

Report of the Task Force to Study the Cooperative Credit System and Suggest Measures for its Strengthening (Part 2 of 2)

Annexure 1.1

Format to elicit information from CEOs/Chairmen of select SCBs

Name of the state : _____

Name of the CEO/Chairman of the SCB : _____

1. Please give in the enclosed formats data on certain financial parameters of the SCBs/ DCCBs.
2. Give information in brief on the Cooperative Credit Structure in the State.
3. Developmental role played by the SCBs in regard to DCCBs and in the State
4. How many DCCBs in the State have elected boards.
No. of DCCBs
No. having elected Boards
5. How to make the SCBs/DCCBs member driven professional business enterprises.
6. Please offer comments on the effectiveness or otherwise of layers in the cooperative credit structure.
7. In your opinion which structure - Unitary/Federal is more appropriate - give reasons/ recommendations.
8. Please furnish the following data for different tiers -
SCBS DCCBS PACS
 1. Average Cost of funds
 2. Average return on loans/investments (together)
 3. Spread
 4. Average transaction Cost
 5. Net spread
 6. Share in the interest margin
9. Do you think the spread and sharing of interest margin indicated above are appropriate? Yes/No
10. Give reasons for their appropriateness or other wise and offer suitable recommendations for their rationalisation and improvements.
11. Please indicate the amounts of imbalances between SCBs and DCCBs in you state during the last 3 years

(Rs. in lakh)

Year	Imbalances		Loans Outstanding		Deposits	
	SCBs	DCCBs	SCBs	DCCBs	SCBs	DCCBs

1996-97
1997-98

1998-99

12. What is the impact of imbalances in loaning operations, recoveries, accumulated losses, profitability, etc. at each level in the structure.

13. Please offer comments on the factors responsible for erosion in the capital base of cooperative banks in the state.

14. Please suggest measures to strengthen capital base of the cooperative banks to reach prudential level over time.

15. What are the arrangement available in regard to internal checks and controls in the banks in the following areas :

- (i) Internal inspections
- (ii) Internal audit
- (iii) Concurrent audit
- (iv) Statutory audit
- (v) Compliance on internal inspections, statutory audit and inspections conducted by NABARD.

16. You think the present arrangement in regard to internal checks and controls are adequate in the bank? Yes/No

17. If not adequate, please suggest measure to strengthen the internal checks and controls.

18. Please offer comments on the duality of control in the cooperatives (i.e. democratic bodies, bank executives and government officials).

19. Do you think the cooperative banks (ST structure) are working as per the B.R.Act 1949 AACCS)?

20. If not, reasons therefor.

21. Is the state Cooperative Act/Bye-laws affecting the working of the cooperative banks in the state.

22. If yes, please indicate the areas which are affecting the working of cooperative banks in the state

23. Are the roles and responsibilities between the bank executives on the one hand and elected leaders and Govt. Officials on the other hand clearly defined and followed or not.

24. If not, please offer suggestions for clear demarcation of roles and responsibilities including matters relating to duality of control.

25. Any other comments/suggestions may be made on the revival/restructuring of the cooperative banks.

Annexure 1.2

Format to elicit information from CEOs/Chairmen of select SCARDBs

Name of the state : _____

Name of the CEO/Chairman of the SCARDB :

1. Please give in the enclosed formats data on certain financial parameters of the SCARDBs/ PCARDBs.

2. Give information in brief on the Cooperative Credit Structure in the State.
3. Developmental role played by the SCARDBs in regard to PCARDBs and in the State
4. How many PCARDBs in the State have elected boards.
5. How to make the SCARDBs/PCARDBs member driven professional business enterprises.
6. Please offer comments on the effectiveness or otherwise of layers in the cooperative credit structure.
7. In your opinion which structure - Unitary/Federal is more appropriate - give reasons/recommendations.
8. Please furnish the following data for different tiers -
SCARDBs PCARDBs

1. Average Cost of funds
2. Average return on loans/investments (together)
3. Spread
4. Average transaction Cost
5. Net spread
6. Share in the interest margin
9. Do you think the spread and sharing of interest margin indicated above are appropriate? Yes/No
10. Give reasons for their appropriateness or other wise and offer suitable recommendations for their rationalisation and improvements.
11. Please indicate the amounts of imbalances between SCARDBs and PCARDBs in you state during the last 3 years

Year	Imbalances	Loans Outstanding		Deposits	
		SCARDBs	PCARDBs	SCARDBs	PCARDBs
1996-97					
1997-98					
1998-99					

(Rs. in lakh)

12. What is the impact of imbalances in loaning operations, recoveries, accumulated losses, profitability, etc. at each level in the structure.
13. Please offer comments on the factors responsible for erosion in the capital base of cooperative banks in the state.
14. Please suggest measures to strengthen capital base of the cooperative banks to reach prudential level over time.
15. What are the arrangement available in regard to internal checks and controls in the banks in the following areas :
 - (i) Internal inspections
 - (ii) Internal audit
 - (iii) Concurrent audit
 - (iv) Statutory audit
 - (v) Compliance on internal inspections, statutory audit and inspections conducted by NABARD.

16. You think the present arrangement in regard to internal checks and controls are adequate in the bank? Yes/No
17. If not adequate, please suggest measure to strengthen the internal checks and controls.
18. Please offer comments on the duality of control in the cooperatives (i.e. democratic bodies, bank executives and government officials).
19. Do you think the cooperative banks (ST structure) are working as per the B.R.Act 1949 AACS)?
20. If not, reasons therefor.
21. Is the state Cooperative Act/Bye-laws affecting the working of the cooperative banks in the state.
22. If yes, please indicate the areas which are affecting the working of cooperative banks in the state
23. Are the roles and responsibilities between the bank executives on the one hand and elected leaders and Govt. Officials on the other hand clearly defined and followed or not.
24. If not, please offer suggestions for clear demarcation of roles and responsibilities including matters relating to duality of control.
25. Any other comments/suggestions may be made on the revival/restructuring of the cooperative banks.

Format for information from Secretary, Cooperation/RCS

Name of the State:

Secretary, Cooperation/Registrar of Cooperative Societies

1. Briefly indicate the developmental role played by the SCB/SCARDB in the State

2. How to make the cooperative banks `member-driven` professional business enterprises ? Please mention specific action points relating to legislative, administrative and financial aspects.

3. In your opinion, which structure is more appropriate in the long term cooperative credit system - unitary or federal ? Give reasons/recommendations

4. Please indicate the rationale and appropriateness of sharing of interest margin among the tiers of the cooperative banks: Short term and long term cooperative credit system

5. Please suggest measures to strengthen the capital base of the cooperative banks to reach prudential level over time (ST and LT credit structure)

6. (a) What are the present arrangements for audit in the State ?
(b) Arrears, if any, in conducting the statutory audit at different levels?
(c) Please indicate the feasibility of entrusting the statutory audit to Chartered Accountants/professionals

7. Please indicate the major aspects which are affecting the working of cooperative banks in the State.

8. Please offer suggestions for clear demarcation of roles and responsibilities including matters relating to duality of control

9. What measures you suggest to make PACS strong and viable ? Do you feel that 'exit route' will be desirable for non-performing/non-viable PACS ? If so, what arrangements at grass-root level you consider for providing financial services to the rural population ?

10. Please suggest if PACS can function as 'mini banks' with appropriate incentives for deposits including linkage with borrowings, as also measures to ensure safety of members' deposits.

11. Any other comments/suggestions may be made on the revival/restructuring of the cooperative banks

**ORGANISATIONAL FRAMEWORK FOR PROVISION
OF AGRICULTURE AND RURAL CREDIT***
As on 31 March 1999

RBI		NABARD		GOI	
URBAN COOP. BANKS (1936)					
COOPERATIVE BANKS				COMMERCIAL BANKS (106)	
				REGIONAL RURAL BANKS (196)	
SHORT TERM STRUCTURE		LONG TERM STRUCTURE		METROPOLITAN BRANCHES (8144)	
29 SCBs (807 branches)		19 SLDBs		URBAN BRANCHES (9645)	
				SEMI URBAN BRANCHES (12283)	
		BRAN CHES (1158)		SEMI URBAN BRANCHES (1857)	
367DCCBS (12217 br.)				RURAL BRANCHES (20571)	
		PLDBs (745)		RURAL BRANCHES (12285)	
PACS (92000)(approx.)		BRANCHES (689)			

DEPOSITORS AND BORROWERS

* Compiled by NABARD

**PARTICULARS OF DISBURSEMENT OF AGRICULTURAL
CREDIT BY VARIOUS AGENCIES - 1995-96 TO 1999-2000**

(RS. CRORE)

PARTICULARS/ AGENCY	1995-96	Share	1996-97	Share	1997-98	Share	1998-99	Share	1999-2000	Share
		%		%	#	%	\$	%	*	%
<u>I. Production (ST) Credit</u>										

Co-operative Banks	8331	57	9328	55	10740	55	12595	54	15619	57
RRBs	849	6	1121	7	1395	7	1720	7	2025	8
Commercial Banks	5345	37	6549	38	7299	38	9262	39	9566	35
Sub Total (A)	14525	100	16998	100	19434	100	23577	100	27210	100
Growth Rate			(+17%)		(+14%)		(+ 21%)			
<u>II. MT/LT Credit</u>										
Co-operative Banks	2148	29	2616	28	3227	26	4392	30	5046	29
RRBs	532	7	563	6	643	5	1269	9	1418	8
Commercial Banks	4827	64	6234	66	8394	69	8816	61	11001	63
Sub Total (B)	7507	100	9413	100	12264	100	14477	100	17465	100
Growth Rate			(+25%)		(+ 30%)		(+ 18%)			
<u>ST + MT/LT CREDIT</u>										
Co-operative Banks	10479	48	11944	45	13967	44	16987	45	20665	46
RRBs	1381	6	1684	6	2038	6	2989	8	3443	8
Commercial Banks	10172	46	12783	49	15693	50	18078	47	20567	46
Grand Total (A+B)	22032	100	26411	100	31698 @	100	38054	100	44675	100
Growth Rate	(+18%)		(+20%)		(+20%)		(+20%)		(+17 %)	

\$ Estimated

Provisional

* Projections

@ Includes disbursement of Rs.1113 crore by 30 private sector banks

Source: ROs in respect of Cooperative Banks and RRBs and RPCD, RBI in respect of Commercial Banks

Annexure 2.3

ST COOPERATIVE CREDIT STRUCTURE - IMPORTANT
FINANCIAL PARAMETERS - 1994-95 TO 1998-99

(Rs.in crore)

Sr. No.	Particulars	March 1995	March 1996	March 1997	March 1998	March 1999
1	2	3	4	5	6	7
1	<u>BASIC INFORMATION</u>					
	(a) PACS					
	(i) Total membership (in lakhs)	942	966	982	997	1016
	(ii) Borrowing membership (in lakhs)	347	425	387	411	440
	(iii) % of borrowing members	37	44	40	41	43
	(b) DCCBs	362	363	364	367	29@
	(c) SCBs	28	28	28	28	367
2	OWNED FUNDS					
	(a) DCCBs	3300	3948	5066	5761	3721
	(b) SCBs	1949	2624	2947	3319	7296
3	DEPOSITS					
	(a) DCCBs	20829	24560	30381	36558	25786
	(b) SCBs	11820	13433	17491	22201	45609
4	BORROWINGS					
	(a) DCCBs	8771	10160	10505	11805	9849
	(b) SCBs	6805	7905	8033	8524	12783

5 <u>LOANS & ADVANCES</u>						
OUTSTANDING						
(a)	DCCBs	20699	24606	28373	31237	21902
	Share of borrowings (%)	42.5	41.3	37.0	37.8	45.0
(b)	SCBs	13211	16585	18312	19586	36909
	Share of borrowings (%)	43.2	47.7	43.9	43.5	34.6
6 <u>PERCENTAGE OF</u>						
OVERDUES TO DEMAND						
(a)	DCCBs	30	31	30	32	29897
(b)	SCBs	10	10	14	16	40097
7 <u>LOANS ISSUED</u>						
(a)	DCCBs	23869	26703	32311	31801	19
(b)	SCBs	22286	27457	28665	27805	30
8 <u>NPA % Gross</u>						
(a)	SCBs			10.20	11.76	12.55
(b)	DCCBs			17.36	18.05	17.81
# Sikkim SCB commenced operation w.e.f. 12 December 1998.						
Data for 1998-99 & 1997-98 in respect of SCB/DCCBs is provisional.						
PACS data is provisional even for earlier years. Audit in some DCCBs is not complete even for the year 1997-98						

Annexure 2.4

LT COOPERATIVE CREDIT STRUCTURE - IMPORTANT

FINANCIAL PARAMETERS - 1994-95 TO 1998-99

(Rs.in crore)

Sr. No.	Particulars	March 1995	March 1996	March 1997	March 1998	March 1999
1	2	3	4	5	6	7

1. BASIC INFORMATION

(a) SCARDBs (No)	20	19@	19@	19@	19@
(i) Total Ground level Membership (In Lakhs)	118	119	128	131	130
(b) PCARDBs(No)	732	733	738	745	745
2. OWNED FUNDS					
(a) SCARDBs	1047	1241	1429	1653	2022
(b) PCARDBs	573	617	741	986	1169
3. DEPOSITS					
(a) SCARDBs	122	158	163	200	240
(b) PCARDBs	33	30	62	99	152
4. BORROWINGS					
(a) SCARDBs	6170	7202	8464	9786	11093
(b) PCARDBs	3480	4150	5010	5888	6849
5. LOANS & ADVANCES					
<u>OUTSTANDING</u>					
(a) SCARDBs	5900	6857	8013	9182	10442
Share of borrowings (%)	104.58	105.03	105.62	106.58	106.23
(b) PCARDBs	3407	4098	4954	5840	6819
Share of borrowings (%)	102.14	101.27	101.13	100.82	100.44
6. PERCENTAGE OF					
<u>OVERDUES TO DEMAND</u>					
(a) SCARDBs	38	39	38	39	38
(b) PCARDBs	33	39	41	45	40
7. LOANS ISSUED					
(a) SCARDBs	1429	1798	2079	2295	2437
(b) PCARDBs	936	1219	1477	1594	1692
8 NPA % (Gross)					
(a) SCARDBs	-	-	-	19.44	19.19
(b) PCARDBs	-	-	-	16.78	16.05

ANNEXURE 3.1

**Comparative position of interest margins recommended by ACRC and obtained by cooperative banks
(as on 31.3.1998)**

Name of agency	Interest margin recommended by ACRC	States with interest margins	
		Less than 1.5	More than 1.5
SCBs	1.5		
		Haryana (0.75)	Assam (4.0-5.5)
		Himachal Pradesh (1.0)	Tripura (3.5-7.0)
		J & K (1.5)	Andaman & Nicobar (3.5-4.0)
		Madhya Pradesh (0.5-1.0)	Goa (3.5)
		Punjab (1.0-1.5)	Gujarat (2.0)
		Rajasthan (0.75-1.7)	
		Uttar Pradesh (nil)	
		West Bengal (1-2)	
		Maharashtra (0.5-3.0)	
		Andhra Pradesh (1.2-1.5)	
		Orissa (1.0)	
		Karnataka (1.0-2.5)	
		Tamil Nadu (0.25-2.75)	
DCCBs	3.5	Less than 3.5	More than 3.5
		Haryana (3.25)	Punjab (3.5-6.5)
		Himachal Pradesh (2.5)	Madhya Pradesh (3.5-6.0)
		J & K (2.0)	Karnataka (4.5-8.5)
		Rajasthan (2.0-5.4)	Orissa (4.0-4.5)
		Uttar Pradesh (2.75-4.25)	
		West Bengal (2-5)	
		Gujarat (2-4.5)	
		Maharashtra (2.5-5.5)	
		Andhra Pradesh (2.5-5.5)	
		Tamil Nadu (2.25-4.75)	
PACS	6	Less than 6.0	More than 6.0
		Haryana (3.0)	
		Himachal Pradesh (2.5)	
		Punjab (3.5)	
		Jammu & Kashmir (3.0)	
		Orissa (3.0-4.5)	
		Rajasthan (1.75-3.4)	
		Uttar Pradesh (4.0-7.5)	
		Assam (2.0-2.5)	
		Tripura (2.0)	
		West Bengal (2.0-3.5)	
		Andaman & Nicobar (2.0-3.0)	
		Madhya Pradesh (3.0-5.5)	
		Maharashtra (2.5-6.5)	
		Goa (2.0)	
		Gujarat (1.0-2.0)	
		Andhra Pradesh (2.0-3.5)	
		Karnataka (2.0-4.0)	
		Tamil Nadu (3.00-6.00)	

Name of agency	Interest margin recommended by ACRC	States with interest margins	
SCARDBs (Federal)	2.0	Less than 2.0	More than 2.0
		Haryana (1.5)	Orissa (6.0-6.5)
		Himachal (1.0)	West Bengal (2.0-2.5)
		Punjab (0.75-2.0)	Karnataka (2.25-2.5)
		Rajasthan (1.0)	Tamil Nadu (1.1-3.4)
		MP (1.5-2.0)	
SCARDBs (Unitary)	5.5	Less than 5.5	More than 5.5
		Bihar (2.0-2.5)	Tripura (6.0-6.5)
			UP (5.5-8.5)
			Gujarat (6.0-6.5)
			Maharashtra (5.5-9.0)
PCARDBs	5.0	Less than 5.0	More than 5.0
		Haryana (4.0)	HP (3.0-7.0)
		Punjab (3.25-3.5)	Orissa (4.0-6.0)
		Rajasthan (3.5-4.5)	
		Bihar (3.0-3.5)	
		WB (3.0-3.5)	
		MP (4.5-5.0)	
		TN (1.10-3.40)	

Source : Responses received from Coop. Banks through Task Force Questionnaires

Annexure 3.2

Net margins available to cooperative banks as on 31.3.1998

SCBs

<1	1 - 2	>2
0.29 (Guj)	1.25 (J&K)	2.03 (AP)
0.49 (WB)	1.26 (KAR)	2.35 (Assam)
0.52 (MP)	1.29 (HAR)	2.77 (A&N)
0.71 (TN)	1.53 (UP)	
0.79 (CHG)	1.76 (HP)	
0.80 (Tripura)	1.88 (Goa)	
0.86 (Punjab)	1.95 (Raj)	

DCCBs

(-)	<1	1 - 2	>2
(-) 2.51 (J&K)	0.11 (AP)	1.0 (KAR)	2.28 (HP)
	0.48 (TN)	1.35 (PUN)	
	0.50 (MP)	1.45 (HAR)	
	0.55 (HP)		
	0.65 (Goa)		
	0.70 (Raj)		
	0.84 (UP)		
	0.89 (Guj)		

PACS

(-)	0	>0
(-) 3.80 (J&K)	0 (PUN)	0.40 (MP)
(-) 1.21 (WB)		
(-) 0.72 (TRI)		
(-) 0.21 (TN)		

SCARDBs

(-)	<1	1 - 2	>2
(-) 0.286 (HP)	0.93 (Haryana)	1.6 (Punjab)	2.7 (UP)
(-) 0.41 (Maha.)	0.47 (MP)	1.5 (Rajasthan)	2.1 (TN)
(-) 2.4 (Tripura)		1.04 (WB)	2.3 (Kerala)
(-) 5.16 (Bihar)		1.93 (Gujarat)	

PCARDBs

(-)	<1	1 - 2
(-) 0.05 (Orissa)	0.03 (WB)	1.09 (HP)
(-) 0.93 (MP)		1.52 (Punjab)
(-) 1.86 (Karnataka)		1.42 (Kerala)

		1.53 (TN)
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