. of	No. of
		Branches	Staff
Arunachal Pradesh gramin bank	-	27	107
Langpi dehangi rural bank		57	201
Manipur rural bank	_	28	100
Nagaland rural bank	-	10	41

While presently all are viable, sustainable viability & capital adequacy may be an issue in the long run. This divergence in size also points out that each RRB has to plan their development strategy, including HR policies and for this RRB boards have to be empowered adequately and professionals should be inducted to boards of RRBs, as already suggested by various committees on RRB.

According to Mackinsey Global Institute urbanization report, Rising rural affluence and growing consumption will result in the emergence of a new market for banking services. Average rural consumption per household will reach current urban level by 2017. Nearly, 175 million rural people will graduate to middle class in rural India by 2025. Rural customer's behavior and expectations are likely to converge with that of the urban consumer. Report also recommends 1) Customising offerings for the rural consumer; 2) Go beyond credit/deposit to offer a full suite of products; 3) Cut service costs by technology & 4) Forging innovative partnerships to take the best of this opportunity the rural India offers.

Rejuvenated Regional Rural Banks are now capable & competent, have acquired strengths to implement all the above strategies and make the best out of the opportunity, Rural India offers to them.

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ANNEXURE – 1

# Performance of RRBs (consolidated) Key indicators as at 31-03-2014 (Amount in Crores)

Parameters	2011-12	2012-13	2013-14	% Growth
No. of RRBs	82	64	57	_
No. of Branches	16909	17861	19082	_
Districts covered by RRBs	638	635	642	
Staff	74291	76246	80028	4.99
Owned Fund	16462	19445	22172	14.02
Deposit	186336	211488	239494	13.24
Borrowings	30289	38073	50230	31.93
Investments	95975	119681	139631	16.67
Gross Loan (O/s)	116385	137078	159406	16.29
CD Ratio	62.5	64.82	66.56	
Accumulated Losses	1332	1091	948	-13.10
RRBs in Profit	79	63	57	
Profit Amount	1886	2273	2694	18.52
RRBs in loss	3	1	0	====
Loss	28.87	2.07	0.00	
Gross NPA	5859.12	8330.03	9707.57	16.54
Gross NPA %	5.03	6.08	6.09	_
Net NPA %	2.98	3.59	3.52	
Recovery % (as on 30 June	81.60	81.17	81.89	
Branch productivity	17.90	19.52	20.90	7.07
Staff productivity	4.07	4.57	4.98	8.97

# Consolidated balance sheet of RRBs as at 31-03-2014 (Amount in Crores)

Item

As on 31 March 12 As on 31 March 13

As on 31 March 14

percentage Variation 2012-13 over 2011-12 percentage Variation 2013-14 over 2012-13

Item	As on 31 March 2012	As on 31 March 2013	As on 31 March 2014	Percentage Variation 2012-13 over 2011-12	Percentage Variation 2013-14 over 2012-13
Liabilities	242534	279494	323930	15.24	19.09
Share Capital	197	197	197	-	-
Reserves	11263	13247	15805	17.62	18.79
Share Capital Deposits	5002	6001	6170	19.97	2.82
Deposits	186336	211488	239494	13.50	13.24
Current	10364	10983	11237	5.97	2.31
Savings	98617	109322	121018	10.86	10.70
Term	77355	91183	107239	17.88	17.61
Borrowings	30289	38073	50230	25.70	31.90
NABARD	21096	29907	33702	41.77	12.70
Sponsor Bank	8779	7176	12165	-18.26	69.50
Others	414	990	4363	139.13	340.71
Other Liabilities	9447	10487	12034	11.01	14.75
Assets	242534	279494	323930	15.24	19.09
Cash in Hand	2252	2292	2402	1.78	4.80
Balances in current A/c	8847	8374	6629	-5.35	12.48
Balances in Deposit A/c	47844	56672	69038	18.45	21.82
Other Investments	60247	63009	70593	4.58	12.04
Loans and Advances (net)	113035	132228	152379	16.98	15.24
Fixed Assets	669	737	774	10.16	5.02
Other Assets	9640	9961	11746	3.32	27.44
Of which accumulated losses	1333	1091	948	-18.15	-13.10

### ANNEXURE 2

# Purpose-wise Outstanding Advances by RRBs (Amount Rs.Crore)

Sr.	Purpose	As on 31 March					
		2012	2013	2014			
(a)	Short term loans (crop loans)	46580	55255	68267			
(b)	Term loans (for agri and allied)	17243	19406	22027			
I.	Total Agriculture	63823	74661	90294			
П	Non-agriculture	31719	37151	39925			
Ш	Priority Sector (I+II)	95542	111812	130219			
IV	Non-Priority Sector	20843	25266	29187			
11 9	Total loans outstanding (III+IV)	116385	137078	159406			
	Share of Priority Sector % in total loans o/s	82.09	80.06	81.69			
	Share of Agri. in total loans o/s	54.84	54.47	56.64			
11.19	Share of term loans in total Agri. loans o/s	27.02	25.99	24.39			

# **ANNEXURE-3**

# KEY PERFORMANCE INDICATORS OF RRBS AS ON 31.03.2014

(Amount in Rs. Lakhs)

SL NO	Name of the Bank	state	sponsor bk	dist- ricts	no of branches	no of staff	Deposits	Advances	Net Profit	CD Ratio	Gross NPA %	Net NPA %
-	Andhra Pradesh Gramina Bk	Andhra	SBI	8	704	2743	679118.06	735103.28	18053.31	116.26	4.43	3.47
	Andhra Pragati Gramina Bank	Andhra	SY,BK	2	450	2012	594769.25	724259.36	16037.00	122.98	2.20	1 23
	Chaitanya Godavari Gramina Bank	Andhra	Andhra Bk	m	143	464	153756.00	180615.15	3214.67	120.57	3.13	0.58
-	Deccan Gramina Bank	Andhra	SBH	2	300	1144	415542.70	348828.54	6362.62	84.98	2 88	0.00
	Saptagiri Gramina Bank	Andhra	Indian Bk	2	163	929	252363.50	321152.30	4842.25	129.64	2 09	0.76
-	Arunachal Pradesh Gramina Bank	Arunachal	SBI	80	27	107	36812.43	7256.98	48.48	20.89	19.27	15.31
-	Assam Gramina Vikas Bank	Assam	UBI	25	396	2039	642996.78	347299.12	2514.17	57.04	9.91	4.86
-	Langpi Dehangi Rural Bank	Assam	SBI	2	22	201	53110.69	20956.91	603.28	41.88	6.62	3.80
-	Bihar Gramina Bank	BIHAR	UCO BK	6	301	1205	295999.70	212176.39	6458.15	71.89	1.78	1.50
-	Madhy Bihar Gramina Bank	BIHAR	PNB	7	538	2204	645155.27	263214.19	7025.53	42.52	5.98	201
-	Uttara Bihar Gramina Bank	Bihar	CBI	18	1020	3382	934284.88	516668.83	6521.25	55.30	2.21	0 11
-	Chattisgarh Rajya Gramina Bank	Chhatisgarh	SBI	27	582	2006	658776.15	201244.12	5760.73	31.70	10.00	6.62
	Baroda Gujarat Gramina Bank	Gujarath	BOB	14	177	630	214935.24	93538.78	1123.09	44.89	5.58	2 60
-	Dena Gujarat Gramina Bank	Gujarath	Dena Bk	80	193	741	284834.76	128688.19	2215.65	45.64	3.80	2 86
-	Saurashtra Gramina Bank	Gujarath	SBI	11	223	814	222923.18	155793.90	2230.70	70.34	0.93	0.29
-	Sarva Haryana Gramina Bank	Haryana	PNB	21	542	2466	870951.50	552961.14	15285.43	64.59	4.80	3.16
+	Himachal Pradesh Gramina Bank	H.P.	PNB	12	188	949	246526.93	95305.63	845.89	39.47	7.48	5.23
-	Ellaquai dehathi bank	J&K	SBI	13	133	364	80061.33	36104.50	376.08	46.07	4.37	2.31
-	J & K Gramina Bank	J&K	J & K Bk	13	205	1010	240590.15	98206.06	1255.11	42.60	10.70	6.84
-	Jharkand Gramina Bank	Jharkhand	BOI	15	239	891	225305.64	66879.26	973.30	29.68	18.90	13.68
-	Vanachal Gramina Bank	Jharkhand	SBI	6	203	965	194315.63	100098.16	1590.58	52.55	14.38	12.65
-	Karnataka Vikas Gramina Bank	Karnataka	SY.BK	o	545	2612	862895.61	636192.53	14002.75	74.69	1.97	0.68
-	Kaveri Gramina Bank	Karnataka	SBM	. 10 .	400	1590	466664.85	368064.27	4475.41	80.03	3.23	1.79
-	Pragathi Krishna Gramina Bank	Karnataka	Canara	11	602	3105	871148.50	680968.76	10469.96	91.67	3.67	1.32
-		Kerala	Canara	14	535	2972	859304.73	775229.96	4009.06	105.21	2.57	1.45
	Central Madhya Pradesh Gramin Bk	MP	CBI	25	151	1606	E22040 24	000745 40	00000	-		

SL NO	Name of the Bank	state	sponsor bk	dist- ricts	no of branches	no of staff	Deposits	Advances	Net Profit	CD Ratio	Gross NPA %	Net NPA %
27	Madhyanchal Gramina Bank	MP	SBI	12	418	1695	532845.56	205899.09	2339.63	38.64	69.6	6.32
28	Narmada Jabhua Gramina Bank	MP	BOI	14	332	1270	374021.80	284739.26	8285.48	79.29	5.27	3.92
29	Maharashtra Gramina Bank	Maharashtra	BOM	16	378	1326	409987.40	249387.52	3551.73	63.29	09.9	2.82
30	Vidharbha Konkan Gramin Bk	Maharashtra	BOI	17	302	. 1122	304102.46	209770.47	2081.50	70.56	90.9	3.90
31	Manipur Rural Bank	Manipur	UBI	6	28	100	14504.25	5403.84	7.66	38.55	12.51	9:47
32	Meghalaya Rural Bank	Meghalaya	SBI	7	91	346	104155.79	49079.80	2168.36	48.30	4.45	2.05
33	Mizoram Rural Bank	Mizoram	SBI	8	75	322	134118.80	63370.84	1634.49	47.25	5.98	3.43
34	Nagaland Rural Bank	Nagaland	SBI	2	10	41	7256.83	2261.57	5.19	33.58	11.52	5.90
35	Odisva Gramva Bank	Odisha	108	13	521	2346	695651.48	378811.34	1442.24	57.26	11.63	7.08
36	Utkal Gramina Bank	Odisha	SBI	17	430	1865	427148.70	247972.44	1392.69	62.75	14.32	7.39
37	Malwa Gramina Bank	Puniab	SBP	2	89	282	87981.48	86051.27	1452.55	98.27	1.30	0.85
38	Puniab Gramina Bank	Punjab	PNB	13	240	847	350517.50	268353.54	4413.83	76.94	1.23	0.74
39	Sutlei Gramina Bank	Punjab	P&S BK	9	32	115	30646.01	25614.38	236.42	84.95	3.50	1.95
40	Baroda Rajasthan Kshetriva Gramin Bk	Rajasthan	BOB	21	675	2949	801808.07	616932.10	8376.44	78.33	08.9	5.12
41	. 100	Rajasthan	SBBJ	12	501	2022	514294.82	372166.55	5524.79	73.75	4.75	2.91
42	Mewar Aanchalik Gramina Bank	Rajasthan	ICICI BK	3	09	258	61500.54	27565.33	398.74	45.54	4.70	3.16
43	Pallavan Gramina Bank	Tamil Nadu	INDIAN BK	15	171	540	141888.50	175908.16	3127.40	123.98	1.28	0.35
44	Pandvan Gramina Bank	Tamil Nadu	108	16	246	935	317996.84	323254.51	10149.77	122.96	0.91	0.00
45	Puduvai Bharativar Gramina Bank	Pondicherry	INDIAN NK	2	32	88	28387.73	31222.44	528.48	109.99	0.28	0.00
46	Tripura Gramina Bank	Tripura	UBI	80	138	791	365038.59	148900.30	8269.11	40.79	4.41	1.72
47	Uttarakhand Gramina Bank	Uttarakhand	SBI	13	260	832	272872.80	144775.42	1129.58	55.53	4.84	3.08
48	Allahabad UP Gramina Bank	U.P.	Allahabad Bk	11	650	2612	643707.53	495641,40	2194.04	79.21	11.09	8.54
49	Baraoda Uttar Pradesh Gramina Bank	U.P.	808	14	846	3580	1130700.84	422893.41	19440.87	39.35	4.96	0.00
50	Gramina Bank of Aryavarth	U.P.	BOI	15	651	2947	989837.81	599012.25	17314.91	62.47	18.32	12.11
51	Kashi Gomti Samyut Gramina Bank	U.P.	UNION BK	00	414	2017	692989.16	197679.48	4905.80	30.44	19.22	11.93
52	Prathama Bank	U.P.	SY, BK	4	283	1605	444638.65	362068.55	8425.11	83.11	3.70	1.70
53	Purvanchal Gramina Bank	U.P.	SBI	11	571	2450	699923.01	312830.82	3002.14	48.25	14.94	8.54
54	Sarva U P Gramina Bank	U.P.	PNB	17	404	1472	447500.00	294859.90	2806.77	66.73	3.06	0.13
55	Banqiya Gramin Vikash Bank	West Bengal	UBI	1	582	2691	883519.23	439667.79	3227.77	51.39	7.85	4.84
56	Paschim Banga Gramina Bank	West Bengal	UCO BK	4	218	1144	328540.27	130171.91	2012.56	39.62	8.96	5.95
57	Ultar Banda Kshetriva Gramin Bk	West Bengal	CBI	3	138	750	175275.02	102067.84	1563.80	61.38	14.18	9.55

### **ANNEXURE-4**

### STATEWISE CD RATIO OF RRBS

SI No.	State	No. of RRBs	No.of Bran- ches	No. of District	CD Ratio 131	CD Ratio 14	Recov-	Gross NPA
1	Andhra Pradesh	5	1760	23	117.26	113.89	79.23	3.1
2	Arunachal Pradesh	1	27	8	17.83	20.89	66.91	19.27
3	Assam	3	1859	27	56.17	55.88	74.75	9.72
4	Bihar	3	1859	38	48.49	53.52	85.92	3.15
5	Chandigarh	1	582	27	32.94	31.7	77.33	10
6	Gujarath	3	593	33	51.14	53.03	84.71	3.09
7	Haryana	1	542	21	65.36	64.59	83.99	4.8
8	Himachal Pradesh	1	188	12	41.6	39.47	86.75	7.48
9	Jammu & Kashmir	2	338	26	40.98	43.47	78.19	9.05
10	Jharkhand	2	442	24	36.98	40.27	59.66	16.16
11	Karnataka	3	1547	30	82.58	82.55	86.03	2.97
12	Kerala	1	535	14	106.1	105.21	91.7	2.57
13	Madhya Pradesh	3	1201	51	53.82	56.44	81.61	7.94
14	Maharashtra	2	680	33	66.09	66.39	71.28	6.36
15	Manipur	1	28	9	33.46	38.55	68.99	12.51
16	Meghalaya	1	91	11	38.06	48.3	80.7	4.45
17	Mizoram	1	75	8	48.03	47.25	83.95	5.98
18	Nagaland	1	10	5	30.04	33.58	76.61	11.52
19	Odisha	2	951	30	60.72	59.35	72.4	12.71
20	Puducherry	1	32	2	111.61	109.99	94.61	0.28
21	Punjab	3	340	24	75.67	81.46	94.36	1.4
22	Rajasthan	3	1236	36	74.35	75.6	83.81	5.99
23	Tamil Nadu	2	417	31	132.44	123.27	96.8	1.02
24	Tripura	1	138	8	44.26	40.79	66.55	4.41
25	Uttar Pradesh	7	3819	80	50.7	55.26	69.16	10.96
26	Uttarakhand	1	260	13	55.79	55.53	80.15	4.84
27	West Bengal	3	938	18	49.06	49.87	76.96	9.04

### PERFORMANCE OF COOPERATIVE MARKETING SOCIETIES FOR AGRICULTURAL SUSTAINABILITY WITH SPECIAL REFERENCE TO ANANTNAG DISTRICT OF JAMMU AND KASHMIR

Ummer Farooq Khanday\* Sandeep Joshi\*\*

### **ABSTRACT**

Agriculture occupies aprominent place in the economy of the India. On the other hand nearly 70% of the population in the state derives its livelihooddirectly or indirectly from the agriculture sector. The peoplestuck in illiteracy, poverty, poor agriculture and suffering from extremes of material and social deprivation tend to loose impulses of awareness and motivation and this deprivation makes them weak, isolated, vulnerable and powerless. In order to develop the economy of the farming community and tackling the problems of poverty alleviation, the cooperatives play an important role. Cooperative Marketing Societies are organizations/associations based on grass-root level having functions of producers for the collective marketing of their produce and for securing for the member farmers the advantages that result from large scale business which an individual cultivator cannot secure because if his small marketable surplus. A cooperative marketing society is basically a trading firm. All the members of the cooperative marketing society sell their product through society. In other words, cooperative marketing societies are established for the purpose of collectively marketing the products of the member farmers. The present study is to examine the business of Cooperative Marketing Societies in the form of Consumer Goods and Fertilizers in Anantnag district of Jammu and Kashmir State.

<sup>\*</sup> Ph. D Research Scholar, Department of Commerce Vikram University Ujjain, Research Centre, M.P. Institute of Social Science Research Ujjain, M.P. \*\* Professor at M.P. Institute of Social Science Research Ujjain, M.P.

Keywords: Cooperative Society, Marketing, Agriculture, Agriculture Product.

#### Introduction:

The Cooperative Credit Societies Act was first passed in India in 1904 for the welfare of rural people to avoid them from the exploitation from moneylenders. While at the State level cooperative legislations was enacted Jammu and Kashmir Cooperative Societies Act in different states was passed in 1913. Cooperative Marketing Societies are group of members or association of producers for the collective marketing of their produce and for securing for the member farmers. These societies are formed by the group of farmer members and the control of this organization or society is totally in the hands of the farmers. Each member farmer has one vote irrespective of the number of shares purchased by him. The profit earned by the cooperative marketing society is distributed among the members on the basis of the quantity of the produce marketed by him. In other words, cooperative marketing societies are established for the purpose collectively marketing the products of the member farmers. Cooperative marketing plays a significant role in optimization of resources, widening the markets, growth of agro-based industries, generates employment and increase in farm income. The main objective of these societies is to rationalize the whole marketing system so that it may beneficial the producer. Its main focus is to strengthen the bargaining capacity of the farmer so as to secure him better price and eliminate the moneylenders. According to the Reserve Bank of India, a Co-operative Marketing Society" is an association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably than possible through the private trade." In general it is a process of marketing of products which enablesthe growers to market their produce at better prices, followed by the intention of securing better marketing services and ultimately contributing to improvement in the standard of living of members.

In Jammu and Kashmir there are 109 Cooperative Marketing Societies including eight District Consumer Stores out of these in Anantnag there are six cooperative marketing societies which undertake procurement of agriculture produce to enable the agriculturalists to get a minimum administered prices for their produce. They also supply fertilizers/pesticides and consumer goods to farmers, either directly or through primary level societies.

# **Objectives:**

- 1. To study the performance of cooperative marketing societies in the Anantnag district of Jammu and Kashmir State.
- 2. To examine the business of cooperative marketing societies in the form of Consumer goods and Fertilizers in the study area over a period of last 6 years.
- 3. To suggest measures of improving the performance of cooperative marketing societies.

## Methods and Methodology:

This research used the quantitative method to examine the business performance in the form of Consumer Goods and Fertilizers. The present study is chiefly based on six cooperative marketing societies, as they all were registered in fifties and sixties by the laws of cooperatives in Jammu and Kashmir. The present study is based on secondary data of last six years (2009-2014)which is collected from office of the Deputy Registrar Cooperatives Anantnag district of Jammu and Kashmir State. Other information collected from various journals, articles and websites. The data collected were analyzed using Compound Annual Growth Rate (CAGR) to determine the growth and performance of cooperative marketing societies in the form of consumer goods and fertilizers for agriculture sustainability.

Table 1.

# BUSINESS OF COOPERATIVE MARKETING SOCIETIES IN CONSUMER GOODS

**Amount in Lakhs** 

Name of the CMS	2008- 2009	2009 - 2010	2010- 2011	2011- 2012	2012- 2013	2013- 2014	CAGR
CMS Achabal	23.93	24.89	43.58	54.31	51.77	38.49	0.08243*
CMS Sagam	21.62	18.76	30.91	44.15	32.39	33.72	0.07689*
CMS Dachinpora	9.29	20.66	12.37	16.29	16.6	19.13	0.12793*
CMS Khoveripora	19.26	19.58	32.63	36.34	49.19	52.51	0.18195*
CMS Dooru	17.07	15.5	11.56	17.2	16.21	5.87	-0.163**
CMS Qazigund	6.48	4.51	4.64	4.11	5.05	8.61	0.04851*

Source: Office records of Deputy Registrar Cooperative Societies Anantnag, 2009-2014

Note: \*CAGR is significant at the 0.05 level

\*\*CAGR is not significant at the 0.05 level

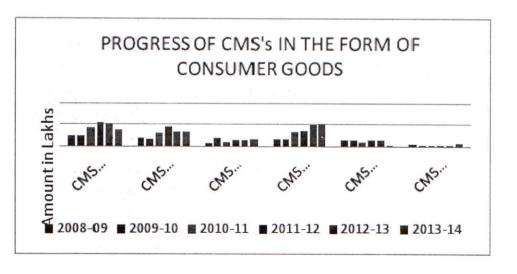


Table 1 shows the business of cooperative marketing societies in the form of consumer goods in Anantnag district. The business of these societies fluctuates over the years from 2009-2014 in the form of consumer goods. None of these societies shows positive trend from the base years. Therefore, the progress of these societies was uneven. The CMS Achabal and Khoveripora were in a good position as these two societies cross the businesses above 50 lakhs. It can also be observed that two out of six societies are in a good position. The CAGR of five cooperative marketing societies for the variables has registered asignificant progress during the last six years, and one of them cooperative marketing society Dooru which is shows not significant over the years. As this society shows down-ward trend from the base year. This study shows that the performance of business of these cooperative marketing societies in the form of consumer goods has been witnessing a poor growth.

Table 2.
PERFORMANCE OF COOPERATIVE MARKETING SOCIETIES
IN FERTILIZERS

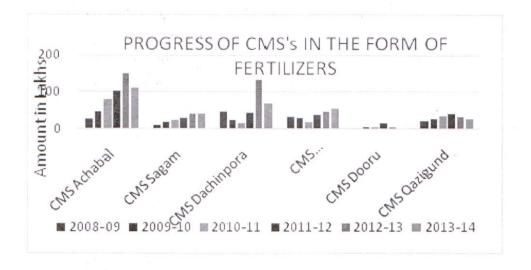
Amount in Lakhs

Name of the CMS	2008- 2009	2009- 2010	2010- 2011	2011- 2012	2012- 2013	2013- 2014	CAGR
CMS Achabal	28.35	47.58	81.64	103.6	150.74	110.75	0.25497*
CMS Sagam	9.84	18.81	25.06	29.51	42.38	41.32	0.27017*
CMS Dachinpora	46.94	25	16.92	43.94	133.82	67.54	0.06252*
CMS Khoveripora	32.38	30.05	18.76	39.42	46.81	55.19	0.09294*
CMS Dooru	3.35	6.11	5.46	, 17.16	5.63	1.86	-0.0934**
CMS Qazigund	22.68	26.46	36.33	41.66	34	27.64	0.03351*

Source: Office records of Deputy Registrar Cooperative Societies Anantnag, 2009-2014

Note: \*CAGR is significant at the 0.05 level

\*\*CAGR is not significant at the 0.05 level



Result and discussion in Table 2 indicate that there is also a significant business performance in cooperative marketing societies in the form of fertilizers. It can be observed from the table that some of the Compound Annual Growth Rate for the variables is a significant at the 0.05 level of significance, while as it is not significant for some other variables. It can be observed from the table or graph that in 2012-2013 there is a positive growth in all cooperative marketing societies except one i.e. cooperative marketing society Dooru which falls as compared to the year 2011-12. It also indicates that there is uneven growth in these societies over the years. This study shows that the business of these societies in the form of consumer goods and fertilizers has not registered a positive growth over the years.

#### Conclusion:

Overall, in this study the performance of these cooperative marketing societies in respect of consumer goods shows a significant level over the years except one society has registered a not significant level. Same result has broken with the performance of fertilizers that five societies out of six performed significantly and one of them is not significant. As these societies are working from decades but due to some various reasons the activity of these societies are abandoned. As the performance is not too good, the cooperative marketing societies have diversified their business into newer commercial areas to withstand the thrown challenges. The wherewithal in terms of manpower, capital and the infrastructure is being utilized for handling some new activities like building material, fodder for the cattle, furnishing and furniture etc.

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# GREEN, SUSTAINABLE BANKING: AN OVERVIEW

Pijush Chattopadhyay\*

#### Abstract

Today's banking ought to be all about being green. Green banking means promoting environmental friendly practices and reducing carbon footprint from banking activities. Green banking ensures that banks play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to use of appropriate technologies and management systems to have a eco-friendly environment. In the article strategies adopted by State Bank of India, ICICI Bank, HDFC Banks have be cited and impact discussed. While the nationalized and Private sector banks are much ahead of Cooperative Banks in Green Banking, it is essential that the banking sector as a whole focuses and makes serious attempts to Go Green - a real tribute to Mother earth. This article tries enlist the significant strategies for adoption of Green Banking.

Green Banking, as a concept is a proactive and smart way of thinking with a vision for future sustainability of our only spaceship "Earth" - as design science explorer Richard Buckminster Fuller called our Earth. Green banking is a general term that relates to a normal bank, which considers all the social and environmental / ecological factors with an aim to protect the environment and conserve natural resources. Often it is referred to as an ethical bank or a sustainable bank. Such banks are controlled by the same authorities but with an additional agenda toward taking care of the Earth's environment, habitat and resources.

Strategies of Green Banking generally refer to the efforts made by banks for green transformation of internal operations and environmentally responsible financing. Some strategies that can be adopted by banks are discussed below:

<sup>\*</sup> Professor, VAMNICOM, Pune

## Banks must make efforts to minimize usage of paper and paper products:

As every tonne of paper saves 17 trees, trees must be conserved by minimizing the use of paper by purchase of recycled paper, printing on reusable sheets of paper, printing on both sides of single sheets of paper, print only the pages required, preview documents before printing, increase margin width of the documents, change the default font size from 12 point to 10 which would shrink your document by about 10% and use e-mail statements and e-statements. This can save an enormous amount of paper. Banks can print monthly statements, brochures, ATM receipts, annual reports, newsletters, copy paper, envelopes etc. with vegetable-based inks instead of less environmentally friendly oil based inks. Banks should compulsorily use paper shredders and the shredded paper should be sent for recycling. E-statements have also helped in the reduction of paper usage, with more than 66 lakh HDFC bank retailcustomers subscribing for them. Email rather than print communication can also be used for direct marketing campaigns. Banks like State Bank of Mysore provided support for social forestry programme, waste reduction and recycling as part of their Green Initiative.

Similarly, ICICI Bank launched 'E- Drive' wherein the bank sent nearly 200 thousand annual reports in electronic form. The bank has saved more than 60 tons of paper by sending e-statements to over 6.5 million Bank accounts and 300 thousand credit card customers. The bank has extensively capitalized on the existing internal media- statements, inserts, Credit Card Charge slips- to reach out to the customers and seek their collaboration in the 'Go Green' movement. The communication on Online Bill pay, Online Funds Transfer and Subscribing to e-statements are aimed at migrating customers to 'paperless' and 'commute-free' mode of conducting some of their banking transactions. In June 2013 during the 'World Environment Week', Phone banking was also introduced with a Go Green message on the IVR encouraging customers to switch to e-statements.

HDFC Bank, the second largest lender has a network of 11,700 ATMs. Cash withdrawals at these ATMs account for the bulk of transactions and the bank witnesses an average of Rs. 2 crore cash withdrawals every month at its ATMs. The benefits for the bank to switch over to the paperless mode will help it save about Rs 10 crore a year spent on paper. HDFC Bank took a decision to discontinue issuing slips after cash withdrawals at ATMs and will instead alert the customer through SMSes. The SMS would contain detailed information on the withdrawn amount and the balance in account. This is a part of the digital initiative by HDFC bank, under which it launched the 'green PIN' scheme wherein card-users were given the PIN numbers electronically rather than in a printed kit. However, much of the ATM receipts get discarded as soon as they come out and if not disposed off in the right way, also pose a security risk as they contain private information. The

customers of other banks who use HDFC Bank's ATMs will also not get the receipt as sending the SMS is mandatory for any bank. The bank does not intend to do away with using paper at the ATMs completely and customers wanting to get the receipts can do a separate transaction to get either a mini statement or balance enquiry to get a receipt.

#### Power Saving Strategies:

Banks must make efforts to save power consumption by adopting latest technical advancements in lighting which provide lots of options for energy sayings. Consumption of LEDs is less by 50 pc as compared to CFLs and fluorescent lamps for the same amount of light. Data centers in banks can use LEDs effectively. Having set the trend, LEDs could be used in all branches and departments of the head office. This will lead to huge saving in use of electricity and reduction in bills adding to bank profitability. Banks must implement PC power management software to reduce energy consumption. HDFC bank has ensured that many major locations have energy-efficient lighting systems in place. With this the bank has been able to achieve 10% reduction in electricity consumption from branches by simple means like switching off the branch signage after 11 pm. Bank has also adopted a 'Phaseout' policy to replace inefficient lighting options and has also started incorporating the use of unconventional energy sources to power ATMs in areas with fluctuating power supply. State Bank of Mysore took up the initiative to use efficient photocopier, energy efficient computers and CFL bulbs, auto cut off for airconditioners and also introduced solar powered ATMs.

# Implementation of On-line banking:

Online banking is a new and fast-developing concept in young and corporate India. It helps in conservation of energy and natural resources. Green banking internal operations include on line account opening, online banking module, mobile banking, SMS banking, net banking, net banking as well as use of ATM and Cheque / Cash deposit machines. These technologies enable paying bills online, remote deposit, online fund transfers and online statements. Online banking creates savings from less paper, less energy, and less expenditure of natural resources from banking activities. It enables customers to save money by avoiding late payments of fees and save time by avoiding standing in queues and paying the bill from home online. It is an effective way for customers to keep track of their finances and to avoid late payment fees. Paying bills online is something of a lifestyle change, but it can be done. Telephone bills, cable bills, utility bills, credit card payments and mortgage payments can all be paid electronically with ease. State-of-the art technology ensures that customers have multiple banking channels available to them, such as ATMs, PhoneBanking, NetBanking and MobileBanking. These technology-enabled solutions have cut down customers need to commute to branches. As of March 2013, 82% of all HDFC bank customers initiated retail transactions which could have been done through branches but were done through Direct Banking.

Green Finance refers to banks that provide financial assistance to environmentally responsible projects. In order to reduce carbon emissions, banks could finance green technology projects and projects which reduce pollution. Banks should give priority in financing to projects that focus on eco-friendly business, energy efficient industries such as waste treatment plant, waste disposal plants, bio-gas plants, renewable energy products, hybrid car projects. As part of green financing initiative, ICICI Bank supports financial assistance to eco-friendly business, energy efficient industries. Some of the schemes are mentioned below:

- Provides 50 % waiver on the processing fee of car models which are using alternate modes of energy such as LPG (Liquefied Petroleum Gas) and CNG (Compressed Natural Gas). For this purpose they have identified Maruti's LPG version of Maruti 800, Omni, Hyundai's Santro Eco, Reva Electric Car, Tata Indica CNG and Mahindra Logan CNG Version.
- Provided assistance in various activities that helped in widespread of the ISO: 14000, which is an Environmental Management System Certification.
- ICICI bank along with other organizations is working on Green Business Centre an initiative taken to promote green building, energy efficiency, recycling etc.
- ICICI bank has associated with Indian Government and the World Bank for financing SMEs for green research initiatives.
- The bank has associated with Indian Army for various water management and energy conservation initiatives.
- The bank had reduced processing fee for customers purchasing LEED certified buildings.

Similarly, State Bank of India collaborated with Suzlon Energy Ltd. for the generation of wind power for selected branches by setting up windmills in Gujarat, Tamil Nadu and Maharashtra.

#### Green Credit Cards:

Now-a-dayscredit cards introduced by banks are environmentally friendly, using biodegradable credit card materials or promoting paperless banking in order to go green.

# Green Checking Accounts:

Kiosks with touch screens installed in bank branches enable customers to check their accounts. This can be termed as a green checking of account. Use of this facility reduces use of paper. Using a green checking account helps the environment by utilizing more online banking services including online bill payment, debit cards, and online statements. Banks should promote green checking by giving some incentives to customers by giving higher rate of interests, waiver or discount in fees etc.

# Video-conferencing or Telepresence:

One of the primary tools considered for making IT infrastructures green, that has been making huge impact is the implementation of Video-conferencing in banks. To reduce travel expenditures by implementing technologies such as "Video-conferencing" or otherwise known as "Telepresence" This has a positive impact on both cost and environment.

The Government of India had issued guidelines to Public Sector Banks and Regional Rural Banks on Green Initiatives. These guidelines pertained to increased use of Electronic Payment systems, Core Banking Solution (CBS), Video Conferencing, and offering of centralised payment system through sub-membership route to all banks to facilitate direct Electronic Benefit Transfer (EBT). There are about 1645 UCBs with more than 8150 branches across the length and breadth of the country and account for aggregate deposits of Rs. 2.00 crores. Considering that IT is not only an enabler but a differentiator for banks in a competitive environment, RBI had directed UCBs to implement CBS in all their branches by 31st December, 2013. Government of India also observed that UCBs without CBS do not integrate well with the banking system and hence there is the need to quickly adopt CBS which is a necessity in today's banking scenario. With a push from the Regulator, Cooperative banks have implemented CBS and some are still in the process of implementation. Cooperative Banks are members of NFS and Rupay. It is heartening to know that cooperative banks though slow in adapting to latest technology due several factors, have implemented CBS, have become members of centralised payment systems, like, NEFT, RTGS and Rupaywhich facilitates electronic payment at all Indian banks and financial institutions. ShamraoVitthal Cooperative Bank Ltd. (SVC) is a recipient of "CIO100 Award 2013" and "Green Crusader Award 2013" in recognition of SVC's Green IT initiatives in India for implementing strategies, that benefit the environment, while adding to an organization's business value. Thus, Cooperative banks have started implementing the "Green initiative" butin a limited way. There is urgent need for Cooperative Banks to focus more on Green Banking activities which are in line with the cooperative principle to work for the sustainable development.

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# अहमदाबाद में श्रेयस को-आपरेटिव क्रेडिट सोसायटी की अनोखी ग्राहक सहकारी प्रवृत्ति

किरन चम्पनेरी . सेतु.\*

अहमदाबाद नगर में श्रेयस को-आपरेटिव क्रेडिट सोसायटी की पहचान खास कर के एक कन्ज्युमर स्टोर के रूप में है। नगर के कांकरिया, नारणपुरा, पालडी, नारायणनगर में से इस क्षेत्र के अहमदाबादी जन श्रेयस को-आपरेटिवक्रेडिट सोसायटी द्वारा परिचालित ग्राहक भंडार दुकानों में से जीवन के लिए आवश्यक वस्तुएं खरीदते रहते हैं। श्रेयस को-आपरेटिव परिचालित दवाइयों की दुकानों में से सस्ते भाव से दवाइयाँ खरीदते हैं। श्रेयस को-आपरेटिव सोसायटी के कांकरिया, नारणपुरा (एवरेस्ट टावर), पालडी, सारंगपुर और नारायणनगर के इलेक्ट्रीक बिल कलेक्शन केन्द्र में बिजली के बिल अदा करते हैं साथ -साथ हर साल आयोजित होने वाले मेले की सभी ग्राहक बड़ी जिज्ञासा से राह देखते रहते हैं। इस तरह अहमदाबाद में श्रेयस को-आपरेटिव क्रेडिट सोसायटी की कार्यवाही की विशेषता एक क्रेडिट सोसायटी के स्थान पर ग्राहक सहकारी भंडार की है।

सन् 1950 में अहमदाबाद गुजरात का ही नहीं अपितु भारत के मान्चेस्टर के रूप में प्रसिद्ध था। सत्तर से भी अधिक कपड़ा मिलों से अहमदाबाद बुलंदी पर था। इन मिल मजदूरों को आसानी से और कम ब्याज पर अपनी आर्थिक आवश्यकताओं की पूर्ति हेतु श्रेयस को-आपॅरेटिव क्रेडिट सोसायटी की स्थापना की गई थी। कांकरिया क्षेत्र में ता. 8-7-1955 के दिन रिज. क्रमांक 19641 से श्रेयस क्रेडिट सोसायटी का कार्यारंभ हुआ। प्रारंभ में इसकी 41 सदस्य तथा रु. 1000/- शेयर राशि था जो आज 1847 सदस्य और शेयर राशि रु. 2,79,040/- है।

इसकी रचना का श्रेय उस वक्त के कांकरिया मिणनगर क्षेत्र के सह कार्यकर्ता को मिलता है। मुख्य आयोजक थे चंदुभाई शाह और महादेवराव धार्मिक पहली व्यवस्थापक समिति में थे। सोसायटी के प्रथम चेयरमेन डॉ. जयंतिभाई ठाकोर थे। सन 1991 से चेयरमेन के रूप में सहकारी क्षेत्र के अनुभवी और गुजरात राज्य सहकारी संघ के पूर्व चीफ एक्जिक्युटीव ऑफीसर श्री घनश्यामभाई शाह सदस्य के रूप में सेवा कर रहे हैं। आपने अंतिम 25 साल तक सेवा की थी। संस्था के उप-चेयरमेंन के रूप में श्री जयंतीभाई पटेल,मैनेजिंग डॉयरेक्टर के स्थान पर श्री रजनीकांत मेहता और श्री सुहासभाई साहेब और मैनेजर के स्थान पर श्री शैलेषभाई शाह अपनी सेवा दे रहे हैं।

<sup>\*</sup> गुजरात स्टेट कोऑपरेटिव यूनियन, अहमदाबाद

श्रेयस को-ऑपरेटिव क्रेडिट सोसायटी की प्रमुख प्रवृत्ति ऋण अदा करने की थी तथा मंडली के सदस्यों में रु.700/- का ऋण बीस हप-ते के लिए कम ब्याज से दिया जाता है। उस समय सरकार की हाउंसिंग स्कीम की तरह 268 सदस्यों को ऋण दे कर घर-मालिक बनाया गया था। वैसे मंडली की प्रमुख प्रवृत्ति ऋण देने की होने पर भी वह विशेष नहीं चल पा रही थी। इसलिए 1957 में ग्राहक प्रवृत्ति प्रारंभ की गई। संस्थान ने सन् 2011 से पुन: ऋण प्रवृत्ति जारी की है। रुपये एक लाख की मर्यादा में 12 प्रतिशत ब्याज पर ऋण दिया जाता है। वस्तु-चीज के रुप में ऋण देने की सोच से मंडली के सदस्य और आम जनता को आवश्यक जीवन उपयोगी वस्तु किफायती भाव से और सरलता से प्राप्त हो इसके मद्देनजर मंडली के मुख्य कार्यक्षेत्र कांकरिया में एक छोटी सी दुकान से ग्राहक सहकारी प्रवृत्ति का श्री गणेश किया गया और पहले ही दिन रु.2 और 13 आना का व्यापार हुआ था। उसके पश्चात् ग्राहक प्रवृत्ति का बहुत अच्छा प्रतिसाद प्राप्त हुआ। उससे अहमदाबाद के भिन्न-भिन्न क्षेत्रों में दुकानें खुलती गईं जो आज के आधुनिक मॉल की स्पर्धा में टिक पाती हैं। हाँ, सन् 2014-15 में रु.35 करोड़ से भी अधिक बिक्री करके तथा इलेक्ट्रिक बिल कमिशन तथा ऋण प्रवृत्ति के मुनाफे के साथ कुल रुपये 16,02,972/- (सोलह लाख दो हजार बहत्तर रु.) का मुनाफा किया है।

जीवन की आवश्यक वस्तुओं की बिक्री के साथ - साथ 1962-63 में करटम की चीजें, 1969 में अपना बाजार द्वारा गैस,1978-79 में सरकार की ओर से लेवी सीमेन्ट, 1979-80 में पामोलीन तेल, 1983-84 में पाठ्य पुस्तक वितरण की व्यवस्था का प्रारंभ किया गया था। अहमदाबाद इलेक्ट्रिक सीटी कंपनी के बिजली बिल कलेक्शन की कार्यवाही भी शुरू की। आज अहमदाबाद के कांकरिया, नारणपुरा, पालड़ी, सारंगपुर और नारायणनगर में बिजली बिल कलेक्शन केन्द्र कार्यरत हैं।

श्रेयस को-ओपरेटिव क्रेडिट सोसायटी की ऋण प्रवृत्ति का विशेष व्यापक और समाज के निम्न स्तर के लोगों को भी ऋण का लाभ प्राप्त हो इसके लिए 1982-83 में श्रेयस को-ऑपरेटिव बैंक खोला गया। इस बैंक का बाद में नूतन नागरिक सहकारी बैंक में विलीनीकरण किया गया और श्रेयस की ग्राहक सहकारी प्रवृत्ति की अपनी विशिष्ट प्रतिष्ठा तथा पहचान के कारण फिर दिनांक 25-3-1983 में रिज.क्रमांक 19669 से नए सिरे से नाम दर्ज कराकर ग्राहक सहकारी प्रवृत्ति जारी रखा गया। जो आज अहमदाबाद के भिन्न-भिन्न क्षेत्रों में अपने मकानों में विकसित हो कार्यरत हैं। संस्था के कारोबार में कॉम्प्यूटराईजेशन अपनाया गया है। नारणपुरा (एवरेस्ट टावर) और नाराणनगर शाखा में तेल्फ सर्वीस स्टोर चल रहा है। ग्राहकों को एक ही स्थान, एक ही दुकान से अनाज, कठोर-धान्य, सींगतेल, अन्य खाद्यतेल, शुद्ध घी, प्रोविजन, कारमेटिक, कपड़े, आईसक्रीम, बटर,शीखंड, थोक में पाठ्यपुस्तक, नोटबुक, स्टेशनरी आईटम, हेलमेट,छाता, रेनकोट,उपहार वस्तुएं,प्लास्टीक की चीजें बिक्री के लिए रखी गई हैं। शादी ब्याह के प्रसंग सूची के आधार पर भोजन के लिए कच्चा सीधा, अनाज-मसाला -तेल आदि पहुँचाया जाता है। विविध बाण्ड के चावल थोक में खरीद कर थोक में या रीटेल में बिक्री होती है। सीजन में हर प्रकार के चावल बेचने के लिए दो दिन के लिए राईस मेला का आयोजन किया जाता है। सन् 2014-15 के वर्ष में दो दिन में रु.52,00,000/- (बावन लाख रुपये) के चावल की बिक्री हुई थी। सहकारी चीनी कारखाने से थोक में चीनी खरीद कर उस की बिक्री की जाती है।

जीवन की आवश्यक वस्तुओं के व्यापार के साथ-साथ दवाईयों की भी बिक्री की जाती है। अहमदाबाद की विख्यात ऐसी और एशिया भूखंड के सबसे बड़े हॉस्पिटल सीवील हॉस्पिटल में मेडिकल स्टोर चलाये जाते थे । मणिनगर में एल.जी.होस्पिटल के सामने ,नारायणनगर में शांतिवन चार रास्ता के पास समस्त ब्रहमक्षत्रीय को-ऑपरेटिव आउसिंग सोसायटी में और नारणपुरा में पत्रकार कॉलोनी के पास गुजरात हाउसिंग बोर्ड की कचहरी में मेडिकल स्टोर कार्यरत हैं। इन स्टोरों में अच्छी कम्पनियों की गूणवत्तायुक्त दवाइयों की बहुत कम मुनाफा लेकर बिक्री की जाती है । ब्लड-प्रेसर, डायबिटीज की दवाइयों में विशेष रियायत दी जाती है। हमारे प्रत्येक दवाई के स्टोर-दुकान पर से मंडली के सदस्य या ग्राहक को रुपये दस के टोकन, किराये से ऑक्सीजन, चेयर, सिलेन्डर, ऑक्सीजन मशीन, व्हील चेयर, वॉकर, पलंग, प-लेक्सीबल पलंग,वॉटर-बेड जैसे मेडिकल उपकरण नॉमिनल भाडे पर दिये जाते हैं । अहमदाबाद नगर में चल रही श्रेयस की इस ग्राहक सहकारी प्रवृत्ति की बुनियाद में इस मंडली के 63 कर्मचारी हैं। कर्मचारियों को लघुतम वेतन कानून के आधार पर तनख्वाह से अधिक पगार, 20 प्रतिशत बोनस, तीन एकस्ट्रा पगार तथा छुट्टी की तनख्वाह अदा की जाती है । स्टॉफ बेनिफिट फंड में से कर्मचारी के अवसान के समय रु.2,000/- (दो हजार) की सहायता, दो संतानों की शादी के प्रसंग पर रु.1.000/- (एक हजार) रुपये तक की ब्याज पर लोन दी जाती है । उपरांत इसके प्रोविडन्ड फंड, ग्रेच्यूटी, ई.एस.आई.सी के नियमों के आधार पर कर्मचारी लाभान्वित होते हैं । दीपावली पर हर कर्मचारी को एक किलो मिठाई, हर साल तीन जोडी ड्रेस तथा बूट-मोजा दिया जाता है। तीन साल पर कर्मचारियों तथा कमिटी के सदस्यों के लिए प्रवास यात्रा का आयोजन किया जाता है। इससे कॉमेटी के सदस्यों तथा कर्मचारियों के बीच पारिवारिक संबंध का माहौल पैदा होता है।

वर्ष	2010-11	2011-12	2012-13	2013-14	2014-15
शेयर राशि	263420	261660	260000	256850	279040
रिजर्व फंड	4478281	4732635	5100118	5557675	6054017
अन्य फंड	4299502	4430867	6451742	7263246	8102449
भाव घटबंधफंड	409642	568410	801203	1036523	1220768
सदश्य कल्याण फंड	561965	678514	845503	994665	1189777
कर्मचारी बेनीफिट फंड	64389	761996	955687	1203937	1473477
शकमंद उगाही फंड	- "	-	-	117661	301906
डिपोजिट	172625	171625	171625	171625	171625
ऋण	3450468	4753890	6711871	10429518	14924672
खरीदी	179968689	248790250	294143598	317635257	342145867
ब्रिक्री	198812033	262451126	307647741	332522115	358269939
ग्रोस प्रोफिट	9821213	12541512	13232566	13529137	13412577
नेट नफा	930460	1338512	1676691	1747350	1602972
ऑडिट वर्ग	31	31	31	अ	31
डिविडन्ड	15	15	15	15	15

श्रेयस को-ओपरेटिवक्रेडिट सोसायटी का प्रारंभ तो सन् 1955 में हुआ लेकिन 1982-83 में श्रेयस को-ओपरेटिव बैंक शुरु किया गया उसके पश्चात् 1983 में पुन: नया पंजीयन क्रमांक लेकर श्रेयस को-ऑपरेटिव क्रेडिट सोसायटी का प्रारंभ करके ग्राहक सहकारी प्रवृत्ति को जारी रखा गया । इस तरह इस सोसायटी ने साठ साल पूरे किए हैं । लेकिन नये रजिस्ट्रेशन के आधार पर मडली ने अपनी प्रवृत्ति के 34वें साल में प्रवेश किया है । संस्था अहमदाबाद में अपने मकानों की प्रवृत्ति भी चलाती है। आज इन मवजन /ईमारतों की कीमत भी बहुत बड़ी होती है ।

अहवाल/रिपॉट के अनुसार वर्ष 2014-15 में रु.1,77,54,951/- की दवाईयों की बिक्री, रु.6,39,39,287/- के पाठ्य पुस्तक की बिक्री की है। सदस्य कल्याण निधि में से 139 सदस्यों को रु.2,62,700/- मृत्यु सहाय के रुप में अदा किया गया है। इस तरह मर्यादित ऋण के साथ मंडली की प्रवृत्ति सदस्यलक्षी तथा ग्राहकों को किफायती दर से जीवन की आवश्यक वस्तुओं को उपलब्ध कराना - बेचना है। श्रेयस सोसायटी अहमदाबाद नगर में अपनी अलहदा पहचान, प्रतिष्ठा और विश्वसनीयता के साथ काम कर रही है।



# COOPERATIVE MOVEMENT IN SAARC COUNTRIES: A BRIEF

Ritesh Dey\*

The purpose of this article is to briefly explain about the cooperative movement in SAARC countries excluding India.

#### Introduction:

The South Asian Association for Regional Cooperation (SAARC) is an economic and geopolitical organisation of eight countries that are located in South Asia or the Indian subcontinent and the countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The SAARC Secretariat is based in Kathmandu, Nepal. The five main areas of cooperation are: Agricultural Rural Development, Telecommunication, Science, Technology and Meteorology, Heath and Population activities, Transport and Human Resource Development.

The combined economy of SAARC is the 3rd largest in the world in the terms of GDP (PPP) after the United States and China and 5th largest in the terms of nominal GDP.

SAARC nations comprise 3% of the world's area and contain 21% (around 1.7 billion) of the world's total population and around 9.12% of Global economy as of 2015. SAARC also home to world's 3rd & 7th largest Economy of world in GPP(PPP) & GDP(Nominal) terms respectively as well as World's fastest growing major Economy, that is India. India makes up over 70% of the area and population among these eight nations.

During 2005-10, the average GDP growth rate of SAARC stood at an impressive 8.8% p.a., but it slowed to 6.5% in 2011 largely because of economic slowdown in India, which accounts for nearly 80% of SAARC's economy. But driven by a strong expansion in India, coupled with favorable oil prices, from the last quarter of 2014 South Asia once again become the fastest-growing region in the world. As of 2015, foreign exchange reserves of SAARC nations stands at USD 411 billion.

The SAARC policies aim to promote welfare economics, collective self-reliance among the countries of South Asia, and to accelerate socio-cultural development in the region. The SAARC has developed external relations by establishing permanent diplomatic relations with the EU, the UN (as an observer), and other multilateral entities. The official meetings of the leaders of each nation are held

<sup>\*</sup>Deputy Director, National Coopertive Union of India, New Delhi

annually, whilst the foreign ministers meet twice annually. The 18th SAARC Summit was held in Kathmandu from 26–27 November 2014 and the next SAARC summit is scheduled to be held in Islamabad, Pakistan.

# Bangladesh:

Cooperative movement in Bangladesh started formally in 1904 during the colonial era mainly to provide agricultural loan to farmers. However, the movement started to get momentum in the post-colonial period when the successive governments viewed cooperatives as a potent tool to bring about rural transformation. Besides, cooperatives by local initiatives began to appear, especially in the urban informal sector from early nineties with the increasing urbanization and privatization. Impact of both government and local initiatives has been tremendous on organization and promotion of cooperatives in Bangladesh.

At present, there are **about 1,88,596 Cooperative societies** in Bangladesh having individual member around 1,03,26,000, which is about 6.4% of total national population.

The total asset is around BDT 74289 million (USD 960 million approx.) Employment Generation through cooperatives: Paid employment:58950 and Self employment: 438400. According to Bangladesh Institute of Development Studies (BIDS), cooperatives contribute 1.8% to GDP. There are 27 National Cooperative Societies/Federations with the Bangladesh National Cooperative Union (locally known as Bangladesh Jatiya Samabaya Union) apex Body. The important production and service oriented cooperatives in Bangladesh are:

- a) Agricultural cooperatives
- b) Milk Producers cooperatives
- c) Water management cooperatives
- d) Fishermen cooperatives
- e) Credit cooperatives
- f) Women cooperatives
- g) Market cooperatives
- h) Housing cooperatives

Among different types of cooperatives operating in Bangladesh, Milk producer's cooperatives have been most successful in terms of production, employment generation and asset building. At present, there are 1751 registered milk producers' cooperatives with 97800 individual members. Bangladesh Milk Producer's Cooperative Union (Milk Vita) is the federation of these primary cooperatives. Annual collection, processing and marketing of Milk Vita is about 70 million litres.

It produces wide range of milk product including pasteurized milk, butter, curd, sweet meats, powder milk, chocolates etc.

The *Department of Cooperatives (DoC)* has been the principal government organization responsible for facilitating economic growth and poverty reduction effort to the government. It is an attached department under the *Ministry of Local Government, Rural Development & Cooperatives*. The Department of Cooperatives is committed to poverty reduction and socio economic development of Bangladesh through strategic management of human, agricultural, natural, technical, financial and other resources for the sustainable development of co-operatives as a business-oriented unit.

#### Bhutan:

Cooperatives existed in Bhutan as early as 1960s in the form of informal community groups for the community resource management such as resups (Forest caretaker) and chusups (water caretaker). As the Bhutan's socio-economic development progressed, more farmers groups and cooperatives were formed informally to manage the income generating activities. The then the Ministry of Agriculture in particular has adopted the farmers' group formation as the means to boost the agriculture production and management of the farm resources. As a result, Bhutan today has 754 informal farmers groups. Envisaging more cooperatives for economic activities and the need to have legal umbrella to support these cooperatives, the Royal Government of Bhutan (RGOB) took the first step to create enabling environment with enactment of the Cooperative Act in 2001. However this act remained largely dormant due to unforeseen and compelling reasons.

In 2009, with the enactment of Cooperative (Amendment) Act of Bhutan 2009, the responsibility to implement the Act was entrusted to the Ministry of Agriculture and Forests (MoAF), which was shortly followed by the establishment of Department of Agricultural Marketing and Cooperatives (DAMC) to execute this mandate. Since its establishment in March 2010, the department commenced registration of Farmers Groups (FGs) and Primary Cooperatives starting August 2010.

The promotion of farmers' groups and cooperatives is one of the eight initiatives of the Ministry of Agriculture and Forests under the Royal Government's Accelerated Bhutan's Socio Economic Development (ABSD). It is also been used as the strategy for crop production & marketing and other resource management. And ultimately it is seen as decentralization and empowerment tool for the farming communities. As such, it is the policy of RGOB to promote farmers groups and cooperatives as a strong and sustainable pillar of the economic development of the Bhutanese society.

With the enactment of Cooperatives (Amendment) Act of Bhutan 2009 (CAB 2009) and the Cooperatives Rules and Regulation of Bhutan 2010 (CRRB 2010), together with a dedicated institution Department of Agricultural Marketing and Cooperatives (DAMC) and interested informal FGs waiting to get registered, Bhutan had its first 18 FGs and 5 Primary Cooperatives registered on 11th October 2010 marking a historic moment in Bhutanese developmental process towards Cooperative movement. As of now Bhutan has a total of 37 Cooperatives and 259 FGs registered.

Recognizing the weaknesses of the existing cooperatives, the DMC has developed the capacity master plan and intends to implement it, which will cover areas like leadership, book keeping, financial management, business management and group governance. Further the department will be supporting the business plans of these cooperatives through some support mechanism.

Department of Agricultural Marketing and Cooperatives, Govt of Bhutan has a wider and huge mandate in serving its clienteles more effectively by strengthening the linkages between marketing system and producers within the country and also exploring new markets overseas. This department will now go on a full swing in the promotion and development of farmer groups and Cooperatives to take Bhutanese agriculture marketing to the next higher level and also support the operational zing of One Geog Three Products (OGTP) strategy of the Ministry of Agriculture and Forests in the current Five Year Plan. The Regional Agricultural Marketing and Cooperatives Office, (RAMCO), Monggar is mandated to look after all the agricultural marketing activities and development of Farmers Group & Cooperatives of the six eastern Dzongkhags.

#### Maldives:

All Cooperative Societies registered in Maldives should follow the Cooperative Society Governance Code, which was implemented starting on 01 September 2010. Cooperative societies can be formed independently by a group of people on their own initiative to promote and fulfil their socio-economic needs. The owners of the society should be from among its members and all the authority regarding the management of the society should be with its members. As such, the management of the society should be chosen by vote of the members. Opportunity to join the society should be available to all members of the community without any prejudice. The shares of the society should also be divided equally among the members. If the capital of the society is to be increased, it should be decided at the annual general meeting of the society. The decision will require a 60% majority vote of those present. In order to become a member of the society, one must purchase the number of shares required for membership. The Government can purchase shares from the

society. The government can also provide loans and other aid to the society in accordance with the laws and regulations of Maldives.

Maldives Authentic Crafts Cooperative Society (MACCS) is a handicraft cooperative based in Male' the capital of Maldives, which has been registered for developing and marketing authentic handicraft products. MACCS is registered by a group of women who have the dedication, intention and personal interest to assist in developing authentic handicraft industry of Maldives. The focus is to expand the market for authentic handicraft products of the producers who are living in the far flung islands of the Maldives.

Since 1972 with the introduction of the tourism industry demand of handicraft items has increased. Nevertheless with limited natural and human resources the sector is too small and unorganized with supply not sufficient enough to cater for the increasing demand, resulting in imported handicraft items flooding the market. Today imported handicraft items, counterfeited by labeling them as "Made in Maldives" dominates the market. The local producer does not have the necessary marketing skills nor the proper channels to market their products as authentic local products while the visiting tourists does not have the means of identifying the authentic handicraft items.

MACCS understands local producers' predicament and initiated the promotion of local arts and crafts, facilitating market access for local producers. MACCS acts as a central buying and selling point and is creating a network of producers and buyers. The cooperative will procure the crafts from all over Maldives directly from the producer. The idea is to improve their income by doing away with the middleman also ensuring that the customer receive the item at a reasonable price. MACCS is committed and determined through its cooperative to support communities, in the revival of handicrafts making it as a sustainable livelihood. Maldives Fisheries and Agriculture Development Cooperative Society (MFADCS), Komandhoo development cooperative society, Southern Farmers Cooperative Society, HED Maldives Cooperative Society are some other important cooperatives in Maldives.

# Nepal:

Nepal is rich in minerals and natural resources. The possibility of agriculture is equally significant. Effective product and service delivery is the essential part to be adopted as early as possible. In order to ensure such inevitable fact, the concept of cooperative has been emerged.

The Cooperative movement in Nepal was introduced in 1956 for the purpose of enhancing overall economic, social and cultural development of Nepalese people and provisioned in the Executive order of the then government, and later on, repelled

by the Cooperative Societies Act, 1956. After the enactment of cooperative act 1992, the new era of cooperative was started with the legal provision which has made cooperatives autonomous and independent.

The National Cooperative Federation of Nepal (NCFN) is the only national apex body of the cooperative movements of all types and level of cooperative along with its unions. It was established on the basis of universally accepted cooperative values and principles. The Federation was established on 20 June, 1993 under the cooperative act 1992. The Federation functions as a bridge between cooperatives and the government at national and international levels, and provides leadership and represents for Nepal's cooperative movement.

With strong advocacy and liaison at the national policy level, NCF/N has been able to recognized cooperative sector as one of the three pillars (Cooperative, Public and Private Sector) of national economic development of Nepal as reflected in the Interim Constitution of Nepal 2007. Furthermore, NCF/N has been instrumental in carrying forward national policies and programs to strengthen cooperatives for equitable and inclusive sustainable development of country.

NCF/N plays the crucial role to promote cooperative sector in Nepal. As a result, there has been a rapid expansion of the cooperatives in the last decade. There are 31,874 primary cooperatives, 321 district level cooperative unions, 20 central cooperative unions and 1 national cooperative bank under the umbrella of NCF/N. There are more than 5 millions cooperative members including around 45 percent women membership. (Source: Department of Cooperatives). The majority shareholder represent from the socially excluded, dalit, marginalized and economically venerable people. Such large number of population directly or indirectly involve in agriculture production, processing, distribution, storage, microfinance and microenterprise etc. The presence of cooperatives in the service sector is also significant. The role of cooperative in social transformation, environmental preservation, and promoting cultural and moral values is noteworthy. Thus, NCF/N feels proud to take leadership of such vibrant agencies for socioeconomic transformation.

#### Sri Lanka:

The Co-operative Societies System of Sri Lanka started in 1906 during the period of British ruling in order to fulfil the economic needs of rural farming community by granting loans. It has been documented that Dumbara Mitiyawatha Co-operative Society was the first Co-operative society emerged in Sri Lanka. All the island wide co-operative shops established for various objectives were brought together and established Multi Service Co-operative Societies in 1957. The Co-operative Societies re-organized in 1971 compatible with the economic and business scope.

Accordingly, area within the Authority of the society was expanded and established as a stable economic unit. The subject of Co-operatives became a provincial subject with the 13th amendment of the Constitution in 1989.

The Sri Lanka Cooperative Movement celebrated its centenary and the Cooperative Societies have rendered a great service for Sri Lankans on retail marketing especially with the supplying of essential food items at reasonable prices which he noted was very commendable during difficult times. It was the Cooperative Movement that came forward to help the government to meet exigencies in supplying essential food items. Even today the 'Co-op City' outlets numbering more than 7,000 plays an important role in providing essential food items at reasonable prices and the 'Sathosa' marketing networks had an impact on market prices.

The Department of Cooperative Development is a nodal department engaged for cooperative promotion and development and implementation of cooperative legislation in Sri Lanka. The National Cooperative Council of Sri Lanka is the apex organization of cooperative movement in Sri Lanka for implementing various cooperative educations and training programme. The National Institute of Cooperative Development is the nodal institute providing the cooperative education and training for the personnel and functionaries of cooperative movement.

At present, there are 10002 Primary Cooperatives having 6,303,306 members. Among the important sector, there are Multi – Purpose Corporative Societies (305), Plantation Sector – Corporative Societies (68), Thrift and credit Corporative Societies (6296), Rural Banking Corporative Societies (6), Agricultural and Bio – resources Corporative Societies: Tea (3), Rubber (11), Coconut (14), Palmyra (44), Agricultural Productivity Villages (10), Other Agricultural (123), Animal Husbandry – Milk (132), Animal Husbandry Others (30), Fisheries – fresh water (128) & Fisheries – Sea (522), Industries Corporative Societies: Textile Industry (23), Carpentry (05), Earth – wave (16), Coir (07), Other (205), Hospital Corporative Societies (96), Housing Corporative Societies (9489), Transport Corporative Societies (9), Labor Corporative Societies (24), School Corporative Societies (602), Youth Corporative Societies (19), Self – employment Corporative Societies (287), Other Corporative Societies (618).

The above cooperative societies are federated by National Level cooperative organizations viz. : Sri Lanka Consumer Cooperative Societies Federation (COPHED), Sri Lanka Cooperative Marketing Federation, Sri Lanka Federation of Thrift and Credit Societies, Sanasa, Sri Lanka Rural Bank Federation (CRB), Sri Lanka Cooperative Industries Federation, Sri Lanka Coconut producers Cooperative Societies Union, Sri Lanka National Youth Service Cooperative Federation, Sri Lanka National Federation of Fisheries Cooperative Society.

# COOPERATIVES AND EMPLOYMENT: A GLOBAL REPORT — EXECUTIVE SUMMARY

According to the ILO, the world is suffering from unprecedented unemployment (over 200 million persons), dramatic youth unemployment, an historic level of migration and a very substantial presence of informal and precarious employment. Meanwhile, the report estimates that cooperative employment, both full time and part time, involves at least 250 million people in the world according to official data from 74 countries covering 75% of the world's population. 26.4 million of these people work in cooperatives, as employees (15.6 million) or worker-members (10.8 million), while 223.6 million producers organize their production together within the scope of cooperatives. The great majority of cooperative employment is to be found in the G20, where it makes up almost 12% of the entire employed population. On the basis of an analysis of data from a limited number of countries, cooperative employment appears to have remained, by and large, stable over the years and to have shown particularly strong resilience to the global crisis which flared up in 2007/2008. In spite of their still comparatively modest figures, worker cooperatives and social cooperatives have experienced a very significant surge in employment.

A large part of the study focuses on fieldwork we carried out in 10 selected regions which present a high degree of diversity in terms of socioeconomic environment: Gauteng (South Africa), Ahmedabad (India), Gangwon (South Korea), Kanagawa (Japan), Santa Fe (Argentina), Paraiba (Brazil), Wisconsin (United States), Quebec (Canada), the Basque Country (Spain) and Emilia-Romagna (Italy). The fieldwork confirmed the abovementioned worldwide tendencies, with some regions characterized by a much higher cooperative employment level, such as Emilia Romagna with almost 15% of the entire employed population. It also showed that working conditions (wages, other types of compensation, safety at work, social protection etc.) were generally at least as good as those found in other enterprises in comparable sectors, and were often better. In addition, it revealed that cooperative employment was generally characterized by a longer duration and a far more balanced geographical distribution than the average and that cooperatives tended to formalize employment. Qualitatively, the fieldwork revealed distinctive characteristics of cooperative employment as it is experienced by the dozens of people we interviewed, all of whom work either in, or within the scope of cooperatives, with a combination of economic rationale, a quest for efficiency, shared flexibility, a sense of participation, a family-type environment, pride and reputation, a strong sense of identity and a focus on values. We discovered that this mix of characteristics was both a cause and a consequence of the economic sustainability of cooperatives. At the same time, we also identified a number of serious challenges that could weaken cooperative employment, in terms of competition, management skills, labour standards and demographics.

The report finally formulates a series of recommendations in the fields of employment policy and statistics, entrepreneurship, labour, education and research, as well as development, aimed at enhancing the already huge contribution made by cooperatives to overall employment in the world.

#### REPORT SURVEY OF CO-OPERATIVE CAPITAL

#### Overview:

For decades, co-operatives have relied on a unique ownership model to gain access to member capital. However, many co-operatives are turning to alternative funding sources and debt instruments to expand member investment.

Capital underpins co-operatives. From financial institutions to fisheries, members come together to pool capital and do more together than they could alone. But the other side of the capital coin is that when co-operatives can't get enough, because of either regulation or long-standing practice, they may get bogged down or fail to get off the ground in the first place.

This report undertakes a survey of capital in co-operatives around the world. It addresses capital in the broad sense of the range of debt and equity instruments used to finance the assets and operations of co-operatives. More narrowly defined regulatory capital is an important subset for the financial co-operatives—co-operative and mutual banks, credit unions, and co-operative and mutual insurance companies—that make up 45% of the 300 largest co-operative and mutual organizations. Some specific observations are provided on regulatory capital issues, but the main focus of this report is capital more broadly.

Access to capital is vital to the success of any business, but the co-operative ownership model introduces unique considerations. The principles of cooperation, particularly democratic member control and member economic participation, influence the choice of capital structure.

#### What Is the Research About?

Securing co-operative capital while guaranteeing member control is one of the five themes of the International Co-operative Alliance's Blueprint for a Co-Operative Decade. Historically, co-operatives have been funded by withdrawable share capital provided by members and retained earnings (or reserves comprising undistributed earnings). As growing co-operatives have outstripped the funding ability of members and retained earnings, or alternative funding has been sought for start-up cooperatives, the question has been how to access external capital or additional member capital while still adhering to co-operative principles. Fortunately, experience from around the world illustrates a range of options for accessing additional capital while retaining member control of the co-operative. In addition to the basic or qualifying member shares, many co-operatives have introduced additional classes of share or debt instruments to attract more member investment. Many co-operatives have introduced member share requirements based on usage and have developed mechanisms that allow members to share in the appreciation of the value of the co-operative in place of the traditional member shares valued at par and redeemable upon withdrawal from the co-operative. These mechanisms can help to address the lack of permanence of withdrawable member capital.

# What Are the Co-operative Implications?

Many co-operatives have attracted nonmember investment through a range of structures and debt and equity instruments. By reserving all or a majority of voting rights for co-operative members, external capital can be raised while preserving member control. Examples can be found in large and small co-operatives and start-ups in all regions of the world. Not all examples, however, have been successful. In some cases a majority of members concluded that their interests would be better served by conversion to the corporate model. In other cases, co-operatives were not financially successful after attracting outside investors, leaving the failed business in the hands of external creditors. A further consideration is that even when members retain legal control, outside investors may still exercise influence over the cooperative. While access to capital is a challenge for any business, particularly a start- up, recent experience among co-operatives in many countries demonstrates that these challenges are far from insurmountable. Provided that the legal framework adequately provides for a range of capital instruments, co-operatives can draw on the experience of the largest 300 cooperatives and mutuals and many smaller co-operatives to meet their capital

This report includes the following:

- Taxonomy of capital instruments and structures adopted by cooperatives around the world.
- A discussion of the special circumstances that apply to smaller and start-up co-operatives, providing an overview of selected programs and innovations internationally.
- Insights from the analysis of the capital structure of the largest 300 co-operatives and mutual.
- Special issues for financial co-operatives.
- Recommendations for policymakers and co-operative leaders.

This last part is essential. Policymakers should acknowledge that access to capital will help healthy co-operatives continue to thrive, with downstream benefits to members and citizens around the world. Co-operative leaders and policymakers take note: This report catalogs capital solutions for cooperatives of all types.

## The Largest 300 Co-operatives and Mutuals:

Publicly available financial statement information was collected to analyze the capital structure of the largest 300 co-operatives and mutuals by turnover as published in the World Co-operative Monitor 2013. Coverage includes 201 of the largest 300 co-operatives and mutuals, using the most recent data available in May and June 2014 in English or French, or in some cases in electronic format compatible with translation software. Items on the liability and equity side of the balance sheet were categorized and converted to US dollars (USD) at the exchange rate prevailing at the statement date to provide a common basis for the analysis. Judgment was required to categorize the various balance sheet items due to the different accounting conventions and terminologies employed around the world and the differing details of disclosure. Of the 201 co-operatives covered, 69 are headquartered in the Americas, 21 in Asia-Pacific, and 111 in Europe. By sector, they include 48 in the agriculture and food industries, 31 in wholesale and retail, 7 in industry and utilities, 2 in health and social care, 14 in banking and financial services, and 99 in insurance. There is undoubtedly scope to expand the coverage, improve the classifications, and enhance the analysis, but this initial database

provides the first comprehensive look at the capital structure of co-operatives around the world. Coverage could be expanded by a research team with additional language capabilities. Additional time and resources would permit follow-up with co-operatives that do not have financial statement information in the public domain, as well as more detailed analysis of the individual co-operatives.

# INTERNATIONAL COOPERATIVE ALLIANCE — SUSTAINBLE DEVELOPMENT GOALS

#### **Position Paper:**

The International Co-operative Alliance welcomes the United Nations process for the establishment of Sustainable Development Goals and considers this to be one of the highest priorities for public international polices in the coming years.

#### Who we are:

The International Co-operative Alliance (ICA) is an independent, non-governmental organization established in 1895 to unite, represent and serve co-operatives worldwide. It provides a global voice and forum for knowledge, expertise and coordinated action for and about co-operatives.

Alliance's members are international and national co-operative organizations from all sectors of the economy, including agriculture, industry, services, banking, retail, fisheries, health, housing, and insurance. The Alliance has members from one hundred countries, representing one billion individuals worldwide. Several hundred million people draw all or part of their income from a co-operative.

The Alliance is the guardian of the co-operative definition, values and principles enshrined in the Statement on the Cooperative Identity and included in the ILO Recommendation 193/2002 on the Promotion of Cooperatives 1.

# Our Vision of Sustainable Development:

Sustainable Development is at the very core of co-operative enterprises. This is a model of business based on ethical values and principles whose goal is to provide for the needs and aspirations of their members. Through self-help and empowerment, enhancing local resources and capacities and reinvesting surpluses, co-operatives play a pivotal role in responding to local community needs and objectives. Instead of looking at short-term goals of maximizing profits, co-operatives have a long-term aim of sustainable economic growth, social development and environmental responsibility. Therefore co-operative enterprises support and promote a vision of Sustainable Development based on a triple bottom line approach: economic, social and environmental.

1 Co-operative values: self-help, self-responsibility, democracy, equality, equity and solidarity; Co-operative principles: Voluntary and open membership; Democratic member control; Member economic participation; Autonomy and

independence; Education, training and information; Co-operation among co-operatives; Concern for community. More details can be found HERE.

#### The Goals:

The International Co-operative Alliance considers that the report of the High Level Panel of Eminent People on the Post 2015 Development Agenda is, in general, a good basis to the establishment of Sustainable Development Goals. Overall the report identifies the main challenges and issues linked to a global definition of the problem. Furthermore, these goals should be considered as interdependent in the sense that ones cannot be achieved without others. For example, ending poverty cannot be achieve without creating jobs, securing sustainable livelihoods and equitable growth.

- End poverty
- Empower girls and women and achieve gender equality
- Provide quality education and life long learning
- Ensure healthy lives
- Ensure food security and good nutrition
- Achieve universal access to water and sanitation
- Secure sustainable energy
- Create jobs, sustainable livelihoods and equitable growth
- Manage natural resources assets sustainably
- Ensure good governance and effective institutions
- Ensure stable and peaceful societies
- Create a global enabling environment and catalyze long-term finance

Apart from these, the International Co-operative Alliance considers that affordable and sustainable access to community services should be added to the list given its fundamental relevance to human dignity and social integration. These include, among others, access to housing and housing security; universal health coverage; education and other social services.

To achieve these objectives the International Co-operative Alliance considers that there is a need to establish concrete, measurable and ambitious indicators and targets.

#### Our Contribution:

Closing the 2012 UN International Year of Co-operatives, the UN Secretary-General Ban-Ki Moon recognized that "as a strong partner in development, the co-operative movement works with the United Nations every day to empower people, enhance human dignity and help achieve the Millennium Development Goals"

The Rio+20 conclusions also "acknowledge the role of co-operatives (...) in contributing to social inclusion and poverty reduction, in particular in developing countries".

Co-operative enterprises include in their day-to-day business operations a multitude of economic, social and environmental objectives, based on their values and principles.

Co-operatives contribute to sustainable development by bringing a democratic approach to access to land, capital and entrepreneurial decisions. By doing this, it sends a message to the whole society saying that there are sustainable alternatives to the organization of business and social activities in a more ethical and peoplecentered way.

The concrete contribution of co-operatives to the proposed Sustainable Development Goals is vastly illustrated in several documents.

As a result of the UN International Year of Co-operatives (2012), under the motto "Cooperative Enterprises Build a Better World", the International Co-operative Alliance collected a series of stories that illustrate how, all over the globe, co-operative enterprises are working towards sustainability: COOP STORIES

Some examples from different sectors of activity and regions are:

Co-operatives provide employment in the form of decent work. According to the International Labour Organization (ILO), in Kenya, 63% of the population derives their livelihoods directly or indirectly from co-operatives, and approximately 250,000 Kenyans are directly employed by co-operative based institutions2.

In Santa Cruz de la Sierra, Bolivia, the co-operative SAGUAPAC has become the largest urban water co-operative in the world, with 183,000 water connections serving the equivalent of 1.2 million people and a water quality of 99.3 out of 100.

In the retail sector, co-operatives are at the forefront of sustainability and fighting climate change. A complete report is accessible online3. As an example, the Co-operative Group in the United Kingdom is a leading retailer for the promotion and sale of Fair Trade products as a part of its ethical food policy.

The Watthan Artisans Co-operative in Cambodia brings together some of those who suffered the after effects of the Pol Pot regime. Bearing injuries from landmines, bombs or having suffered from polio, deafness or psychological scars, the members of the Watthan cooperative came together in 2004 to produce handicrafts. They were supported by an NGO, which trained them to work with cotton, locally produced silk, reclaimed hardwood or recycled materials.

In France, the co-operative bank4 *Crédit Coopératif* introduced a mechanism whereby it donates the value of 0.01 per cent of every interbank currency transaction it undertakes. The funds are donated at the conclusion of each year to a recognized NGO of its choice that works in international co-operation for development, thereby helping to fulfill the United Nations Millennium Development Goals. The Heiveld Co-operative for tea farmers in South Africa has its own tea court, where rooibos is chopped, fermented and dried. As well as operating the processing facility, the cooperative also provides organic and fair-trade certification services to its members, as well as training on sustainable resource use, adaptation to climate change, organic production and sustainable harvesting. It also exports bulk and packaged rooibos to domestic and international clients and sells inputs like seed to members. This has helped many small-scale farmers who previously had poor access to land, markets and rooibos-tea processing facilities, and as a result received low prices for their products5.

Since 2011 the Korea National Federation of Fisheries Cooperatives has been implementing a Knowledge Sharing Program through which it invites fisheries cooperators from developing countries every year to share its knowledge with other co-operative organizations6.

TIP Friendly Society (TIP) caters for the insurance needs of Jamaican educators. Its objective is to improve the economic, social and health status of members, staff and the wider community by providing thrift and credit facilities as well as sickness, accident and death benefits. But it has also demonstrated how it is reinvesting in the community through its scholarship program, which assists its members and their dependents in meeting their educational needs. The program is not only for university funding at undergraduate and postgraduate levels, but also for secondary school education.

After the hurricane that devastated Haiti, the first housing co-op was launched in Jacmel on 4 December 2011 the Southeastern Haiti Savings, Housing and Small Business Credit Co-op (CEL-CPME SE). Co-op members say they are the first positive and organized response from Haiti's civil society to the earthquake. It aims to mobilize the savings of co-op members to provide cheap loans, since commercial banks charge far too much. Many of the members already have their own house but they have loan their savings to help others.

#### 2 ILO Website

3 Euro Coop Climate Change Report

4 For a perspective on the resilience of financial co-operatives see the ILO study

"Resilience in a

Downturn: the power of financial cooperatives"

5 For an outlook of the contributions of agriculture co-operatives please consult the FAO website.

6 Knowledge Sharing Program

Founded in 1967 as an alternative to the capital-based health plans and the increasing commodification of the health system and based on the principles of professional excellence and fairness the *União dos Médicos de Santos (Unimed Santos)* was the first health cooperative in Brazil. Since then, Unimed has grown to become a network of 360 cooperatives covering over 80% of Brazil's counties. In addition to 100 of its own hospitals, 54 laboratories and 456 ambulances, it also has 3,033 associated hospitals within its network, and provides care to 19 million customers, 10% of the country's population.

## Our Policy Asks:

Even though co-operative enterprises contribute every day and in almost every sector of the economy towards the achievement of sustainable development goals, there are still several obstacles that prevent them from fully exploring their potential. A major constraint to co-operative enterprises in many countries is the poor enabling environment: either due to restrictive laws and regulations stemming from the legacy of state control or, in some cases, the complete absence of a co-operative legal framework. The negative impact of this lack cannot be overemphasized. To function well, such organizations need a robust enabling environment with solid prudential regulation, protecting democratic member control and ownership, autonomy, as well as voluntary and open membership. Further, such a framework must be simple and transparent concerning its registration, auditing and reporting processes. Unleashing the full potential of co-operatives requires, among other measures:

• Recognition that co-operative enterprises are a well suited model of business to deliver Sustainable Development Goals; the generation and equitable distribution of wealth, the creation and maintenance of sustainable enterprises and jobs at the local level and the concern for the surrounding community are specific characteristics of cooperatives that makes them well suited to deliver these goals.

- **Inclusion** of specific targets and indicators related to the promotion and development of co-operatives in member countries, in accordance to the definition, values and principles referred above; these targets should be associated with a concept of growth that includes other factors than GDP, in particular targets associated with social and environmental indicators?
- Access to specific implementation measures and programs including funding; these programs and measures should be adapted to the specific characteristics of cooperatives and respect their specific business model, by which, inter alia, the share capital must be owned and democratically controlled by their members. These programs should encourage co-operatives' trend to build financial reserves on their own funds and, wherever they reach a certain density, to establish mutualized financial instruments among themselves. Any financial initiative willing to promote co-operatives should acknowledge their needs and contribute through existing co-operative intermediaries, whenever these exist.
- Participation of co-operative structures in the discussions and decision-making processes regarding the Sustainable Development Goals. The decision-making process should be made in full compliance with participatory principles. Moreover, the identification of specific measures and programs should ensure the involvement of local business, their representative organizations and civil society. Programs should be designed through local consultation processes and preceded by in-depth assessment studies of the local context.

7 See "Co-operative Growth for the 21st Century"

The International Co-operative Alliance considers that it is in the interest of all people and institutions the support for the development of co-operative enterprises and is available to work with the relevant institutions to implement these views.

# ROUNDTABLE ON FINANCING OF INNOVATIONS WITH LEADERS OF BANKING AND FINANCIAL SECTORS: SPEECH BY THE PRESIDENT OF INDIA, SHRI PRANAB MUKHERJEE -- INAUGURAL FUNCTION

- It is my pleasure to attend this concluding session of the Festival of Innovations. To begin with, I thank NABARD for taking the initiative to organize a Round-table on financing of innovations with leaders of the banking and financial sectors. It is heartening to see the enthusiastic participation of many leading banks and financial institutions in today's forum.
- 2. The high growth that we have envisaged is possible only with productivity improvements across all sectors of the economy. Innovations in different segments, at different levels and for different sections will aid this process in no small measure. The course of development of innovation involves the conversion of a novel idea into a viable product. Financing of innovation, being a critical step, the role of the banking system is paramount in the entire innovation value-chain.
- 3. A nation which performs high on innovation has, among other factors, a buoyant and supportive financial sector to leverage innovations. In India unfortunately, there are many instances of innovations that are languishing for want of financial support. There is an urgent need to deliberate on the strategy required for changing the climate of cooperation between innovators, investors and entrepreneurs. I am told that this week-long festival was marked by fruitful interactions between grassroots innovators and various stakeholders of the innovation eco-system, both within and outside the country.
- 4. The government has taken several initiatives to encourage innovations and start-ups that will help generate jobs and overcome poverty. Under the *Pradhan Mantri Jan Dhan Yojana*, the banking sector primarily the public sector banks successfully embarked upon an ambitious drive to provide access to the weaker and poorer sections to a bank account and other

financial products. Within a span of six months, the coverage under the scheme has been close to hundred percent, with a record 13.2 crore new bank accounts opened, 11.5 crore RuPay debit cards issued, and over Rs. 11,000 crore deposited.

- 5. Despite the achievements, there are challenges to overcome still. Only a small number of those who open accounts have access to credit for improving their livelihood opportunities. In particular, I would like to draw your attention to the financial needs of our ingenious youth both in rural and urban areas that are yet to be adequately met by the banking sector. It would be appropriate if banks open dedicated counters in towns and cities to meet the needs of innovators.
- 6. Grassroots innovators are constrained by the lack of a well-established market. Some do not even possess the requisite skills and acumen to convert their innovations into sustainable and marketable products. These potential entrepreneurs require technical assistance. Hence provision of financial assistance apart, mentoring is also a significant influencing factor in the innovation-development framework. For want of mentoring and financing, many bright students who possess innovative solutions to problems either go abroad or pursue a different profession, resulting in what one may call brain drift. Arresting this trend calls for the formulation of special schemes in the banking sector to make the ideas-to-market transformation possible.
- 7. The banking system, in collaboration with the National Innovation Foundation, can help create a pool of mentors in every district to assess and meet the financial needs of the innovators. Bankers have to take the initiative to reach out to the innovators, mentor them, and wherever possible, connect them with their other clients who may help them in expanding their market. This role of creating linkages between creative people and successful clients could be a game-changing institutional innovation. A bank manager can open more doors for an innovator in an hour than what an innovator could possibly be able to do in a year. The banks would do well to have in place a monitoring mechanism to ensure managerial facilitation for innovators. An increased awareness amongst the innovators that help is round the corner is required to be built up.
- 8. It is pertinent that sensitization and capacity building form an important agenda of inclusive innovation system. In this context, I urge the banks present in this forum to consider sending some of their managers to the Festival of Innovations next year. This will provide the banking personnel an opportunity to interact with the innovators and gain insights about how best to support them.

- 9. Central universities, IITs and NITs have set up Innovation Clubs to build
  linkages with the grassroots innovators. Banks may also join hands with these clubs to provide them requisite advice about taking innovative ideas forward.
- 10. New inclusive institutional arrangements are needed to give innovators and innovation-based enterprises a fair chance of success. Recent initiatives like the Atal Innovation Mission and the Self-Employment and Talent Utilization (SETU) scheme will help spring up thousands of start-ups across the country. The banking network in our country should be fully geared to meet the challenge of supporting these new entrepreneurial ventures.
- 11. I have fond remembrance of the time 32 years back when, during my first tenure as the Finance Minister, NABARD was established. Over these years, NABARD has carved a special place for itself in unfolding the story of India's economic development. I applaud NABARD for incorporating in its corporate mission the promotion of innovative initiatives, and for working towards its achievement through a systematic and strategic approach. Particularly, the effort of NABARD in the sphere of financing rural innovations through the creation of a separate fund is praiseworthy. Leveraging its experience of over three decades, NABARD will have an important role to play in fulfilling the objectives of an innovation-oriented India.
- 12. I once again compliment NABARD for organizing this meaningful dialogue on financing of innovation. I call upon all the concerned agencies to start working on the various recommendations that have emerged from the deliberations. I urge the Ministry of Finance to support the banks in whatever manner possible to enable them to be more accessible and accountable towards innovators.
- 13. In the end, I compliment the National Innovation Foundation for their singular contribution in making this first Festival of Innovations a great success. I declare the Festival closed.

Thank you. Jai Hind.

## REPORT OF THE COMMITTEE ON MEDIUM-TERM PATH ON FINANCIAL INCLUSION

#### Terms of References:

The Report of Committee on Medium-term Path on Financial Inclusion under the Chairmanship of Shri Deepak Mohanty was constituted with the following terms of references:

- To review the existing policy of financial inclusion including supportive payment system and customer protection framework taking into account the recommendations made by various committees set up earlier.
- ii) To study cross country experiences in financial inclusion to identify key learnings, particularly in the area of technology based delivery models, that could inform our policies and practices.
- iii) To articulate the underlying policy and institutional framework, also covering consumer protection and financial literacy, as well as delivery mechanism of financial inclusion encompassing both households and small businesses, with particular emphasis on rural inclusion including group based credit delivery mechanisms.
- iv) To suggest a monitorable medium-term action plan for financial inclusion in terms of its various components like payments, deposit, credit, social security transfers, pension and insurance.
- v) To examine any other related issues.

The Summary of Recommendations are presented below

1. Given the enormity of the tasks and complexity of the issues, the Committee believes that dovetailing relevant financial policies with necessary structural reforms where the government has a central role can deliver real financial inclusion in a sustainable and stable manner.

The Committee felt that although a quantum jump in banking access has taken place, a significant element of regional exclusion persists for various reasons that need to be addressed by stepping up the inclusion drive in the north-eastern, eastern and central states to achieve near-universal access. This may entail a change in the banks' traditional business model through greater reliance on mobile technology for 'last mile' service delivery, given the challenges of topography and security issues in some areas. The Government has an important role to play in ensuring mobile connectivity. In some of the areas, mobile connectivity may not be commercially viable to start with, but the telecom service providers may be

encouraged to use their corporate social responsibility (CSR) funds for this purpose. The Committee is of the view that the State-Level Bankers Committee (SLBC) is an appropriate forum to address such infrastructure issues in a collaborative manner. The use of Universal Service Obligation Fund (USOF), a non-lapsable fund designed to support a variety of innovation initiatives, can also be explored in this regard.

Considering the still significant exclusion of women, the Committee recommends that banks have to make special efforts to step up account opening for females. Given the government's emphasis on the welfare of the girl child, the Committee suggests that the government can consider a welfare scheme—Sukanya Shiksha—that can be jointly funded by the central and state governments. The scheme will link education with banking habits by crediting a nominal amount, in the name of each girl child belonging to the lower income group who enrolls in middle school. This would make it incumbent on the school and the lead bank and its designated branch to open a bank account for social cash transfer. This scheme can also have the benefit of lowering school dropout rates and empower the girl child.

Given the predominance of individual account holdings, the Committee recommends that a unique biometric identifier such as Aadhaar should be linked to each individual credit account and the information shared with credit information companies. This will not only be useful in identifying multiple accounts, but will also help in mitigating the overall indebtedness of individuals who are often lured into multiple borrowings without being aware of its consequences.

The Committee recommends that a low-cost solution based on mobile technology can be a good candidate for improving financial inclusion by enhancing the effectiveness of 'last mile' service delivery.

The Committee recommends that a key component of the financial inclusion policy should be to improve the credit system for the underprivileged, particularly millions of poor agricultural households, so as to ensure a perceptible shift of credit demand from the informal to the formal sector .

2.The Committee observes that despite improved financial access, usage remains low, underscoring the need to better leverage technology to facilitate usage.

On the basis of cross-country evidence and our own experience, the Committee is of the view that to translate financial access into enhanced convenience and usage, there is a need for better utilisation of the mobile banking facility and the maximum

possible G2P payments, which would necessitate greater engagement by the government in the financial inclusion drive.

3. The Committee recommends that in order to increase formal credit supply to all agrarian segments, the digitisation of land records should be taken up by the states on a priority basis.

In order to ensure actual credit supply to the agricultural sector, the Committee recommends the introduction of Aadhaar-linked mechanism for Credit Eligibility Certificates. For example, in Andhra Pradesh, the revenue authorities issue Credit Eligibility Certificates to Tenant Farmers (under 'Andhra Pradesh Land Licensed Cultivators Act No 18 of 2011'). Such tenancy /lease certificates, while protecting the owner's rights, would enable land-less cultivators to obtain loans. The Reserve Bank may accordingly modify its regulatory guidelines to banks to directly lend to tenants / lessees against such credit eligibility certificates .

The Committee recommends phasing out the interest subvention scheme and ploughing the subsidy amount into a universal crop insurance scheme for small and marginal farmers (detailed in Chapter 8).

The Committee recommends that the Kisan Credit Card (KCC) should continue to have a built in consumption credit component, recognising that while agricultural income could be lumpy, expenditure is an on-going process that results in negative cash flow for several months. A scheme of 'Gold KCC' with higher flexibility can be introduced for borrowers with prompt repayment records. Expenditure towards organic certification should be allowed under KCC. The government-sponsored personal insurance may be dovetailed with the KCC scheme. Going forward, a KCC can be explored which can provide a benefits tracking mechanism.

The Committee is of the view that with the digitisation of land records, which secures ownership, co-operative farming should be encouraged at the local level by panchayats. This would enhance the use of mechanisation and reduce input costs and prices. NGOs and Farmer Associations should educate farmers on the benefits of land consolidation. In each district, the efforts of the supply co-operatives, marketing co-operatives and credit co-operatives should be strengthened to encourage co-operative farming.

The Committee is of the view that the best way to take JLGs forward would be to have them join hands and form Producer Organisations. Capacity building of JLG members should be made essential and ways should be devised for market linkage of the produce/products.

The Committee recommends that a universal crop insurance scheme covering all crops should be introduced starting with small and marginal farmers with a monetary ceiling say of <sup>1</sup> 200,000. The insurance should be mandatory for all agricultural loans. The insurance should be made affordable, with the farmer paying a nominal premium and the balance coming from government subsidy. The government can phase out the agricultural loan interest subvention scheme and plough back that allocation into the crop insurance subsidy. A graded crop insurance could be made available to medium and large cultivators with higher monetary ceiling and lower government subsidy.

The government may restructure the Agriculture Insurance Company (AIC) to take up the role of a dedicated 'Crop Insurance Corporation'. It should develop/run the programmes, promote competition including inviting bids from private insurance companies, usher in state-of-the art technology at all levels and arrange reinsurance of claims as well as the intensification of Automated Weather Stations (AWS) to ensure that at least one accredited AWS is set up every 10 kilometres. There would also be a need for installing additional rainfall data loggers.

The Committee feels that the use of technology would make the insurance scheme more efficient. Satellite imagery can be used for 'crop mapping' and to assess damage. GPS-enabled hand-held devices can be used for 'ground trothing'. In addition, drones and dove, micro satellites could also be deployed to assess crop damages. This will reduce the number of crop-cutting experiments required and will ensure faster claims settlement.

4. The Committee recommends that any policy action for the MSME sector would need to consider several possibilities, be it new institutions or intermediaries who can help bridge the information gaps that plague these entities or even innovative ways of providing finance to this sector .

Keeping in view the extant over-extension of guarantees by the CGTMSE as well as the international evidence, the Committee recommends that multiple guarantee agencies, both public and private, that can provide credit guarantees in niche areas may be encouraged. This will not only reduce the burden on the CGTMSE but also make the extant insurance scheme economically viable.

In order to deepen the credit guarantee market, the role of counter guarantee and re-insurance companies should be explored .

MSEs that can provide collateral should not be put under the guarantee scheme, thereby reducing the pressure on the CGTMSE.

Accordingly, the Committee recommends a system of unique identification for all MSME borrowers and the sharing of such information with credit bureaus. While such identification and tracking is not an issue with registered MSMEs where the CIN/UAN can be used alongside their PAN number, biometric Aadhaar identification should form the basis for proprietary and partnership concerns. Even in the case of registered MSMEs, it will be useful to collect and link the Aadhaar identification of directors so as to check possible fraudulent operation by the same set of persons .

The Committee récommends exploring a system of professional credit intermediaries/ advisors for MSMEs, which could help bridge the information gap and thereby help banks to make better credit decisions. The credit intermediaries/ advisors could function in a transparent manner for a fee and be regulated by the Reserve Bank.

Besides exploring innovative financing methods, the Committee recommends that a framework for movable collateral registry for MSEs may be examined to step up financing to this sector .

5. The Committee recommends that commercial banks in India may be enabled to open specialised interest-free windows with simple products like demand deposits, agency and participation securities on their liability side and to offer products based on cost-plus financing and deferred payment, deferred delivery contracts on the asset side.

In the event that interest-free banking is allowed in India, the extant regulatory guidelines in respect of capital and liquidity as applicable in the case of commercial banks would have to be made applicable to those as well.

6. Multiple models and partnerships covering different niches should be encouraged. This is particularly the case among national full-service banks, regional banks of various types, NBFCs and semi-formal financial institutions, as well as the newly-licensed payments banks and small finance banks.

The Committee recommends that BCs should increasingly be established at fixed location BC outlets: the BC outlet/Customer Service Point (CSP) could be opened in the Village Panchayat Office, kirana shop, personal residence or any other convenient location that could win the confidence of the customer.

Monitoring of BCs should be allotted to designated link branches in the area. This will help strengthen BC operations and bridge the trust deficit.

The competence of BCs should not be taken for granted. Accordingly, the Committee recommends a graded system of certification of BCs, from basic to advanced training. BCs with a good track record and advanced training can be trusted with more complex financial tasks such as credit products that go beyond deposit and remittance. The BC model increasingly needs to move from cost to revenue generation to make it viable.

The Committee recommends that banks will have to consider introducing a cash management system that can help to scale up BC operations .

The Committee recommends that the Indian Banks' Association (IBA) may create a Registry of BC Agents wherein BCs will have to register before commencement of operations. The registration process should be simple online process with photo and Aadhaar identification. It could include other details such as name of the BC, type of BC, location GIS coordinates of fixed point BCs, nature of operations, area of operation and, at a subsequent stage, their performance record including delinquency. This database can be made dynamic with quarterly updates, including a list of black-listed BCs which no other bank should approach or work with. This would help banks and other agencies to track the movement of BCs and supervise their operations more efficiently .

The Committee recommends that the Reserve Bank should take the lead in creating a geographical information system (GIS) to map all banking access points which would help improve the efficiency of regulating, supervising and monitoring of banking operations. Over time, a harmonised database of financial inclusion footprints, in terms of outlets, service points, devices and agent networks, may be put in place using a GIS platform.

The Committee is of the view that it is imperative for banks to conduct periodic reviews of its efforts under their financial inclusion plans (FIPs) at the Board level. This would facilitate banks to take timely corrective steps and prepare concrete strategic action plans.

The Committee recommends that NABARD may work out a programme along with other stakeholders to step up the SBLP, particularly in regions with less penetration. In this context, the District Consultative Committee (DCC) and SLBCs are the appropriate forum to sort out inter-institutional issues and set monitorable and implementable targets (see Chapter 10).

The Committee is of the view that training of BC should also include their sensitisation towards SHGs.

Keeping in view the indebtedness and rising delinquency, the Committee is of the view that the credit history of all SHG members would need to be created, linking it to individual Aadhaar numbers. This will ensure credit discipline and will also provide comfort to banks.

The Committee sees the SHG-corporate linkage working as 'micro-factories' of corporates. An example is ITC's'Mission Sunehra Kal'. Corporates can be encouraged to nurture SHGs as part of their Corporate Social Responsibility (CSR) initiatives.

The Committee recommends that bank credit to MFIs should be encouraged. The MFIs must provide credit information on their borrowers to credit bureaus through Aadhaar-linked unique identification of individual borrowers.

The Committee thinks it important to ensure adequate funding from channels that have stronger access (e.g., banks) to channels that are equipped and have the appetite to extend small-ticket loans, but may not have the same access to funding (e.g., NBFCs). The suitability of the products for the customer needs to be kept in view in this regard. Encouraging the development of the securitisation market for such small-ticket loans could be useful in this respect and help commercial banks acquire loans that qualify for priority sector lending.

The Committee is of the view that in order to preserve institutional neutrality, credit reporting requirements need to be harmonised across all credit providers. For instance, all lenders to the small borrower segment must be mandated to report to credit bureaus as has been the case with NBFC-MFIs. Therefore, the picture of indebtedness of the borrower must also include outstanding KCC, GCC and SHG loans. Once a realistic picture of the total indebtedness of the borrowers has been obtained, restrictions such as the maximum number of lenders per borrower can be removed, paving the way for competition to push down interest costs for the small borrower.

CICs also have a significant role to play in enabling credit flow to MSMEs, especially those without formal registration and standard accounting practices by helping them build a sound credit history (Chapter 5 provides details).

In the absence of a framework for sharing of information among CICs, the same credit information is required to be provided to all CICs, which not only leads to avoidable duplication but also magnifies the reporting burden. The Committee recommends that a mechanism for mutual sharing of basic credit information for a fee among CICs should be mandated so that the lender could report to any of the CICs.

The advent of Payment Banks, an increasing number of cash-in and cash-out points through BCs, micro ATMs, mobile wallets and Rupay in the rural areas will enable customers to increase their access to the formal payment system. Over time, this would make it easier for banks to assess customers' repayment capability, as most of the cash flows will become digitally recorded. This, in turn, will lead to lenders being able to conceive and build automated credit decision models, which reduces the cost of credit underwriting. This would also enable banks to better monitor cash flows on an ongoing basis and to step up risk mitigating measures.

The Committee is of the view that the tax-exempt status for securitisation vehicles needs to be restored so that such entities do not have to pay distribution tax, given their critical role in efficient risk transmission. This will not lead to a loss of tax revenues since the income will still be fully traceable and taxable in the hands of the investors. Besides reviving and strengthening the securitisation market, these vehicles will allow a wide range of investors to participate in financing the pool of assets by means of Special Purpose Vehicles and rated Pass-through Certificates (PTCs). These would need to be structured such that the originator has continued incentives to monitor the project while having reduced their own exposure to the full extent of the project risk. This instrument can facilitate the growth of the retail credit market, particularly in areas such as home loans, farm loans and loans to landless labourers.

The current restriction requiring that the all-inclusive interest charged to the ultimate borrower by the originating entity must not exceed the base rate of the purchasing bank plus 8 per cent per annum must be removed, because this dissuades originators from expanding to low-access regions and sectors due to the high operating and borrowing costs.

7 The Committee is of the view that given the low penetration of ATMs, installing more ATMs in rural and semi-urban centres will create more touch points for customers. The Financial Inclusion Fund (FIF) may be utilised to encourage rural ATM penetration.

The Committee recommends that interoperability of micro ATMs should be allowed to facilitate the usage of cards by customers in semi-urban and rural areas across any bank micro ATM and BC. For this, connectivity of micro ATMs to the National Financial Switch should be enabled. Adequate checks and balances should be put in place to ensure customer protection and system safeguards.

Considering the widespread availability of mobile phones across the country, the Committee recommends the use of application-based mobiles as PoS for creating necessary infrastructure to support the large number of new accounts and cards issued under the PMJDY. Initially, the FIF can be used to subsidise the associated costs. This will also help to address the issue of low availability of PoSs compared to the number of merchant outlets in the country. Banks should encourage merchants across geographies to adopt such application-based mobile as a PoS through some focused education and PoS deployment drives.

The Committee feels that banks need to introduce a simple registration process for customers to seed their mobile number for alerts as well as financial services. The Reserve Bank has already required banks to enable an interoperable ATM channel for mobile number registration .

The Committee recommends that the National Payments Corporation of India (NPCI) should ensure faster development of a multi-lingual mobile application for customers who use non-smart phones, especially for users of NUUP; this will address the issue of linguistic diversity and thereby promote its popularisation and quick adoption.

The Committee is of the opinion that the government may undertake initiatives to resolve the issues of number of steps per session in a transaction on NUUP, session drops and session charges; the Reserve Bank and NPCI may co-ordinate with the Telecom Regulatory Authority of India (TRAI) on this matter. Aadhaar and e-KYC should be the uniform KYC accepted by all regulators including TRAI.

For smart phone users, the Committee recommends that the NPCI work on developing a standardised interface application, which will ensure interoperability in mobile-banking transactions for customers. It should be implemented with proper due diligence and the required security checks.

The Committee recommends that pre-paid payment instrument (PPI) interoperability may be allowed for non-banks to facilitate ease of access to customers and promote wider spread of PPIs across the country. It should however require non-bank PPI operators to enhance their customer grievance redressal mechanism to deal with any issues thereof.

The Committee is of the view that for non-bank PPIs, a small-value cash-out may be permitted to incentivise usage with the necessary safeguards including adequate KYC and velocity checks.

Currently, many merchants discriminate against card payment by levying a surcharge on credit card transactions, which should not be allowed once the merchant has voluntarily agreed to participate in such modes of payments.

As there is a gap not only between product availability and awareness about such products but also about the precautions to be followed while using a digital or electronic payment product, the Committee recommends a wider financial literacy drive that exploits all possible communication channels to educate customers. The financial support for such campaigns can be drawn from the FIF.

8. The Committee recommends that the deposit accounts of beneficiaries of government social payments, preferably all deposits accounts across banks, including the 'in-principle' licensed payments banks and small finance banks, be seeded with Aadhaar in a time-bound manner so as to create the necessary ecosystem for cash transfer. This could be complemented with the necessary changes in the business correspondent (BC) system (see Chapter 6 for details) and increased adoption of mobile wallets to bridge the 'last mile' of service delivery in a cost-efficient manner at the convenience of the common person. This would also result in significant cost reductions for the government besides promoting financial inclusion.

Given the increased role of the states in public welfare and the elimination of poverty and the higher transfer payments by the state governments following the 14th Finance Commission recommendations, the Committee recommends that the states need to adopt direct benefit transfer (DBT) more vigorously. In this context, the State-Level Bankers Committee (SLBC) can play an active role in addressing issues relating to convenient banking access, Aadhaar linking of beneficiary accounts and related infrastructure challenges.

The Committee recommends that the government may phase out the agricultural input subsidy and replace it with an income transfer scheme, which could potentially transform the agriculture sector besides promoting financial inclusion. This would first require digitisation of land records for clear titles and credit linkage to establish evidence of cultivation.

9. The FLC network needs to be strengthened to deliver basic financial literacy at the ground level. Banks need to identify a few lead literacy officers who could train the people manning FLCs. The lead literacy officer in turn could be trained by the Reserve Bank in its College of Agricultural Banking (CAB) for which simple course material can be developed by CAB in collaboration with the concerned department in the Reserve Bank, i.e., the FIDD. Since simplicity in communicating complex financial issues is important, CAB can associate creative communication experts in the design of key messages, exploiting innovative technologies and relevant content based on customer segments [Recommendation 9.1].A 'one size fits all' approach for financial education might be less than ideal as different target groups need different kinds of financial education. As a result, the content needs to be customised for different target groups. These will need to be followed up at periodic intervals to ascertain its impact [Recommendation 9.2]. There is a need for a structured programme for holding periodic financial literacy camps in preidentified areas in every district, which should be regularly monitored by the DCCs. The lead bank for the district should play a leading role in identifying and allocating areas among the participating banks [Recommendation 9.3]. Local resources such as NGOs and theatre groups can be tapped to spread the message of literacy in an interesting manner to the local population for which funding can come from financial inclusion fund [Recommendation 9.4]. A technology-driven system through interactive screens/kiosks to encourage self-learning by people newly inducted into the financial system can be explored. The content can be updated from a central location, using the existing software. Possible locations for such kiosks, such as post offices, community health centres and panchayat offices, can be explored [Recommendation 9.5]. A financial literacy week can be observed every year in which participants demonstrate and exhibit the financial literacy tools and techniques that they use and share their success stories. This will bring out best practices in the system to achieve large-scale financial literacy. This will serve as a platform for co-ordination among different stakeholders of financial literacy.

Rural Self Employment Training Institutes (RSETIs), which have a dedicated infrastructure in each district of the country to impart training and skill upgrading of rural youth, can also be used for financial education of MSMEs.

The Committee recommends that the Reserve Bank commission periodic dipstick surveys across states to ascertain the extent of financial literacy and identify gaps in this regard. The results can provide policy-makers with a better understanding of the demand-side challenges.

The first pillar of complaint and grievance redressal is the branch, failing which it is the bank's internal ombudsman. Each branch should, therefore, be required to prominently display the name, phone number and email address of the designated officials for such complaints. The Reserve Bank should ensure compliance through random branch visits.

The Reserve Bank Banking Ombudsman at regional offices may make periodic field visits to directly receive customer complaints.

While continuing with the existing mechanism, all regulated entities would be required to put in place a technology-based platform for SMS acknowledgement and disposal of customer complaints, which can provide an audit trail of grievance redressal. All banks must have an online portal for customers to fill complaints.

Banks may be required to submit the consolidated status of number of complaints received and disposed off under broad heads to the CEPD, and the Reserve Bank, in turn, can release an annual bank-wise status in the public domain.

The Banking Codes and Standards Board of India (BCSBI) in collaboration with the Banking Ombudsman and the Indian Banks' Association (IBA) can explore the possibility of devising a scheme based on transparent criteria that incentivises banks to expeditiously address customer grievances.

10. The Information Monitoring System needs to be strengthened. Currently, data flow takes a bottom-up approach wherein the branches of the banks in a district submit data to the lead bank and the lead bank consolidates the data manually and prepares the district-level database for review in meetings. Further, all lead banks submit data to the SLBC, which consolidates the state-level data for review in SLBC meetings. The Committee believes that it is equally important to explore a top-down approach for data flow, in a simple, uniform and meaningful format, with the help of the Core Banking Solution of the regional offices of the concerned bank. The monitoring process needs to be standardised in terms of reports, and also cover usage parameters. The data can flow from the central database of banks to various lower levels to ensure data consistency and integrity.

District credit plans need to be more realistic. The district-level credit plans should be prepared by lead banks, taking into account the potential linked plans prepared by NABARD every year which should take into account the availability of infrastructure, marketing facilities and policies/ programmes of the government, including the support by the concerned government departments of the local level in the spirit of the lead bank scheme.

At present, public sector banks have been given the lead bank responsibility with the exception of one private bank. The Committee feels that the responsibility of the SLBC / lead bank scheme should be given to different banks on a rotation basis for a fixed time-frame (of say 3 years) to facilitate fresh thinking and initiative as well as to instil a spirit of competition.

The Committee is of the view that banks with lead bank responsibilities can create a separate webpage with respect to their lead bank operations including the conduct of business in DCC meetings.

The current policy discussions across most SLBCs put substantial emphasis on the credit-deposit (CD) ratio. Rather, greater focus should be on development aspects for which the CD ratio could be a by-product. Such deliberations can include livelihood models, social cash transfer issues, gender inclusion, inclusion of different groups, Aadhaar seeding and universal account opening. There can also be other sets of issues that are region-specific and can focus on areas such as policy towards fraudulent deposit/ investment schemes, physical/network infrastructure and recovery management.

Given the focus on technology and the increasing number of customer complaints relating to debit/credit cards, the National Payments Corporation of India (NPCI) may be invited to SLBC meetings. They may particularly take up issues of Aadhaarlinkage in bank and payment accounts.

#### Reference:

1. Website: www.rbi.org.in browsed on 1st January, 2016 at 11.00 am

### EUROPEAN RESEARCH INSTITUTE ON COOPERATIVE AND SOCIAL ENTERPRISES (EURICSE)

#### **Facts and Comments:**

One of the most widespread ideas about co-operatives is that they enjoy a more advantageous tax regime relative to other enterprises. As a result, at least in the public's eye, they would not only contribute less to public finances, but also benefit from an unfair competitive advantage *vis* à *vis* shareholder corporations. In spite of the fact that such benefits could be justified by the specificities of co-operative enterprises, the perception of an unfair advantage for co-operatives remains, and it periodically resurfaces in the public discourse.

But is this perception justified? Until now it was virtually impossible to say, as nobody had done a systematic comparison of the contribution to public coffers of co-operatives and other enterprise types, considering the overall tax burden on the enterprise rather than just the particular taxes for which co-operatives receive some kind of break. A study recently conducted in Italy by Euricse (European Research Institute on Cooperative and Social Enterprises) now seeks to address precisely this point. The study can be considered a first attempt at a comprehensive comparison of the tax burden on co-operatives and shareholder corporations, and it suggests that **reality is quite different from people's perceptions.** 

The study focused on the balance sheets of all of the co-operatives and shareholder corporations (excluding banks and insurance companies) that were active in Italy in the years from 2007 through 2013, using data available through the Aida/Bureau Van Dijk database. Overall, the dataset included 14,397 co-operatives and 18,150 shareholder corporations, with a production value for the year 2013 of 71.3 and 899.9 billion euro respectively. The data shows all of the public revenue actually generated by each enterprise, including not only the taxes on the income of the enterprise itself but also the social security costs (which belong in this equation given that Italy has a pay-as-you-go social security system) and the taxes paid on the workers' income, enabling a computation of the overall tax burden on co-operatives and on shareholder corporations. By looking at what percentage of the value produced by each type of enterprise actually winds up in the public coffers it

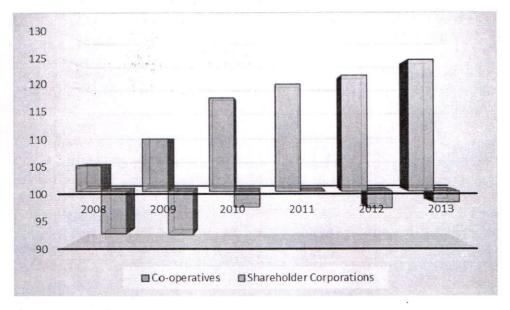
is possible to draw meaningful conclusions both on which type of enterprise actually generates more tax revenue relative to their production value and on whether cooperatives really enjoy some kind of fiscal competitive advantage. The study shows that if one only looks at the enterprise's income taxes, shareholder corporations do pay a slightly higher percentage of their production value. Once we consider not only the enterprise's income tax but also the social security costs and the workers' income taxes (i.e. the overall tax burden), the picture changes quite a bit, as shown in the table below.

Year	2007	2008	2009	2010	2011	2012	2013
Shareholder Corporations	7,10	6,33	7,40	7,10	6,75	6,57	6,77
Co-operatives	7,68	7,40	7,85	8,01	7,64	7,61	7,67

In spite of the fact that Italy is one of the European countries in which co-operatives enjoy the most advantageous tax regime, in every year of the analysis co-operatives contributed to the public finances a higher percentage of the value they generated than shareholder corporations did. This is due primarily to the difference between co-operatives and shareholder companies in the allocation of the value that is produced by the enterprise, as co-operatives consistently allocate a higher percentage of their production value to labor (the factor of production with the greatest tax burden) than shareholder companies do.

The study also shows that the contribution of co-operatives has grown significantly over these years as a result of the anti-cyclical function played by these enterprises during the economic crisis, while the contribution of shareholder corporations has decreased. This change is depicted in the chart below, which shows the change in payments to the State for co-operatives and shareholder corporations relative to the year 2007.

Chart 1 – Base Index of Payments to the State, 2008-2013 (2007=100)



Source: Aida/Bureau Van Dijk Database

The analysis of the change in the amounts of taxes and social security costs paid by both types of enterprises over this period shows that co-operatives paid to the State close to 5.5 billion euros more than they would have if they had maintained the same production levels that they had in 2007. Conversely, shareholder corporations paid nearly 16 billion euros less than they would have if their production level remained the same as in 2007. It should also be noted that this calculation does not take into account the savings for the State generated by co-operatives over these years by preserving jobs rather than laying people off, as shareholder corporations did.

In many ways, this analysis is still preliminary and only focuses on one country (albeit a significant one given the importance of the co-operative sector for its economy and the tax benefits it enjoys). Still, the results are significant in at least two respects: they adopt a more sensible and comprehensive approach to the measurement of the overall contributions of an enterprise to public finances (beyond corporate income tax alone); and they show that co-operatives actually pay to the State a much higher percentage of their production value than what they are given credit for. As it is often the case when it comes to co-operative enterprises, facts run counter popular belief.

The full study, with a more detailed description of the results, methodology and data sources, has been published on Euricse's web site (www.euricse.eu) as part of Euricse's Annual Report on Italian Co-operatives.

# PROCEEDINGS OF THE 10TH ICA-AP REGIONAL COOPERATIVE RESEARCH CONFERENCE HELD ON NOVEMBER 5-6, 2015 AT VAMNICOM, PUNE, INDIA

The 10th ICA-AP Regional Cooperative Research Conference was held at Vaikuntha Mehta National Institute of Cooperative Management (VAMNICOM), Pune on November 5-6, 2015.

Delegates from Australia, India, Korea, Malaysia and Philippines attended the conference. The conference began with Saraswathi Vandana. Dr. Y.S.Patil, Associate Professor provided the participants with an overview of the structure, functioning and achievements of VAMNICOM. Prof. T.Paranjothi, the Organizing Secretary of the Conference, gave an overview of the theme and the modus operandi of the conference proceedings. He appreciated the financial support provided by NABARD, Surat District Central Cooperative Bank and other organizations. He noted that out of 60 abstracts received, 50 were selected through a process of blind review.

Er. Sanjeeb Patjoshi, IPS, Director of VAMNICOM & CICTAB, in his presidential address observed that the cooperative movement is witnessing a sea change and the issues of governance, which the conference is addressing, is central to the success of co-operatives. Drawing from his experience of serving in the Dairy Co-operative sector, he narrated how the people in the margin get empowered through cooperative endeavors.

Mr. Balasubramanian Iyer, Regional Director, ICA-AP delivered the keynote address and underlined the importance of research in strengthening the cooperative movement. He drew attention of the participants to the ICA Blueprint for the Cooperative Decade and said that issues of governance are central to the idea of cooperative identity. He assured that the ICA-AP office is committed to continue to support the Research Committee. He observed that co-operatives in India and many other countries in Asia, face the problem of non-availability of proper data and researchers should try to bridge this gap.

Shri Dilipbhai B. Bhakta, Chairman of Surat District Central Cooperative Bank, in his felicitation speech, underlined the importance of co-operative sector in protecting the interest of the farmers. Drawing example of sugar co-operatives in Maharashtra, he opined that wherever co-operatives are strong, the community gets empowered and protected against possible market vagaries.

Prof. Anthony Jenson from University of Newcastle, Australia, spoke on behalf of participating international representatives and wished the conference all success. He said that though Australia has not traditionally encouraged co-operatives, things have started changing and there is increased academic interest in co-operatives. He informed that a group of scholars from Australia is now developing a full masters' course on co-operative organization and management.

Dr. Chandrapal Singh Yadav, Member of Parliament, Rajya Sabha and President of NCUI, in his Inaugural address, stressed on the need for co-operatives to emerge as autonomous entities, started and operated by the member community. He provided a historical sketch of the contribution of co-operatives in India and said that co-operatives hold different segments of the economy on a balanced footing. He appreciated the theme chosen for the Conference and wished the Conference all success.

Shri M.V.Ashok, Chief General Manager, NABARD, Dr. D.V. Deshpande, Director, Bankers Institute of Rural Development, Lucknow, Dr L.K.Vaswani, Director, Kalinga Institute of Technology and Dr Manju Singh, Head PhD Programs Symbiosis International University, graced the occasion by their presence. The Conference had delegates from Australia, India, Korea, Malaysia and Philippines. The inaugural ceremony ended with a vote of thanks proposed by Dr. M.R. Joshi, Registrar, VAMNICOM.

The theme of the conference had been fixed as GOVERNANCE OF CO-OPERATIVES: ISSUES AND CHALLENGES. The ICA Blueprint for Co-operative Decade, a roadmap for strengthening the co-operative movement across the globe, seeks to make co-operatives "the acknowledged leader in economic, social and environmental sustainability, the model preferred by people and the fastest growing form of enterprise" by 2020. The first key objective of the Blueprint is to 'elevate participation and governance within membership to a new level'. This is based on the assumption that "co-ops are better because they give individuals participation through ownership, which makes them inherently more engaging, more productive, and both more useful and more relevant in the contemporary world".

Over the years, we have witnessed governance failure, especially in some large co-operatives. Bankruptcy, loss of member capital base, individual vested interests overtaking member interest, etc. was witnessed in the co-operative sector as well. Cooperatives need to learn from these experiences. Good governance is a prerequisite for co-operatives to prove their significance in the global economy.

Governance is said to be a process of ensuring transparency, accountability, participation and the rule of law. Cooperatives, being organizations of civil society, needs to be effectively governed not only for their own sustainability and well being of their members, but also to set governance benchmarks for the state and the corporate world to follow. With this backdrop the conference sought to explore varied dimensions of governance structure and process vis-à-vis co-operatives.

The Research Committee had accordingly invited research papers on the following sub-themes:

- Theories and models of governance
- Structure and processes of governance
- Political and economic democracy
- Member participation
- Women and youth participation
- Legal environment affecting governance
- Role of board and executive
- General body powers and limitations
- Co-operative leadership
- Any other topic relevant to the main theme

A total of 60 abstracts were received. 50 abstracts were selected through a process of blind review by the Screening Committee of the ICA-AP Cooperative Research Committee. Out of 50, 35 Researchers consented to present their papers at the conference. In the technical sessions, following 28 Research Presentations were made at the conference by the authors from Australia, India, Korea, Malaysia and Philippines on different sub themes, in two parallel sessions on November 5 and 6, 2015. The papers presented in the conference will be further reviewed and selected papers will be published in the form of a book shortly.

The first Technical Session began under the chairmanship of Dr. Rekha Gaonkar, a Leading Researcher. The chairperson viewed that there is no need to go into the concept of cooperatives in detail. Cooperatives have become a part and parcel of our economy not only in the contemporary world, but in every field, such as production, dairy, marketing and everywhere. She also referred to the All India Rural Credit Survey Committee that Cooperatives have failed, but must succeed and what will happen to cooperatives by 2020.

Three papers were discussed. Since two papers were related to Women, she emphasized that today through Women leadership, women empowerment, SHGs, Women are playing a very important role in Cooperatives. Women are leading at various fronts in Cooperatives but men and women should be together that is what is cooperation.

The first parallel Technical Session began under the chairmanship of Prof. L.K. Vaswani, Director, KIIT, Bhubaneswar. Prof. L.K. Vaswani welcomed all the members and stated that governance is the importance for cooperatives and need to develop governance issues.

The following papers were presented and the issues raised were brought out:

Sr. No.	Author	Paper	Issues Emerged
1.	Dr.Sudha Kornginnaya, Ph.D Department of Commerce, Besant Women's College Affiliatedto Mangalore University M.G. Road, Mangalore 575 003, Karnataka India. Email: sudhak20@gmail.c-om	Women in Leadership for Effectives Governance - Issues and Challenges	1. Gender participation is not prominent in Cooperatives, like Self Government.  2. Legal environment, products and services required to ensure women's participation.
2.	Mr. M.V.Ashok, Chief General Manager NABARD, Head office Mumbai, India.	The bank's health depends on the member's health - How a District Cooperative Bank manages PACS health - A case study.	<ol> <li>Political will and involvement to promote the cooperatives and not intervene.</li> <li>Role of SHGs to promote the role of women.</li> <li>Role of DCCB in facilitating the functions of PACS and ensuring viability.</li> </ol>
3.	Dr. Deba Priya, Associate Professor, National Institute of Rural Development and Panchayatiraj, Hyderabad-500030 adebapriya@gmail- com	Empowering Women: A Case of Mutually Aided Cooperative Societies in undivided Andhra Pradesh.	Viability of SHGs under Mutually Aided Cooperative Societies Act.      Indicators to monitor the SHGs.

The following papers were presented and the issues raised were brought out:

Sr. No.	Author	Paper	Issues Emerged
4.	Dr. D.V. Deshpande, Director, Bankers Institute of Rural Development, Lucknow. dv.deshpande@nab- ard.org	Governance Challenges in Short Term Cooperative Credit Structure in India	Governance Challenges in Short Term Cooperative Credit Structure in India
5.	Dr.Ramesh Krishnappa Professor & Dean- Research, National Institute of Bank Management, Pune 411048 kramesha@hotmail- .com	Financial Performance of Urban Cooperative Banks - An Empirical Evidence	1. There is significant difference in the financial performance of Scheduled Cooperative Banks and old Private Sector Banks 2. Whenthe performance of top coop banks are good is there a case for converting them as private banks?
6.	Dr. V. Mariappan, Asso. Prof., Department of Banking Tech. Schoolof Management, Pondicherry Univ.	Corporate Governance Journey in India - Issues and Challengesfor Cooperatives	Board Members are responsible for Good Governancein cooperatives

The Second Technical Session was chaired by Dr. Manju Singh from Symbiosis Institute of Research and Innovation.

In her opening remarks, she said, "Currently Cooperation is a very important instrument for addressing many issues in the Indian society, especially the rural sector. One of the important principles of Cooperation is one for all and all for one. Everything can be improved emphatically the problem of farmers, who are dependent on the weather conditions. We are only Researchers, the members of cooperatives and the stakeholders should also be invited to have a discussion on the various aspects to improve the strategies in banking, marketing etc."

The following papers were presented and the issues raised were brought out

Sr. No.	Author	Paper	Issues Emerged
7.	Mr. Vinay S., Faculty, PG Department of Commerce, JSS College of Arts, Commerce & Science, Mysore. E-mail: vinays01@yaho- o.com	Thelmpactof Governance on financial performance of State Cooperative Banks in India.	1. Difference in Governance be tween Cooperative and Commercial Banks.
8.	Dr.K. Ravichandran Deputy Director, Institute of Cooperative Management Thiruvananthpuram Email:ravichandrnk_007@yahoo.co.in	Governance in Cooperative Banks functioning, Kerala - Issues and Challenges	1. Repayment of loans by members. 2. Parameters of Corporate Governance. 3. Asset Liability M anagement.
9.	Dr. Yashwant S. Patil, VAM NICOM, Pune, India.	Role of Leadership in Development of Cooperative Sugar Factory—A study of Shri Datta Cooperative Sugar Factory Ltd., Shirol, District Kolhapur, Maharashtra	Sample size needs to be increased for such empirical studies.

The Second parallel Technical Session was chaired by Dr. D.V. Deshpande from BIRD, Lucknow.

The following papers were presented and the issues raised are brought out:

Sr. No.	Author	Paper	Issues Emerged
10.	Mr. Deepak shah Faculty M ember, Gokhale Institute of Politics and Economics (Deemed University), B.M.C.C. R o a d, D e c c a n Gymkhana, Pune - 411 004 (Maharashtra), I N D I A (E mail: deepakshah@gipe.ac.in)	Assessing Success of Cooperatives through Member Centrality, Leadershipand Governance - A case study	1. Identity of the Product.  2. Weakening of traditional strength of cooperatives due to the marketplace competition.  3. Role of governance and top Management in cooperative development.
11.	Prof. L. K. Vaswani, Director, KIIT School of Rural Management, KIIT University, Bhubaneswar, India. [lkv@ksrm.ac.in]	Leveraging member centric Advantage: Promoting Agricultural M arketing through cooperation.	1. Performance is not equal, but equitable. 2. Value addition to the members are more important than a value addition to the produce. 3. Attracting youth to join the cooperatives. 4. Sickness in cooperatives is due to lack of accountability and responsibility. 5. M ACs and FPCs emerge to overcome the limitation of cooperatives. 6. Training a prerequisite for providing value added services to members.
12.	Prof. E. G. Ranjit Kumar. ASSOCIATE DEAN, ASSOCIATE DEAN, K E R A L A AGRICULTURAL, K E R A L A AGRICULTURAL VELLANIKKARA,KAU POST THRISSUR - 680 656 [egrkumar@gmail.com]	M ember participation in Dairy Cooperatives	There is a need to educate the members formally or informally.      Rational behavior of the members leads to import of Milk from another state.

The first technical session of Day 2 was chaired By Dr. Kailash Sharma, from BIRD, Lucknow.

The following papers were presented and the issues raised were brought out

Sr. No.	Author	Paper	Issues Emerged
13.	Dr. R. Elangovan, A s s o c i a t e Professor VA M N I C C M , Pune, India [elangovan333@g- mail.com]	Cooperative Governance: Role of Board and Executives in Financial Cooperatives	1. Corporate Governance has failed at all levels. For the elected board and the employees Training Programs to be organized to make them aware of their role, responsibilities and duties, and the importance of proper governance.
14.	M s . S . V . Akhilndeeswari, Research Scholar, Department of Cooperation, Gandhigram Rural Institute-DU, Gandhigram, Tamil N a d u akila222@rediffmail.com	A Study on the Cooperative Governance in the Pottery I ndustry with special reference to M anamadurai Pottery Workers Cooperative Cottage I ndustrial Society	1. State intervention in M anagement of society. 2. Elected Board helps in improving the performance when compared with the management by Government Officers.
15.	Mr. Vinay S., Faculty, PG Department of Commerce, JSS College of Arts, Commerce & Science, Mysore. E - mail: vinays01@yahoo.com	A Study on Cooperative Banks in Karnataka with special reference to Lending Process.	Concept of Cooperative Banking needs to be clear and the Regulator is playing a key role in protecting the interest of depositors.
16.	Shri APS Bhullar APS BHULLAR, F A C U L T Y MEMBER, PICT CHANDIGARH.	Systemic training — the only pathway to Cooperative Governance	- Ensuring that training is in line with Organisational-culture and objectives and is need-oriented Need for introspection and re-orientation of Cooperative Education and Training in the country Lectures should be supplemented by Learning Processes, such as Individual and Group assignments, Group discussion of Spers, Presentation of Book-reviews, Debates, Field Studies and Case Discussions

The first parallel technical session of Day 2 was chaired By Prof.M. Indira from University of Mysore.

The following papers were presented and the issues raised were brought out

Sr. No.	Author	Paper	Issues Emerged
17	Prof. Anthony Jensen, Business School University of Newcastle Australia. e: anthonyjensen@et- hicalequity.com.au	Workers co-operative in Australia: the state, I e g i s I a t i o n a n d governance.	1. Role of Capitalism in the success of cooperatives. 2. Need of ecological democracy instead of industrial democracy. 3. Domination of Workers Cooperatives such as Chicken factories and Water minerals 4. Women's participation in Workers Cooperatives in Australia.
18	Dr. Sureshramana Mayya. Associate Professor, Department of Commerce, Mahatma Gandhi Memorial College, Udupi - 576102, Karnataka, India sureshmayya@hot- mail.com	Indian worker co- operatives - the state, legislation and governance.	1. Positive role of State in A workers cooperative —giving tax concession in case of transport cooperatives  2. Lack of Financial stewardship and bringing a premature end of Indian Coffee M arketing cooperative (COM ARK).
19	Prof.M egat Aizam M e g a t A I w i , M alaysian Coop. College, M alaysia aizam@mk m.edu my	Transformation of the cooperative to the cooperative Banks: An Evaluation.	Need to have a suitable model to implement the plan.     Need to get dual regime approval from M CSC & BNM to conduct banking activity.

The second technical session of Day 2 was chaired by Dr. Yashavantha Dongre, Professor of Commerce and Coordinator, Third Sector Research Resource Centre, University of Mysore, Mysore

The following papers were presented and the issues raised were brought out:

Sr. No.	Author	Paper	Issues Emerged
20.	Karanjkar, Asso. Professor, VAIKUNTH MEHTHA  Karanjkar, Asso. and governance in transformational change towards sustainability (A Case Study of 3. Decentralisation)		<ol> <li>Sustainable Development.</li> <li>Caste politics.</li> <li>Decentralisation through different Committees.</li> </ol>
21.	Prof. M. Indira. Department of Studiesin Economics and	The Impact of Liberalisation of Cooperative Law on Governance in Cooperative Societies: Experiences from Karnataka State, India	1. Role of State in both Acts.  2. Audit of Societies.
22.	Mr. V.N. Babu. M e m b e r o f Faculty, Institute of Cooperative M a n a g e m e n t (ICM) Thiruvananthapuram, India. vbabu5988@gmail.com	Member participation — A comparative study of PACS and APCOS	1. Role of NGOs in reducing poverty. 2. Initiation of Schemes through the Coop. Milk Union. 3. Attendance in General Body and participation in business. 4. Active membership to sustain the business.

The second parallel technical session of Day 2 was chaired by Dr. V. Mariappan of Pondicherry University.

The following papers were presented and the issues raised were brought out

Sr. No.	Author	Paper	Issues Emerged
23	Mr. Romulo M. Villamin, MASS SPECCCoop. Development Centre, Institute of Coop. Studies, Cagayan DE ORO, Philippines villamin2003@yahoo.com	From Credit Unions to credit to multipurpose cooperatives. What has changed in cooperative I e g i s I a t i o n & g o v e r n a n c e i n Philippines?	Over regulation damages the cooperatives.     Need of the regulation which has the self-boundary.     Need of well trained and qualified member to regulate the cooperatives.
24	Dr. C. Pitchai, A s s o c i a t e P r o f e s s o r, D e part ment o f C o o p e r a t i o n, Gandhigram Rural I n st i t u t e - D U, Gandhigram, Tamil Nadu, (cpitchai@gmail.c-om)	Indian consumer cooperatives - The State, Legislation and Governance.	Success of Consumer Cooperatives because of the public awareness.     Cooperatives lost their identity during last 30 years.
25	M s. Yena Lee, M s. Hyojin Shin, M s. Hyojin Shin, M anagement of Co-operatives Sungkonghoe Univ. Seoul, Korea. soniarosa@hanma- il.net	Korea's Consumer Cooperatives and Civil society: Past and Present.	1. Women's participation in Cooperatives;  2. Role of the State in the emergence and development of consumer cooperatives;  3. Role of Consumer Cooperatives in Korea's Organic Food Market.

The Third technical session of the Second day was chaired by Mr. Romulo M. Villamin, from MASS SPECC Cooperative Development Centre, Institute of Cooperative Studies, Philippines.

The following papers were presented and the issues raised were brought out

Sr. No.	Author	Paper	Issues Emerged
26.	Dr.Amita Dharmadhikari Yadwadkar Assistant Professor, Dept. of Economics University of Pune, Pune. <amita_dy@unipune.ac.in></amita_dy@unipune.ac.in>	Comparing the Self Help Group Model to the Micro-Finance Institution Model – Based on a Study of the Socio-Economic Profile of Micro Finance Users in Satara.	Transaction cost reduction.     Small loan by SHGs subsidy, Training.     Empowerment of women.

The Third parallel technical session of the Second day was chaired by Prof. Anthony Jensen from Australia. The following papers were presented and the issues raised were brought out:

Sr. No.	Author	Paper	Issues Emerged
27.	Dr. Yashavantha Dongre Professor of Commerce University of Mysore, Mysore and Dr. T. Paranjothi, Professorat VAMNICOM, Pune.	State and Co-operatives in India: The Political Economy of Agricultural Coopeartives.	Intervention of political body responsible for failure of Cooperatives.     Importance of Active participation of members in Cooperatives.     Are Cooperatives ready for Autonomy?
28.	M s.Eunju Choi, M s.Whalshin Kim, M s.Whalshin Kim, M r. Seungkwon Jang M anagement of Co-operatives Sungkonghoe Univ. Seoul, Korea. soniarosa@hanma- il.net	Korea's Multipurpose Agricultural cooperative and the Developmental State: A History of Nonghyup from 1961 to 1987.	1. Farmers contribution in Korea's Multipurpose Cooperatives. 2. Important role of Korea's Multipurpose Cooperative in Environment Friendly Lifestyle & Food prices stabilization.

The valedictory session of the Conference was held at 4.30 PM on November 06, 2015 at the Jubilee Hall of VAMNICOM. The closing function began with a prayer rendered by students. Prof. Anil Karanjkar, VAMNICOM welcomed the gathering. The closing function featured a special presentation by representative of Aadishakti Foundation, Pune, who is involved in collective efforts to help the disadvantaged groups. Dr. Yashavantha Dongre of University of Mysore, provided an overview of the seminar proceedings and observed that the technical sessions of the conference were very intense and some high quality research outputs were presented in the conference.

Mr. Romulo Vilamin from the Philippines, provided feedback on behalf of the participants. He observed that it was a unique opportunity for him to interact with researchers from different countries and he enjoyed the two days of deliberations. He thanked VAMNICOM on behalf of all participants for the very immaculate arrangements, food and accommodation provided to conference delegates.

Mr. Balasubramanian Iyer, the Regional Director of ICA-AP expressed his happiness about the way the conference was organized and thanked the Director Faculty and Staff of VAMNICOM for their splendid organization. He said that more researchers should present their papers at the ICA international conferences and also suggested that he would be happy to see more journal publications, so that the Asian researchers are recognized properly.

Er. Sanjeeb Patjoshi, IPS, Director of VAMNICOM & CICTAB, who presided over the closing session, observed that a good academic exercise is like a light that shows the future path. He called upon the research community to work with greater vigor and said that VAMNICOM is always willing to partner with any activity meant for the good of co-operatives.

The closing session ended with a vote of thanks proposed by the Organizing Secretary of the Conference, Prof. T. Paranjothi. He remembered the support he received from NABARD, paper writers and presenters, as well as the institutions that provided financial support. Dr. Paranjothi observed that the papers presented in the conference will be further reviewed and selected papers will be published in the form of a book. Closing session ended with the recitation of the National Anthem of India.



- The Institute organised the Annual Alumni Meet "Sutra 2015". The 3rd October 2015 in the Jubilee Hall. inaugural session was held on Around 100 alumni of various programmes offered by the Institute attended the Meet. The Guests of Honour Shri Sadashiv Padhee, Vice President, HR & IT, Kirloskar Pneuamtic Co. Ltd., Pune, Shri Krishna Jindal, Chairman and Managing Director, Kran Rader Pvt. Ltd., Pune were the Guest of Honour of the function. As announced by Er. Sanjeeb Patjoshi, Director, VAMNICOM & CICTAB during Annual Alumni Meet "Sutra 2013", Distinguished Alumni Award has been instituted for one male and one female Alumni of VAMNICOM. Distinguished Alumni Award 2015 comprising Cash award of Rs. 10,000/- and Silver Memento was conferred upon Shri Rajkumar Gangele (PGDCBM 2000), Member of Faculty, APEX Bank Training College, Bhopal (Madhya Pradesh) in recognition of his outstanding academic and Professional achievements and significant contribution to short-Term Cooperatives Credit Structure. Shri Prashant Dharpure (PGDM 2009-11 Batch) and Shri Ajay Kumar Singh (PGDBM 2001-03 Batch) were felicitated with Certificate for Appreciation in recognition of their extremely valuable and outstanding support for academic and placement activities of PGDM-ABM programme of VAMNICOM.
- √ The Institute observed Vigilance Awareness Week during 26th to 31st October 2015. Essay Writing Competition and Debate Competition was arranged for the First and Second Year students of PGDM-ABM
- √ Mr. Soumyaranjan Dash, Mr. Satya Prakash Prusty and Mr. Mainoddin Shaikh Students of PGDM-ABM (2014-16) participated in annual fest on financial inclusion named "Shoudh" on 8th November 2015 organised by IRMA, Anand and secured First Prize.

- The Institute celebrated 62nd All India Cooperative Week Celebrations from 14-20 November, 2015. Shri Prakash Jagtap, Project Director, VANARAI, Pune delivered a talk on the theme "Mitigating Calamity through Cooperatives" on 19th November, 2015. Faculty Staff members, students of PGDBM-ABM, PGDCBM, participated in the *Blood Donation Camp* held on 19th November, 2015 at Shivenari Auditorium. Shri H. K. Khare, General Manager, CAB, Pune was the Guest of Honour and spoke on the theme "Financial Inclusion and Cooperatives Issues and Challenges" on 20th November, 2015. Trophies and Certificates were distributed by the Director in the VAMNICOM Bhavan Lawn to winners. The Valedictory Function of the week long celebrations held on 20th November, 2015. Dr. D.A. Divekar, Faculty Member made a presentation on the Strengths, Weaknesses, Opportunities and Threats (SWOTs) of Indian Cooperative Movement. Er. Sanjeeb Patjoshi, IPS, Director-VAMNICOM and CICTAB presided and vote of thanks was proposed by Mrs. Manjusha Kadam.
- √ Mr. Hrushikesh Landge and Ms. Aditi Pandhare students of PGDM-ABM (2014-16) received Best Idea Award 2015 of Leap Foundation.
- √ Mr. Abhishek Sharma (2014-16) has participated in Best Manager Competition (GoCoop) and received First Prize.
- √ Dr. T.Paranjothi jointly with Dr. Dongre made a presentation for the 10th ICA Asia Pacific Regional Research Conference at VAMNICOM on 5th November, 2015 on State and Co-operatives In India: The Political Economy of Agricultural Co-operatives
- Normal Normal Normal Normal Normal Normal Normal Normal Research Conference at VAMNICOM on 5th November, 2015 on The Role of Leadership and Governance in Transformational Change towards sustainability A Case Study of Rajarambapu Group of Cooperatives, Isalampur, Distt.Sangli, Maharashtra, India
- √ Dr. Y.S. Patil, HoC-IT made a presentation for the 10th ICA Asia Pacific Regional Research Conference at VAMNICOM on 5th November, 2015 on "Role of Leadership in Development of Cooperative Sugar Factory "A study of Datta Cooperative Sugar Factory Ltd. Shirol, Dist. Kolhapur"
- √ Dr. R. Elangovan made a presentation for the 10th ICA Asia Pacific Regional Research Conference at VAMNICOM on 5th November, 2015 Cooperative Governance: Role of Board and Executives in Financial Cooperatives

The 10th International Cooperative Alliance (ICA), Asia Pacific Regional Research Conference was conducted on 5th and 6th November 2015, which was sponsored by National Bank for Agriculture & Rural Development (NABARD), Mumbai. The Conference was inaugurated by Dr. Chandrapal Singh Yadav, Member of Parliament, Rajya Sabha and President of National Cooperative Union of India. Er. Sanjeeb Patjoshi, IPS, Director of VAMNICOM & CICTAB, gave the presidential address. The key note address was given by Dr. Balasubramanian Iyer, Regional Director, ICA-AP. Shri Dilipbhai B. Bhakta, Chairman of Surat District Central Cooperative Bank, Prof. Anthony Jenson from University of Newcastle, Australia, also addressed the gathering. Shri M.V.Ashok, Chief General Manager, NABARD, Dr. D.V. Deshpande, Director, Bankers Institute of Rural Development, Lucknow, Dr L.K.Vaswani, Director, Kalinga Institute of Technology graced the occasion by their presence.

The theme of the conference was "GOVERNANCE OF CO-OPERATIVES: ISSUES AND CHALLENGES". The sub-themes of the Conference was: Theories and models of governance; Structure and processes of governance; Political and economic democracy; Member participation; Women and youth participation; Legal environment affecting governance; Role of board and executive; General body powers and limitations; Co-operative leadership.

The valedictory session of the 10th ICA-AP Research Conference was held on 6th November, 2015 at the Jubilee Hall of VAMNICOM. Dr. Yashavantha Dongre of University of Mysore provided an overview of the seminar proceedings and observed that the technical sessions of the conference were very intense and some high quality research outputs were presented in the conference. Mr. Romulo Vilamin from the Philippines provided feedback on behalf of the participants. Dr. Balasubramanian Iyer, the Regional Director of ICA-AP expressed his happiness about the way the conference was organized and thanked the Director, Faculty and Staff of VAMNICOM for their splendid organization. Er Sanjeeb Patjoshi, IPS, Director of VAMNICOM & CICTAB, who presided over the closing plenary observed that a good academic exercise is like a light that shows the future path. The closing plenary ended with a vote of thanks proposed by the Organizing Secretary of the Conference, Prof. T.Paranjothi. He remembered the support he received from NABARD, paper writers and presenters, as well as the institutions that provided financial support.

V

The Constitution Day was celebrated on 26th November 2015. Preamble of the Constitution was read out by Er. Sanjeeb Patjoshi, IPS IG, Director, VAMNICOM & CICTAB, Pune. Prof. Ananya Bibave, Vice Principal, Modern Law College, Pune, delivered a talk on the topic "Preamble: The Looking Glass of Indian Constitution". She elaborated on the Preamble of the Indian Constitution for the benefit of the students and the audience. Er. Sanjeeb Patjoshi, IPS IG, Director, VAMNICOM & CICTAB, also addressed the gathering. While Prof. Bibave briefed the students about the Preamble of the Indian Constitution, the Director, gave a detailed talk on the various provisions and he stressed upon the need of every citizen to know his/her rights, responsibilities and duties. He emphasized that "Ignorance of the Law is not an excuse". Vote of thanks was delivered by Shri V. Sudhir, Assistant Professor, VAMNICOM, Pune.

websi	te: www.vamnicom.		INSTITUTES	PROGRAM M E	
Sr. No.	Name of the Programme	Duration	Programme Dates	Programme Director	Eligibility Criteria
1	Post Graduate Diploma In M anagement - Agri Business M anagement (M BA) - 2015- 2017 (23rd Batch)	52 weeks	1st July 2015 to 9th June 2016	Dr. T. Paranjothi	Any Graduate with CAT /M AT / XAT / ATM A / CM AT of AICTE
2	Diploma in Cooperative Business Management (49th Session of DCBM)	36 weeks	31st August, 2015 to 7th M ay, 2016	KhSomorendro Singh	Cooperative Inservice participants
3	Diploma in M anagement of Computer Operations (DM CO)	12 weeks	1st December, 2015 to 29th February, 2016	Dr. Y.S. Patil	Cooperative Inservice participants



# TRAINING PROGRAMMES ORGANISED FROM OCTOBER TO DECEMBER, 2015

Sr. No.	Name of the Programme	Programme Date	Programme Director
1.	Programme on Municipal Taxation for Administrative Officers and Tax Inspectors of Municipal Council in Maharashtra	30/11/2015 to 2/12/2015	Dr. Y.S. Patil
2.	Programme on learning Business Invovation Through Exposure Visit to Cooperatives in Malaysia in collaboration with Cooperative College of Malaysia At Kuala Lumpur	3/12/2015 to 6/12/2015	Dr. Y.S. Patil
3.	Management Development programme for Officers of District Central Coop, Bank, Pune	1/12/2015 to 2/12/2015	Dr.D.A. Divekar
4.	Management Development programme for Officers of District Central Coop, Bank, Pune	3/12/2015 to 4/12/2015	Dr. D.A. Divekar
5.	Programme on Financial Inclusion with Focus on Application of Information Technology	7/12/2015 to 9/12/2015	Mr.P. Chattapadhyay
6.	Programme on Municipal Taxation for Administrative Officers and Tax Inspectors of Municipal Council in Maharashtra	7/12/2015 to 9/12/2015	Dr. Y. S. Patil
7.	Programme on Municipal Taxation for Administrative Officers and Tax Inspectors of Municipal Council in Maharashtra	10/12/2015 to 12/1/2/2015	Dr. Y.S. Patil
8.	Training Progaramme for President, Directors and CEOs of State Coop. Banks and DCC Banks on successful Coop. Models in U.K.	8/12/2015 to 12/12/2015	Dr.T.Paranjothi
9.	Programme on ATM: 1TS Application in Coop. Bank with Special focus on customer Convenience in Banking	10/12/2015 to 12/12/2015	Mr.P. Chattopadhyay
10.	Orientation Study Programme for Elected Directors of Board of Directors of Harayana Cooperative Banks	10/12/2015 to 15/12/2015	Mr.K.C.S.K utty

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Sr. No.	Name of the Programme	Programme Date	Programme Director
11,	Programme on Municipal Taxation for Administrative Officers and Tax Inspectors of Municipal Council in Maharashtra	14/12/2015 to 16/12/2015	Dr. Y.S. Patil
12.	Programme on Financial Inclusion Capacity Building of Directors & Sr.Officers of DCC Banks in collaboration with NABARD	15/12/2015 to 16/12/2015	Dr.M. Dubhashi
13.	Programme on Application of Information Technology for Rural Financing Institutions & Cooperative in Collaboration with CICTAB-MA & WF Govt.of India	14/12/2015 to 16/12/2015	Dr.D.Ravi
14.	Programme on KDMC Replication project for IT Engineers of urban Local Bodies in Maharashtra - Municipal Administration Govt, of Maharashtra	17/12/2015 to 19/12/2015	Dr. Y.S. Patil
15.	Organisation of Leadership Development Programme on Financial Control in Coop. at Imphal, Manipur	17/12/2015 to 19/12/2015	Dr. R. Elangovan
16.	Training Programme for Youth Leadership Development sponsored by BARTI, Pune	18/12/2015 to 24/12/2015	Mr. K.C.S.Kutty
17.	Proagramme on Domestic Enquiry (In collaboration with NAFCUB,New Delhi)	21/12/2015 to 23/12/2015	Mr. K.C.S.Kutty
18.	One Day Programme for the Boards of Director of Housing Cooperatives	16/11/2015	Mr.A.M.Karanjkar
19.	Oney Day Training Programme on soft Skills for the Employee of Department of Posts	20/12/2015	Dr.M.R.Joshi
20.	Seminar on FIU-IND, KYC & AML for CEO's Sr.Officers of Urban Coop. Banks( NAFCUB)		Mr.K.C.SKutty

### **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.
- 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.
- Papers sent for publication should not have been published or sent for publication elsewhere.
- 5. Five off prints of the article and a copy of the journal are provided.
- 6. All remittances may be sent to Director, Vaikunth Mehta National Institute of Co-operative Management, University Road, Pune 411 007 or it can be transferred at Saraswat Cooperative Bank Ltd., VAMNICOM Branch, Pune 411007 A/c. No. 110200100001763 / IFSC Code SRCB0000110 and details sent by email.

The Subscription amount is Rs.300/- for one year and Life Membership charges is Rs.3000/-.



### **CONVOCATION 2015**



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