

**Report of the
Expert Committee
to examine Three Tier
Short Term Cooperative Credit Structure
(ST CCS)**

Chairman

Prakash Bakshi
Chairman, NABARD

Reserve Bank of India
Central Office
Mumbai

January 2013



अध्यक्ष
Chairman

Letter of Transmittal

15 January 2013

Dr D Subbarao
Governor
Reserve Bank of India
Central Office
Mumbai

Respected Sir

**Expert Committee to Examine Three-Tier
Short Term Cooperative Credit Structure (ST CCS)**

The Reserve Bank of India had constituted the above Committee vide order D.O RPCD.CO.RCBD.593 / 07.06.000/2012-13 dated 23 July 2012.

I am happy to place the report containing the analysis, conclusions and recommendations of the Committee for your kind perusal and consideration.

Yours faithfully,

Prakash Bakshi
Chairman of the Committee

National Bank for Agriculture and Rural Development

Head Office : BKC, Bandra (E), Mumbai - 400 051
Phone : +91 22 2653 0000 • E-mail : chairman@nabard.org
Website : www.nabard.org

Taking Rural India >> Forward

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

प्रधान कार्यालय : बीकेसी, बान्द्रा (पू), मुम्बई - 400 051
फोन : +91 22 2653 0000 • ई-मेल : chairman@nabard.org
वेबसाइट : www.nabard.org

ग्रामीण भारत >> चलें साथ आगे



Contents

Chapter No.	Particulars	Page No.
	Summary and Recommendations	i-vi
1	Background and Introduction	1-5
2	Rural Cooperative Banking and Reforms	6-9
3	Role of ST CCS in providing agricultural credit	10-16
4	Financial performance of STCCS - an Overview	17-32
5	Financial Sustainability of STCCS	33-43
6	Strategies for higher CRAR and Consolidation	44-56
7	Policy Measures and other Initiatives Required	57-62

Annexures

Annexure No.	Particulars	Page No.
1.1	Constitution of the Expert Committee vide RBI letter DO.RPCD.CO.RCBD.593/07.06.000/2012-13 dated 23 July 2012	i
3.1	State-wise Details of Membership, and Loan Issued by PACS in Two tier & mixed tier structures- Average of 3 Years (2009-10 to 2011-12)	iii
3.2	State-wise Summary of Loans Issued by CCBs in Three tier & mixed tier Structures vis-à-vis All Agencies Average for the Years 2009-10 to 2011-12	iv
3.3	Share of CCBs in Three tier & mixed tier Structures In Total Loans Issued and agri loan in its operational area (Based on average of years 2009-10 to 2011-12)	v
3.4	Share of CCBs in Three tier & mixed tier Structures in Total Loans Issued, Agri loans and Crop Loans based on 3 years average- Range	vi
3.5	State-wise Summary of Loans Issued by StCBs under Two Tier Structure vis-à-vis All Agencies Average for the Years 2009-10 to 2011-12	vii
4.1	Business and Profitability parameters of StCBs Three & mixed Tier Structures as on 31 March 2012	viii
4.2	Business and Profitability parameters of CCBs in Three & mixed Tier Structures as on 31 March 2012	ix
4.3	Business and Profitability parameters of StCBs in Two tier Structure as on 31 March 2012	x
4.4	Deposits by Type and by Source of StCBs in Three tier and mixed tier Structures as on 31 March 2012	xi
4.5	Analysis of NPAs of Agri and Non Agri loans of Select StCBs	xii
4.6	Deposits by Type and by Source of CCBs in Three tier and mixed tier Structures as on 31 March 2012	xiii
4.7	Analysis of NPAs of Agri and Non Agri loans of Select CCBs	xiv
4.8	Deposits by Type and by Source of StCBs in Two tier Structure as on 31 March 2012	xvi
5.1	Statement showing likely additional capital required for CCBs on 'Trend Based' performance	xvii

Annexure No.	Particulars	Page No.
5.2	Modelwise assessment of likely additional capital requirement of select CCBs	xix
6.1	Unlicensed CCBs - CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13, 2014-15 and 2016-17 respectively	xx
6.2	Licensed Banks with less than 4% CRAR - CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13, 2014-15 and 2016-17 respectively	xxi
6.3	CCBs recommended for license - CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13, 2014-15 and 2016-17 respectively	xxii
6.4	Licensed Banks with CRAR ranging from 4% to 7%- CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13, 2014-15 and 2016-17 respectively	xxiii
6.5	Licensed Banks with CRAR above 7% CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13, 2014-15 and 2016-17 respectively	xxvi
6.6	Per PACS/Borrower likely additional capital mobilisation by 2016-17	xxxv
6.7	Illustrations of merger of banks with other banks in geographically contiguous area	xliv
6.8	Illustrations of Consolidation of CCBs - Estimation of Recap assistance required by consolidated CCBs	I

Appendices

Appendix No.	Particulars	Page No.
1	Details of Meetings of Committee	I
2	List of Participants	II
3	Views of members	IV
4	Report of the Study conducted by Prof H S Shylendra, Committee Member	XXXVI

Summary and Recommendations

1. The Expert Committee was constituted by RBI to have a relook at the functioning of the short-term cooperative credit structure (ST CCS) from the point of view of the role played by ST CCS in providing agricultural credit, to identify central cooperative banks (CCBs) and state cooperative banks (StCBs) which may not remain sustainable, and to suggest appropriate mechanisms for consolidation or delayering of the ST CCS and make recommendations for action to be taken by various stakeholders. The analysis, conclusions drawn, and recommendations made by the Committee are indicated below.

2. The Committee noted that the share of ST CCS in providing agricultural credit has fallen to a mere 17% at the aggregate level although there are small pockets where its share is more than 50%. The Committee is of the opinion that ST CCS, which was primarily constituted for provision of agricultural credit must provide at least 15% of the agriculture credit requirements in its operational area, gradually increasing to at least 30%. *(para: 3.14)*

3. The Committee also noted that almost 40% of the loans provided by PACS and almost half the loans provided by CCBs are for non-agricultural purposes, although the share of many of these PACS and CCBs in agricultural credit was less than 30% in their operational area. The Committee noted with concern that these PACS and CCBs were not performing the role for which they were constituted. The Committee therefore recommends that CCB should strive to provide at least 70% of their loan portfolio for agriculture. The Committee also recommends that if a CCB or StCB consistently underperforms and provides less than 15% share of agricultural credit in the operational area, then that bank should be declared and treated as an urban co-operative bank. The Committee also noted that StCBs in the NER region as well as smaller states and union territories like Delhi, Goa, Chandigarh, etc. provide insignificant credit to agriculture and are catering to the requirements of only the urban population and may therefore be declared and treated as urban co-operative banks. Necessary amendments in the State Cooperative Societies

Acts, Rules and byelaws of these banks may have to be carried out for this purpose. *(paras: 3.14, 3.15 & 3.17)*

4. As deposits made by members with PACS are not covered by DICGC, and not being part of the banking system PACS will not be in a position to issue kisan credit cards (KCC) transactable/working on ATMs and POS devices, it would be most appropriate for CCBs to provide these services directly by using PACS as their business correspondents (BCs). All the depositors and borrowers of PACS therefore would become normal shareholding members of the CCB with voting rights for all "active" members. Definition of active members with reference to deposits and loans may be provided by RBI or an agency authorised by it. Necessary amendments in the State Cooperative Societies Act, Rules and bye-laws will be necessary in each state.

(paras: 6.39 & 5.26)

5. Almost two thirds of the deposits with StCBs are deposits made by CCBs in the form of term deposits for maintenance of their SLR and CRR requirements. However, StCBs lend far higher amounts to the same CCBs and also invest in loans which had generally resulted in higher NPAs, thus actually putting the SLR and CRR deposits made by CCBs to risk. While StCBs should definitely try to diversify their lending portfolio, ways to keep these investments safe need to be found. The Committee recommends that StCBs (and CCBs) may as a possible measure, be given a higher share in the food consortium credit.

(para: 4.17)

6. To the extent StCBs are able to mobilise deposits from individuals, cooperatives other than CCBs and other entities, and also function as aggregators of refinance requirements on part of CCBs, they would continue to conduct the important function of providing liquidity support to affiliated CCBs, although technically each CCB can receive such liquidity support directly from any other bank or financial institution also.

(para: 7.4)

7. Division of a state into two or more independent states should not be a compelling reason for the division of a well-functioning StCB and the possibility of converting such StCB into a multistate federal cooperative bank must be

explored. Necessary amendments in the Multistate Cooperative Societies Act, BR Act, and NABARD Act would have to be carried out for this purpose.

(para: 7.7)

8. About 238 CCBs already have a CRAR of 7% or more, and 2/3 of them would be able to meet additional capital requirements and sustain CRAR of at least 7% by 2014-15 and of 9% by 2016-17. However, a large number of CCBs and some StCBs do not have adequate capital to meet even the relaxed licensing norm of 4% CRAR. The Committee recommends that 31 March 2013 may be set as the deadline for these banks to mobilise the required capital either internally or from any other external source so as to achieve 4% CRAR failing which RBI should take the necessary regulatory action. *(para: 6.11)*

9. To assess the additional capital requirements, the Committee used four scenarios: Model 1 with fixed growth rates for different parameters, Model 2 with continued past trend, and Models 3 and 4 with accelerated growth for different parameters. *(paras: 5.16,5.23 & 6.15)*

10. The Committee estimated that 209 CCBs of the 370 CCBs will have to mobilise, as an aggregate, ₹ 4,024 crore by 2014-15 and ₹ 6,498 crore by 2016-17 to achieve CRAR of 7% and 9% respectively. Bank-wise, these amounts range from as low as ₹ 1.84 lakh to ₹ 282 crore. The Committee has estimated that about 151 CCBs should be able to mobilise the required capital from their members¹ by asking the members to contribute amounts ranging from ₹ 2 to ₹ 4000 over a period of 4 years. *(paras: 5.16,5.23 & 6.15)*

11. The Committee also recommends the following to help CCBs augment their capital.

- a. CCBs may be permitted by RBI to issue fixed interest bearing deposits of 10 years or more with a lock-in period of five years for its members and to treat such deposits as tier 1 capital. These deposits could be

¹ All depositors and borrowers, presently of PACS, would become direct customers of CCBs once PACS started functioning as BCs and would have to become shareholding members of CCBs. Their loan-linked shares would also stand transferred to the CCBs.

converted into regular shares after the CCB achieves the required CRAR. *(para: 5.30)*

- b. CCBs may be permitted to issue perpetual bonds or debt instruments to be contributed by states, individuals and other entities, and the same to be treated as tier 1 capital. *(paras: 5.31 & 5.32)*
- c. Share capital deposits with PACS created through releases of Gol and the state shares may be transferred to the concerned CCBs if not eroded due to the losses. *(para 5.27)*
- d. CCBs may increase the percentage of share linking for all the loans provided by them *(para 5.28)*
- e. RBI may permit tier 2 capital to be treated as tier 1 capital to an extent of 150% of tier 1 capital fund for a period of five years. *(para 5.33)*

12. The Committee has also estimated that about 58 CCBs would generally not be able to mobilise the required capital, or their business sizes are so small that they would not be sustainable in the long run and would have to be therefore consolidated with other CCB(s). The Committee has worked out illustrative examples of such possible consolidations and recommends that a working group may be constituted in each state for working out details of such possible consolidations in dialogue with the concerned stakeholders and preparing an action plan. The Committee recommends that broad parameters for attempting such consolidations should be a minimum business level Rs 200 crore for the consolidated CCB and achieving CRAR of 7% by 2014-15 and 9% by 2016-17 with a concrete action plan for contributing any additional capital that may be required. Contiguity of operational area may be given preference. *(paras 6.21 to 6.37)*

13. Most of the CCBs and StCBs will also have to take concrete steps to improve their internal systems, human resources, and technology adoption. The Committee has also recommended various steps for improving the

governance and management in StCBs and CCBs on the lines of recommendations of the Vaidyanathan Task Force. *(para 7.9)*

14. An autonomous cooperative election authority may conduct elections for StCBs and CCBs and amendments may be made in the Cooperative Societies Act of each state ensuring that any director on the Board of these banks removed or superseded by RBI for any financial irregularity or if the bank incurs losses in any three years during their term of five years may be barred from contesting elections to any CCB or StCB for a period of five years. *(para:7.9 i)*

15. BR Act may be amended to give direct and overriding authority to RBI over any other law for superseding the Board or removing any director on the board of StCB or CCB and to prescribe the number of professionals, each from a different specialisation, to be elected, or co-opted within three months of the election, on the board of StCB or CCB. *(para:7.9 ii & ii)*

16. The panel of statutory auditors for StCB or CCB, being a banking entity, to be prescribed by RBI or an agency authorised by RBI although the recent Constitutional amendment requires the state government to prescribe the same. *(para:7.9 iv)*

17. RBI to modify banking licence of any CCB to include additional operational area from which a PACS could work as BC of a CCB. *(para: 7.9 v)*

18. State Cooperative Societies Acts to be amended so as to provide the authority to StCBs and CCBs in taking business decisions such as percentage of share linkage, making investments, paying dividends etc within the directions and guidelines prescribed by RBI. *(para: 7.9 vi)*

19. 30 September 2013 to be set as deadline for all StCBs and CCBs to be fully operational on CBS and providing RTGS, NEFT, ATM and POS device based services. *(para: 7.10)*

20. StCBs and CCBs to be fully included in the financial inclusion and EBT drive. Deposits of governments and government agencies to be also made in StCBs and CCBs which have achieved 7% CRAR and are on CBS.

(para: 7.11)

21. CCBs and StCBs to be covered by the banking Ombudsman or a similar mechanism that may be developed by RBI with NABARD.

(para: 7.12)

22. A working group to be set up to make recommendations on the human resources requirements following the transition of StCBs and CCBs on CBS and other ICT platforms.

(para: 7.13)

23. GoI may consider giving income tax exemption to StCBs and CCBs up to 2016-17 for incentivizing them to achieve 9% CRAR.

(para: 7.14)

24. RBI may consider graded CRAR norms for CCBs and StCBs of different business sizes.

(para: 7.15)

25. An independent organisation may be set up by CCBs and StCB in each state for providing support services.

(Para 7.8)

Chapter 1

Background and Introduction

1.1 The Committee on Financial Sector Assessment (CFSA)¹ had looked into the financial health of banks including the cooperative banks and made several recommendations for improving the financial health and systems for attaining and maintaining financial stability. The CFSA had reviewed the cooperative and rural banking sector as well and made the following recommendations, among others, relating to cooperative banks:

- a. The prevalence of the three-tiered structure leads to an increase in transaction cost that diminish profit margins. Also, there is considerable interference by the elected board in the day-to-day management of these banks, which ordinarily should be the responsibility of the Chief Executive Officer (CEO). Further, officials from the state government deputed to these banks may have neither the professional skills nor the requisite experience to run the banks, though recent initiatives of incorporating fit-and-proper criteria for the CEO and directors in the MoU is expected to alleviate this problem.
- b. The suggestion by the Vaidyanathan Committee to introduce a risk weight-based capital requirement of 7 per cent should be implemented.
- c. Rural co-operative banks, which fail to obtain a licence by end-March 2012, should not be allowed to operate.

1.2 In the last two years, RBI and NABARD implemented a roadmap for issue of licences to unlicensed state co-operative banks (StCBs) and central co-operative banks (CCBs) in a non-disruptive manner, with an intention to complete the licensing agenda by end of March 2012. After considering NABARD's recommendations for issuance of licences based on inspection or quick scrutiny, 41 out of 370 CCBs were found to be unable to meet the licensing criteria by end-March 2012. RBI, therefore, allowed time upto 30 September 2012 for concrete steps to be taken by these 41 banks and the respective state governments for meeting the licensing parameters. Based on the capital infusion and other support provided by the states, NABARD

¹ Committee on Financial Sector Assessment set up by GOI under the Chairmanship of Dr Rakesh Mohan in September 2006 for suggesting measures to make the Indian Financial System stronger.

recommended for issuance of licence to 15 banks and the balance 26 CCBs, however, did not meet the criteria by the set date, i.e., 30 September 2012. Further, 6 StCBs and 23 CCBs which had been granted licence by RBI earlier were found to be not able to maintain the 4% CRAR as on 31 March 2012. It is in such a background that RBI decided to have a relook at the working of the three tier rural cooperative banking structure, and constituted an Expert Committee (please see Annexure-1 for the RBI notification) under the Chairmanship of Dr. Prakash Bakshi, Chairman, NABARD and with representatives from Gol, RBI, State Govt., StCB and other experts as members with the following Terms of Reference (ToR):

- I. To assess the role played by State & District Central Cooperative Banks in fulfilling the requirement of agriculture credit, the primary purpose for which they were set up.
- II. To identify Cooperative Banks that may not be sustainable in the long run even if some of them have met the diluted licensing criteria for the time being.
- III. To suggest appropriate mechanism for consolidation by way of amalgamation, merger, takeover, liquidation and delayering.
- IV. To suggest pro-active measures that need to be taken in this direction by the Cooperative Banks themselves, Gol, State Govts, RBI and NABARD.
- V. Any other issues and concerns relevant to the subject matter.

The Committee comprised the following members:

- | | |
|---|----------------------|
| 1. Dr. Prakash Bakshi, Chairman, NABARD | :Chairman |
| 2. Shri V. Ramakrishna Rao, ED, NABARD | :Member |
| 3. Shri Umesh Kumar, Joint Secretary, DFS, Gol | :Member |
| 4. Dr. Mona Sharma, Principal Secretary, Cooperation,
Govt. of Odisha | :Member ² |
| 5. Shri Yadavalli Vijendra Reddy, President, APCOB | : Member |
| 6. Dr. B. Yerram Raju, Director, Development &
Research Services (P) Ltd (Expert in the field) | :Member |
| 7. Dr. H. S. Shylendra, Professor, IRMA, Anand | :Member |
| 8. Shri C.D. Srinivasan, CGM, RBI, RPCD, CO | :Member Secretary |

² Dr. Sharma attended one meeting. She was in the meantime posted as Chief Electoral Officer and did not participate later.

Approach

1.3 Basic premise of the Committee for analysing the business and financials, to arrive at conclusions and making recommendations was that ST CCS has been primarily set up for agricultural lending. In order to fulfil this obligation, a minimum of 15% market share in agricultural credit should be attained by the CCBs in their operational area and the percentage of agricultural lending should be at least 70% in their total loans outstanding. Attainment of CRAR at the designated level and maintaining the same and achieving higher CRAR within a time frame is of paramount importance and indicator of sustainable viability of the banks. Additional capital should be mobilised primarily through members' contribution and supplemented from other sources.

Methodology

1.4 Chairman of the Committee had an initial discussion with Dr K C Chakrabarty, Deputy Governor, RBI, for setting the broad contours and framework for the working of the committee, given the short span of about three months in which the Committee was required to submit its report. The Committee decided to obtain feedback from representatives of all the three tiers through formal and informal meetings, and held discussions with select representatives of cooperative banks and PACS, NAFSCOB members and officials, state govt. officials, eminent experts, and All India Cooperative Bank Employees Federation (AICBEF). Further, the ToR of the Committee was uploaded on the website of NABARD for soliciting comments and suggestions from interested persons and stakeholders. State governments and cooperative banks were also advised to give their views and suggestions on the TOR for consideration of the Committee. The Committee members also met several times in formal and informal meetings to discuss and finalise the analysis and contents of the report. (Details are furnished in Appendix 1,2 and 3). Dr Shylendra, member of the Committee took up a special study of the roles played by the StCB and CCBs in Gujarat (Appendix 4).


1.5 The Committee obtained available data on ground level credit flow to agriculture by CCBs and by all other agencies in the operational areas of CCBs alongwith the financial data and balance sheets of StCBs and CCBs as on 31 March 2012. Data and other relevant information from PLPs, State Focus Paper, inspection reports of NABARD, agenda notes of SLBC, etc. alongwith data available from

NAFSCOB, RBI, NABARD, and reports of various Committees was used. Given the weak database and MIS of the cooperative credit structure, the Committee made all possible efforts to verify and sanitise the data as far as possible before its use.

The report has captured changing scenario of rural banking (Chapter 2), the role of ST CCS in agricultural credit flow (Chapter 3), detailed analysis of financial performance of the entire ST CCS (Chapter 4), assessment of additional capital under different growth scenarios for achieving 7% CRAR by 2014-15 and 9% by 2016-17(Chapter 5), strategies for attaining higher CRAR and consolidation/liquidation measures wherever necessary (Chapter 6) and various policy measures and initiatives required for strengthening the ST CCS (Chapter 7).

1.6 The Committee would like to place on record its appreciation for the inputs received from the Chairmen and Presidents, MDs and CEOs of all StCBs/ CCBs, officials of state governments, members and CEO of NAFSCOB, eminent experts, members of AICBEF and other interested people, who have provided valuable suggestions and comments. The entire analysis of the financials of ST CCS including conceptualisation of various growth scenarios and developing the analysis matrices on which the conclusions and recommendations of the Committee are based was carried out by Dr. U.S. Saha, General Manager, Shri A.V. Joshi, AGM and Smt. S. Vijayalakshmi, AGM who were ably supported by S/Shri A K Parhi, DGM, J Suresh, AGM, Smt Y Nagalatha Rani, AGM, S M Sule, Manager, Rajendar Perna, AM, Ramesh Kumbhare, AM and A P Chandrahasan, AM in compilation and cleansing of data as well as data analysis. Shri Manoj Raiwad, SDA, Shri Vaibhav Wadkar, DA and Smt Vedanti Khandalkar, DA-WP provided competent logistical support to this team. The Committee would like to record its appreciation for the in-depth analysis of such voluminous data by this team in such a short period. The valuable inputs and suggestions received from S/Shri K V Rao, CGM, P B Subramanian, AGM and other colleagues in departments of Supervision and Institutional Development in NABARD are also duly acknowledged. The Committee also thanks all the Regional Offices of NABARD for providing information and organising various formal and informal meetings from time to time.

1.7 The Expert Committee is grateful to RBI for the opportunities given to the Committee and guidance provided. The Committee has made concerted efforts in analyzing the financials of cooperatives and made suggestions with the best of the knowledge of the Committee.



Dr. Prakash Bakshi
Chairman



V. Ramakrishna Rao
Member

Joint Secretary
DFS, Member,GOI

Dr. Mona Sharma
Member



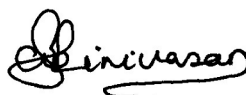
Y. Vijayender Reddy
Member



Dr. B. Yerram Raju
Member



Dr. H.S. Shylendra
Member



C.D. Srinivasan
Member Secretary

Chapter 2

Rural Cooperative Banking and Reforms

2.1 Rural credit cooperatives were born more than 100 years ago, and developed into two distinct streams of agricultural credit, one basically meeting the crop loan requirements of farmers, and the other supporting farmer level capital investments in agriculture. The structure which primarily meets the crop loan requirements is a three-tier structure in most of the states with primary agricultural credit cooperative societies (PACS) with farmers as their members at the base level, central cooperative banks (CCBs) as the intermediate federal structure with PACS as principal affiliated members, and the state cooperative bank (StCB) at the apex state level with CCBs and other cooperatives as its principal members. This three-tier cooperative credit structure is popularly known as the short-term cooperative credit structure (ST CCS).

2.2 The ST CCS functions as a three-tier structure in 16 states; while in 13 smaller states & union territories, PACS are directly affiliated to the StCB and the ST CCS functions as a two tier structure. In 3 states, a mixed structure, i.e., two tier in some districts, and three-tier in the other districts operates.

2.3 In principle, PACS was expected to mobilise deposits from its members, and use the same for providing crop loans to the needy members who need it. However, as deposits in PACS may not be enough to meet the loan requirements of all its farmer borrowing members, PACS draw support from the federal structure, viz., the CCB/StCB. The CCB was therefore constituted as a small bank working in small towns to mobilise deposits from public and provide the same for supporting the credit needs of PACS and its members. As part of the federal structure, the CCB was expected to also provide guidance and handholding support to PACS. StCB was set up in each state not only to mobilise deposits and thereby provide the required liquidity support to CCBs and PACS, but to also provide the required technical assistance, guidance and support to CCBs and PACS in fulfilling their

obligations towards their farmer members. Wherever required, the StCB was also expected to mobilise liquidity and refinance support from the higher financing institutions like NABARD for supporting the crop loan operations of CCBs and PACS affiliated to it. Over time, ST CCS has also been providing medium term loans for investments in agriculture and for the rural sector, often with refinance support of NABARD.

2.4 As on 31 March 2012, the ST CCS comprised about 93,000 PACS, 370 CCBs and 32 StCBs.

2.5 The ST CCS was the only institutional arrangement for providing agricultural credit until 1969. However, after nationalisation, commercial banks (CBs), and later, the regional rural banks (RRBs) which were established from 1975 onwards, also started catering to the needs of agriculture and rural development sectors.

2.6 The banking scenario is changing constantly and significantly due to rapid and radical reforms taking place in Indian banks since 1993. Application of prudential banking norms including norms for income recognition and asset classification (IRAC) and capital adequacy based on the risk (CRAR) to make them stronger and competitive was followed by capitalisation of public sector commercial banks and RRBs. Although IRAC norms were gradually applied to the StCBs and CCBs, the risk based capital norms were not applied to them for a variety of reasons.

2.7 In the meanwhile, the Committee on Financial Sector Assessment (CFSA), set up by Gol in September 2006 under the Chairmanship of Dr Rakesh Mohan looked into the financial health of all banks including the cooperative banks and made recommendations for improvement of financial health and systems for attaining/maintaining financial stability. A major recommendation of the Committee was to prohibit unlicensed banks from functioning beyond March 2012.

Reforms in ST CCS

2.8 The poor financial health of the ST CCS had been a cause of concern during the past five decades, and several committees had, in the past, been constituted to look into the problems that plague the sector and make recommendations. The latest was the Task Force chaired by Prof. A Vaidyanathan (2004-05) which suggested wide-ranging reforms in the governance and management of ST CCS including crucial amendments to the respective State Cooperative Societies Acts which were to precede the recommended one-time capitalisation jointly by the Central government and the state governments (with certain contribution required to be coughed up by the ST CCS of the state itself).

2.9 Based on the recommendations of the Vaidyanathan Task Force, the Gol announced a package for revival of the ST CCS in 2006, which sought:

- legal and institutional restructuring to make PACS, CCBs and StCBs democratic, member driven, autonomous and self-reliant institutions,
- radical changes in the legal framework to empower the RBI to take action directly in matters deemed appropriate for prudent financial management of banks,
- one-time financial assistance to wipe out accumulated losses and strengthen the capital base of each assisted institution to ensure CRAR of 7%, and
- qualitative improvement in personnel in all tiers and at all levels through capacity building and other interventions, leading to an increase in overall efficiency.

Status of implementation

2.10 The status of implementation of the Revival Package, as on 31 December 2012 is as under:

- Twenty-five state governments signed the MoU with Gol and NABARD to participate in and implement the package, and 21 States amended the respective State Cooperative Societies Acts.
- An amount of ₹ 9,002 crore was released by NABARD as Gol share, while the state govts. released ₹ 856 crore as their share for recapitalisation of 53,202 eligible PACS in 17 States. Recapitalisation assistance could not be released in many cases as the states did not complete all the necessary benchmark activities within the stipulated period.

Impact of the Revival Package

2.11 Impact studies conducted in 13 States showed positive and visible impact of the implementation of the revival package in certain areas like:

- Institutional and legal reforms including amendments to Cooperative Societies Acts, Rules, and Byelaws, thus creating the basis for autonomy to the banks and PACS.
- Release of recap assistance leading to improve liquidity of PACS which enabled them to re-commence lending and restore cash flow and income streams.
- The assisted PACS could attain CRAR of 7% after recapitalisation and many of them were able to maintain the same.

2.12 Post implementation of the revival package, financial indicators have shown varying degrees of improvement in all the three tiers of CCS. Loans disbursed by PACS during the period 2006-07 to 2009-10 registered a growth of 73% in Uttar Pradesh, 53% in Madhya Pradesh and 23% in Odisha. The annual average growth rate during the period 2003-04 to 2009-10 ranged from 62% in Odisha to 38% in Haryana. Small and marginal farmer coverage was a priority with the CCS and continued to be around 70% during the period 2006-07 to 2009-10 in Madhya Pradesh & Uttar Pradesh.

Chapter 3

Role of ST CCS in providing agricultural credit

Credit flow to Agriculture – Macro Analysis

3.1 The predominance of the cooperatives as the key credit provider of agricultural credit continued till mid-nineties when it was still meeting about 50% of agricultural credit provided by the entire banking system to farmers. But, with commercial banks stepping up their agricultural financing from 2001 onwards, and especially from 2003-04 onwards when the "doubling the agricultural credit" campaign started, commercial banks today provide almost three fourths of the total agricultural credit in the country with RRBs providing another 10% or so. The net result is that despite a modest growth of about 20% per year in its agricultural credit dispensation during the last five years, and having a rural penetration of over 93,000 PACS as compared to only about 50,000 rural and semi-urban branches of CBs and RRBs, the share of the cooperatives in agricultural credit has fallen to about 17% in 2011-12 (as shown in table below).

Agricultural Loans Disbursed during the Year (₹ in crore)						
Agency	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Coops.	42,480 (18)	48,258 (19)	46,192 (15)	63,497 (17)	78,121 (17)	87,963 (17)
RRBs	20,435 (9)	25,312 (10)	26,765 (9)	35,217 (9)	44,293 (9)	54,450 (11)
CBs	1,66,485 (73)	1,81,088 (71)	2,28,951 (76)	2,85,800 (74)	3,45,877 (74)	3,68,616 (72)
Total	2,29,400	2,54,658	3,01,908	3,84,514	4,68,291	5,11,029
Figures in brackets indicate percentage share of different agencies to total agricultural credit						

3.2 Although cooperatives are providing only 17% of agriculture credit, the share of cooperatives in total number of agricultural accounts held by the banking system is substantial. Cooperatives provided agricultural credit to 3.09 crore farmers during 2011-12 compared to only 2.55 crore farmers by commercial banks and 82 lakh by the RRBs. In fact, cooperatives financed

67 lakh new farmers during 2011-12 compared to 21 lakh new farmers by commercial banks and only 9 lakh new farmers by RRBs (as shown in table below).

Number of Loan Accounts Financed during the Year (in lakh)						
Agency	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Coops.	189	202	178	204	242	309
RRBs	62	62	76	73	73	82
CBs	172	175	202	205	234	255
Total	423	439	456	482	549	646

3.3 The success of cooperatives in reaching out to new farmers or those who had gone out of the active credit fold of the banking system is the real impact of the implementation of the Vaidyanathan revival package and implementation of the agricultural debt waiver and debt relief scheme in its true spirit.

3.4 Such high penetration by the cooperatives despite having a low share in the total agricultural credit flow has the immediate implication of per account loan at ₹ 28,467 (2011-12) being provided by cooperatives as compared to ₹ 66,000 per account by RRBs and almost ₹ 1.5 lakh per account by commercial banks (as shown in table below). This trend has been prevailing in the past also.

Agricultural Loan Disbursed per Borrowing Account (Amt. in ₹)						
Agency	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Coops.	22,476	23,890	25,951	31,126	32,281	28,467
RRBs	32,960	40,826	35,217	48,242	60,675	66,402
CBs	96,793	1,03,479	1,13,342	1,39,414	1,47,810	1,44,525

3.5 Given the increasing trend in fragmentation of holdings and growing preponderance of small and marginal farmers who would require much smaller quantities of loans as compared to medium and large farmers, an inference could perhaps be drawn that cooperatives are increasingly supporting the neglected or sidelined category of small and marginal farmers. Although this is a positive sign, the fact cannot be overlooked that almost 55%

of the agricultural loan accounts of commercial banks and almost 72% of the agricultural loan accounts of RRBs also pertain to small and marginal farmers (as shown in table below).

Small and Marginal Farmer Accounts for Loans Disbursed during the Year (No. in lakh)						
Agency	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Coops.	101 (53)	118 (58)	97 (55)	128 (63)	159 (66)	205 (66)
RRBs	40 (65)	42 (67)	43 (57)	50 (69)	52 (71)	59 (72)
CBs	74 (43)	97 (55)	106 (52)	107 (52)	125 (53)	141 (55)
Total	215	257	246	285	336	405
Figures in brackets indicate percentage of small and marginal farmer accounts to total accounts						

3.6 It is therefore, not that cooperatives alone finance small and marginal farmers, while other banks finance only large farmers, as is often made out. At the same time, as has been mentioned elsewhere, cooperatives are severely constrained in terms of resources for lending, due to which PACS in almost all the states have prescribed individual maximum borrowing power (IMBP) as an outer ceiling for any individual loan to their members. Although there is no documented evidence, given the fact that the proportion of small and marginal farmers financed by RRBs is much higher than by cooperatives, and the per loan account amount provided by RRBs is almost 2½ times that provided by cooperatives, the possibility of fairly large number of borrowers from cooperatives being underfinanced and not getting adequate loan to meet their requirements and some members not getting any loans at all cannot be ruled out. The resources position as well as the other than agricultural³ credit business of the ST CCS therefore, needs to be looked in greater detail.

³ Other than agriculture credit term is used as non-agriculture credit in other paras of the report.

Agricultural Credit by different Tiers of ST CCS⁴

Role of PACS

3.7 84,327 PACS affiliated to 366 CCBs⁵ issued agricultural loans aggregating ₹ 67,531 crore, which constituted 92% of the total agricultural credit of ₹ 73,313 crore disbursed by CCBs (Annexure 3.1). In other words, only about 10% of the agricultural loans issued the PACS were supported through deposits mobilised by PACS and the rest 90% had to be provided by CCBs either through their own resources or through borrowings.

3.8 Agricultural loans issued by PACS constituted 59% of the total loans issued by PACS at ₹ 1.14 lakh crore. In other words, almost 41% of loans provided by PACS, either through internal resources or through borrowings from CCBs, were for non-agricultural purposes. The aggregated data at all India level however, gets distorted due to the high proportion of non-agricultural loans issued by PACS in four states like Kerala, Tamil Nadu, Karnataka & Uttar Pradesh where this proportion was as high as 76% of total non-agriculture loans. The PACS in these 4 States disbursed ₹ 42,611 crore, which constituted 91% of the total non-agriculture loans.

3.9 The average loan size of PACS worked out to ₹ 27,405 per account and varied hugely between less than ₹ 1,000 in Jammu and Kashmir (J&K) to over ₹ 60,500 in Punjab. The average agricultural loan per account also varied similarly from less than ₹ 1,000 to almost ₹ 80,000 in the same states. The average agricultural loan per account was however lower than the average loan per account. The detailed analysis showed that the size of agri loans was much higher than the size of non-agriculture loans in states like Punjab, Haryana, Uttarakhand etc. while the reverse is true in states like Kerala.

3.10 An area of concern however is the fact that only a little more than 4 crore members availed loans from PACS out of the total membership of over 9 crores signifying that the majority of the members do not avail of loan services

⁴ In order to remove biases in drawing conclusions, the analysis is based on average of last three years.

⁵ Data for all PACS and CCBs was not available; the analysis is based on available data which covers more than 90% of PACS and CCBs and is therefore fairly representative and conclusive

from their cooperative; there are reasons to believe that most of such members did not become members for availing of the services of the PACS. Such a large proportion of inactive members also has its negative impact on the governance of the PACS.

Role of CCBs

3.11 As per the available data, 366 CCBs had disbursed agricultural loans aggregating ₹ 73,313 crore (average of last three years), while the year-wise agricultural loans had actually increased from ₹ 58,772 crore to ₹ 88,517 crore during the period. The three year average of crop loans issued by the CCBs stood at ₹ 67,406 crore constituting 92% of the total agricultural loans issued by CCBs (Annexure 3.2). In other words, the CCBs were found to be performing the principal task of supporting PACS for providing crop loans so far as their agricultural loan portfolio is concerned.

Share of agricultural loans

3.12 The share of agricultural loans to total loans issued by the CCBs, as an aggregate, was only 57%, although the actual shares range from as low as 12% in Jharkhand to 100% in Bihar. CCBs in 13 states had more than 50% share of agricultural loans to their total loans (Annexures 3.3 & 3.4).

3.13 As seen earlier, the aggregate share of agricultural loans by CCBs was about 22% in their operational area⁶; state-wise it ranged from as low as 1% in Jharkhand to almost 50% in the states like Maharashtra and Odisha. The share of CCBs in crop loans disbursed by all agencies ranged from a low of 1% in Jharkhand to 63% in Chhattisgarh.

3.14 The role played by 366 CCBs in their operational areas in providing agricultural credit is presented in the table below. It would be seen that more than one third of CCBs supported less than 15% the total agriculture credit flow in the operational area. In fact, only one third of the CCBs supported more than 30% of the agricultural credit in their operational areas, and two thirds of the CCBs were failing to provide even 30% support to the agricultural

⁶ This data pertains only to CCBs and not for entire ST CCS

credit flow in their operational area, the principal purpose for which the CCBs and the entire set up of ST CCS was created. The Committee is of the opinion that ST CCS, which was primarily constituted for provision of agricultural credit must provide at least 15% of the agriculture credit requirements in its operational area, gradually increasing it to at least 30%. The Committee also recommends that if a CCB or StCB consistently underperforms and provides less than 15% share of agricultural credit in the operational area, then that bank should be declared and treated as an urban co-operative bank.

Share of CCBs in Agriculture Lending in their Operational Area						
		> 50%	> 30% to 50%	> 15% to 30%	= <15%	Total
No.	of	38	77	120	131	366
CCBs						
%		10	21	33	36	100

3.15 The Committee also noted that almost 40% of the loans provided by PACS and almost half the loans provided by CCBs are for non-agricultural purposes, although the share of many of these PACS and CCBs in agricultural credit was less than 30% in their operational area. The Committee noted with concern that these PACS and CCBs were not performing the role for which they were constituted. The Committee therefore recommends that CCB should strive to provide at least 70% of their loan portfolio for agriculture.

Role of ST CCS in NER and UTs

3.16 As mentioned earlier, PACS and other cooperatives are directly affiliated to StCBs in the small and north-eastern states (NER) and union territories (UTs). The 8 NER StCBs, including in Assam, have 231 branches and about 3,000 PACS are affiliated to them. However, the ST CCS provides not more than 4% of the agricultural credit provided in these states by the banking system. In other words, these ST CCS are not playing the primary role of providing agricultural credit in these states. In other smaller states like Goa, Pondicherry and Delhi as well as union territory like Chandigarh, there is practically no agriculture being practised in their operational areas of these StCBs, and even the agri-loans issued by these StCBs are actually for supply and distribution of inputs etc. These StCBs therefore actually cater to the deposit and loan requirements of the urban population. In fact, the

Chandigarh StCB has formally written to the committee that they would like to function as an urban co-operative bank as most of the agricultural land in the UT has been acquired for non-agricultural purposes and as a result the PACS have become non-viable.

3.17 The Committee therefore recommends that StCBs in the NER region as well as smaller states and union territories like Delhi, Goa, Chandigarh etc which provide insignificant credit to agriculture and are catering to the requirements of only the urban population may therefore be declared and treated as urban co-operative banks. Necessary amendments in the State Cooperative Societies Acts, Rules and byelaws of these banks may have to be carried out for this purpose.

Chapter 4

Financial performance of ST CCS - an Overview

4.1 Financial performance of ST CCS comprising 31 StCBs, 370 CCBs and over 93,000 PACS in terms of business and profitability parameters is analysed for 2007-08 and 2011-12 in this chapter (detailed data presented in Annexures 4.1, 4.2 and 4.3). It would be seen that although these banks have a common nomenclature as StCBs and CCBs, they differ significantly from one another on almost all financial parameters.

Performance of Three and Mixed Tier ST CCS

4.2 As on 31 March 2012, this segment of ST CCS comprised 18 StCBs⁷, 370 CCBs and about 89,700 PACS constituting more than 90 per cent of the PACS in the country.

State Cooperative Banks (StCBs)

Sources of Funds

Owned Funds

4.3 Three StCBs, viz., Tamil Nadu, Andhra Pradesh and Maharashtra⁸, each with more than ₹ 1,000 crore of owned funds accounted for almost 40% of the total owned funds of the 18 StCBs which aggregated ₹ 9,578 crore. In fact, 11 StCBs had owned funds of less than ₹ 500 crore each out of which 2 StCBs did not have owned funds of even ₹ 100 crore.

4.4 Owned funds are most critical to CRAR, and it is seen that each of the three StCBs with less than 4% CRAR, viz., Assam, West Bengal and Kerala, had less than ₹ 200 crore owned funds.

Deposits

4.5 Deposits constituted about 60% of the resources of StCBs. Aggregate deposits of 18 StCBs stood at ₹ 78,270 crore and had grown at about 9%

⁷ The 19th StCB in this segment has been registered in Jharkhand, but is yet to be given banking license

⁸ AP (₹ 1,600 crore), Tamil Nadu (₹ 1,575 crore) and Maharashtra ₹ 1,101 crore)

during the last 5 years. In comparison, the deposits of the rural and semi-urban branches of scheduled commercial banks and RRBs had recorded growth rates of about 18% and 17% respectively. In fact, the growth of deposits of scheduled commercial banks in rural and semi-urban areas was higher than their aggregate deposit growth.

4.6 Geographical distribution of deposits showed that five StCBs, viz., Himachal Pradesh, Karnataka, Kerala, Tamil Nadu and Maharashtra, each with deposits of over ₹ 5,000 crore accounted for more than 50% of the aggregate deposits of StCBs. Maharashtra StCB, with a deposit base of ₹ 15,862 crore, alone accounted for almost 20% of the aggregate deposits of StCBs.

Types of Deposits

4.7 Further analysis showed that almost 90% of the total deposits of StCBs were term deposits (please see Table below). This large proportion of term deposits had its negative impact on cost of funds.

Deposits by Type (₹ in crore)				
Year	Current	Savings	Term	Total
2007-08	2,917 (5%)	3,531 (7%)	46,499 (88%)	52,947
2011-12	3,893 (4%)	5707 (7%)	68,670 (89%)	78,270

4.8 The disaggregated analysis showed that only Himachal StCB among the large StCBs had more than 30% CASA deposits, while smaller StCBs like Bihar and J&K had CASA deposits of 46% and 35% respectively. In 15 StCBs, CASA deposits accounted for less than 20% of their total deposits (Annexure 4.4).

Sources of Deposits

4.9 Almost 79% of the deposits with StCBs were from the affiliated cooperatives themselves, with CCBs accounting for ₹ 53,414 crore or 68% of the total deposits of the StCBs (please see table below). The deposits from

CCBs were in the form of term deposits for CRR and SLR purposes⁹. As most of the StCBs have branches only in the state capital or its neighbourhood, an attempt was made to see whether deposits mobilised from individuals by the StCBs and the branches of the CCBs in the capital district of the state varied significantly. It was seen that in most of the states, branches of both StCBs as well as the CCBs in the capital districts were equally important in mobilising deposits from individuals. In one sense therefore, the branches of StCB competed with those of the CCB in mobilising deposits from individuals in the capital region, which could have generally been held as the logical business area of the CCB.

Deposits by Source (₹ in crore)					
Year	Individuals	CCBs	Other Societies	State Govt & its bodies	Total
2007-08	9147 (17%)	34193 (65%)	9179 (17%)	428 (1%)	52947
2011-12	15072 (19%)	53414 (68%)	8738 (11%)	1045 (1%)	78270

Borrowings

4.10 Borrowings constituted about 25% of total resources of the StCBs with almost 90% borrowings coming from NABARD (please see Table below).

Borrowings by Source (₹ in crore)				
Year	NABARD	State Govt	Other FIs	Total
2007-08	20,338 (92.10)	264 (1.20)	1,480 (6.70)	22,082
2011-12	38,489 (89.6)	821 (1.9)	3,642 (8.5)	42,953
Note : Figures in brackets indicates the percentage to the total borrowings				

As almost the entire borrowing from NABARD was refinance for crop loans, it was provided at the subvented interest rate of 4%¹⁰. Due to such subvented borrowings, the average financial cost of borrowings worked out to 5.5% for StCBs. Availability of subvented refinance was also to some extent responsible for the StCBs not mobilizing CASA deposits aggressively.

⁹ A small portion of about 3-4% of the SLR requirements of CCBs was directly invested by them in other approved securities and investments

¹⁰ Refinance for crop loans is now provided at 4.5%

Uses of Funds

Loans Outstanding

4.11 The total loans outstanding of the 18 StCBs as on 31 March 2012 was ₹ 73,978 crore, of which agricultural loans outstanding was ₹ 43,399 crore constituting 58.7% (Please see Table below). The short term agricultural loans outstanding stood at ₹ 39,418 crore constituting 53.3% of the total loans and formed about 91% of total agricultural loans provided by StCBs. As regards the growth in loans other than agriculture purpose, there was no uniform pattern in year-to- year growth.

Total Loans O/s of StCBs in Federal Structure			
(₹ in crore)			
As on 31 March	Total Loans¹¹ Outstanding	Of Total, Agri Loans	Of Total, Non-Agri loans
2008	48,144	26,999 (56.1%)	21,145 (43.9%)
2012	73,978	43,399 (58.7%)	30,579 (41.3%)

Note : Figures in brackets indicate percentage to the total borrowings

4.12 The above table shows that StCBs had substantial non agricultural portfolio to the extent of 41% of total loan outstanding as on 31 March 2012. In general, the performance of StCBs under non-agricultural (other than agricultural) portfolio was not good and gross NPA level was quite high as observed in a number of cases. For example, gross NPA in Maharashtra StCB was about 34% for non-agricultural loans, and the proportion of non-agricultural loan was also high at around 64% of total loans outstanding. It was also observed in case of some StCBs that their gross NPA level was reasonable, e.g., Punjab StCB at 2.6% with 21% non-agricultural loan and West Bengal StCB at 4.3% with 27.5% share of non agricultural loan. A few examples of performance of StCBs are given in Annexure 4.5. StCBs, therefore, need to be cautious while financing non-agricultural projects and risk factors need to be factored in judiciously.

¹¹ It may be mentioned that 86% of loans disbursed by StCBs was through CCBs. StCBs primarily lend to CCBs out of own / NABARD fund as may be seen from para 4.26 on borrowing of CCBs.

4.13 The proportion of agricultural loans to total loans outstanding ranges from 89% in Rajasthan to 5% in J&K StCB. Agricultural loans of 8 StCBs constituted more than 70% of their total loans outstanding (AP, Haryana, Karnataka, MP, Orissa, Punjab, Rajasthan & Uttaranchal).

4.14 Further, a broad assessment indicated that StCBs used 74% of own lendable resources¹² of ₹ 64,288 crore to support their total lending (₹ 73,978 crore) and borrowing was used for the remaining portion of lending¹³. Thus, about one fourth of the lendable resources which could have been deployed for lending were in fact utilised by StCBs for making non-SLR investments.

4.15 The proportion of agricultural loans outstanding to their own lendable resources was 67.5%. NABARD provided resources to the extent of 59% for agriculture and related eligible activities. In other words, StCBs depended heavily on NABARD for financing agriculture, their principal business, even when they had their own resources for the same. A major reason for such large borrowing, especially for crop loan purposes is the subvented nature of refinance when compared to the cost of their own lendable resources.

Investments

4.16 The total investments of the StCBs as on 31 March 2012 which stood at ₹ 52,837 crore had increased by 74% over the 2008 position. SLR investments constituted 48% of the total investments.

Investments of StCBs (₹ in crore)			
As on 31 March	Total investments	Of which SLR	SLR Investments as % to total investments
2008	30,298	16,406	54
2012	52,837	25,341	48

Regulatory Issue

4.17 It is seen that CCBs deposited ₹ 53,414 crore with StCBs as CRR/SLR deposits, while the StCBs had loans outstanding of ₹ 73,978 crore to the

¹² Lendable resources = capital + free reserves + deposits - CRR & SLR deposits as investments.

¹³ When borrowing amount is netted out from total loans, then StCBs used 48.3% of their own lendable resources.

same CCBs. The CRR/SLR deposits are kept with StCB for "safety" associated with such statutory deposits and lending a large portion of it back to the CCBs seems to go against the very spirit of CRR/SLR deposits. However, it may not appear to be so if the capital, reserves and borrowings of the StCBs are also taken into account. However, if that is done, the CRR/SLR deposits of CCBs kept with the StCBs would seem to be used for lending to other cooperatives and individuals for non-agricultural purposes which are even more riskier if their data on NPAs on such loans are taken into account. It may therefore become necessary to prescribe safe investments for the statutory deposits of CCBs kept with StCBs. The Committee recommends that StCBs (and CCBs) may be given a higher share in the food consortium credit as one possible measure.

Central Cooperative Banks (CCBs)

4.18 The overall performance of 368 CCBs¹⁴, based on available data is as follows:

Sources of funds - Owned Funds

4.19 The owned funds of the 368 CCBs comprising share capital, free reserves and other reserves stood at ₹ 22,262 crore as on March 2012 as against ₹ 15,166 crore as on March 2008. The owned fund status of CCBs was highly skewed with 235 CCBs (64%) having owned funds of less than ₹ 50 crore. While 53 CCBs have owned funds between ₹ 100 and ₹ 500 crore, another 79 CCBs have owned funds between ₹ 50 crore and ₹ 100 crore. One CCB, viz., Kangra is the only CCB to have owned funds in excess of ₹ 500 crore.

Deposits

4.20 Aggregate deposits of the 368 CCBs increased since March 2008 at an average rate of around 12% during the last five years as compared to about 18% and 17% for rural and semi-urban branches of scheduled commercial banks and RRBs. The deposits status was also highly skewed. While 2 CCBs

¹⁴ Data in respect of Magadh & Motihari CCBs not received for 2011-12, hence excluded from analysis.

had deposits of more than ₹ 5,000 crore each, 42 CCBs between ₹ 1,000 and ₹ 5,000 crore, and 58 CCBs between ₹ 1,000 and ₹ 500 crore. As many as 266 CCBs (72%) had mobilised deposits of less than ₹ 500 crore, out of which 45 CCBs had mobilised even less than ₹ 100 crore (Annexure 4.6).

Deposits by Source

4.21 Unlike the case of StCBs, the CCBs had a significantly higher proportion of individual deposits (65%) in 2011-12 (please see table below); and deposits from the cooperative system worked out to around 28% of the total deposits. This showed that branch network had helped in mobilising deposits from individuals.

Deposits by Source (₹ in crore)					
Year	Individuals	PACS	Other Societies	State Govt & its bodies	Total
2007-08	69,019 (61%)	17,091 (15%)	17,077 (15%)	9,340 (8%)	1,12,527
2011-12	1,21,510 (65%)	30,776 (16%)	22,567 (12%)	12,800 (7%)	1,87,653
<small>Note : Figures in brackets indicates the percentage to the total borrowings</small>					

Deposits by type

4.22 Term deposits constituted the major part (around 58%) of the total deposits mobilised by these CCBs (please see table below). This pattern remained consistent over the years, and CASA deposits continued at about 42% of the total deposits of CCBs. While CASA deposits of 142 CCBs (38%) was less than the all India average of 42%, of which 76 CCBs had CASA of about 30%, and 6 CCBs from Andhra Pradesh and one from Kerala had less than 14% of their total deposits as CASA. At the aggregate level, deposits mobilised by the CCBs were more than deposits mobilised by RRBs. The difference however was that in the case of RRBs, term deposits constituted only 42% of the aggregate deposits while in case of CCBs this was 58% in 2011-12. This reversal of proportions of CASA and term deposits between CCBs and RRBs has a telling effect on the cost of funds of these institutions.

Deposits by Type (₹ in crore)				
Year	Current	Savings	Term	Total
2007-08	9,197 (8%)	37,116 (33%)	66,214 (59%)	1,12,527
2011-12	15,709 (8%)	63,297 (34%)	1,08,647 (58%)	1,87,653

Note : Figures in brackets indicates the percentage to the total borrowings

4.23 Deposit mobilisation by CCBs and StCBs of the two-tier structure focuses on rural and semi-urban areas. It is interesting, therefore, to compare their performance with deposit mobilisation by rural and semiurban branches of commercial banks and RRBs as on 31 March 2011. It is seen that the share of term deposits was about 10% higher for cooperatives as compared to commercial banks and about 17% higher than RRBs. While commercial banks and RRBs mobilised CASA deposits to an extent of 54% & 62% to total deposits respectively, the comparable share for cooperatives was 45% (please see table below). Because of such composition of deposits, the cost of deposits of the cooperatives worked out to 5.9%, while the cost of deposits of the RRBs was 5.0%. This difference of about 1% in cost of funds had an adverse impact on the profitability of the cooperatives.

Comparative Position of Deposits across Agencies as on 31 March 2011 (₹ in crore)					
Rural & Semi urban branches of	Current	Savings	Term	Total	% of CASA
a. SBI, PSBs, & other CBs	79,346	4,94,266	4,97,103	10,88,831	
% to total	8	46	46	100	54
b. RRBs	6,420	79,977	52,984	1,39,381	
% to total (a+b)	5	57	38	100	62
c. CCBs/StCBs*	14,759	62,508	96,225	1,73,493	
% to total	9	36	55	100	45

* deposits of StCBs in districts where there are no CCBs and StCB practically works as a CCB included

Borrowings

4.24 Total borrowings which stood at ₹ 53,863 crore constituted about 18% of the total resources of the CCBs. Borrowings from the higher tier/ NABARD constituted 78 % of the total borrowings (please see Table below).

Borrowings of CCBs			(₹ in crore)
Year	Total	Of total, borrowings from higher tier/ NABARD	Of total, State Govt/ ICDP etc.
2007-08	32,073	24,997 (78)	7,077 (22)
2011-12	53,863	42,265 (78)	11,599 (22)

Note : Figures in brackets indicates the percentage to the total borrowings

Uses of funds

Loans Outstanding

4.25 Aggregate outstanding loans of the 368 CCBs which stood at ₹ 1,57,028 crore showed an increase of 53% over 2008. The year to year growth was however, uneven. During 2008-09 there was negative growth, whereas during 2010-11 the growth was over 20%. There was also no uniformity in the growth of ST and MT loans. Short term loans constituted around 70% of the total loans outstanding. Loans to agriculture constituted around 51% of the total loans outstanding.

Total Loans O/s of CCBs (₹ in crore)				
As on 31 March	Total Loans Outstanding	Of which, Agri Loans	% of Agri loans to total	Of total, non agri loans
2008	1,02,379	60,630	59	41749
2012	1,57,028	80,022	51	77,006

4.26 A sample study of 28 CCBs showed that 23% CCBs had more than 10% gross NPA level under non-agriculture loan portfolio. The range of NPA varied from 10% (Khammam CCB with about 26% share in non-agri. loans) to 67% (Kolhapur CCB with 60% share in non-agri. loans). Some of the CCBs, such as Karimnagar (about 61% non agri share) had NPA level of 3.4% as on 31.3.2012. The details of the samples are given in the Annexure 4.7. The conclusion is that CCBs should not expand the loan portfolio to non agricultural purposes indiscriminately without considering the risk factors.

4.27 Further analysis showed that about 79% of the own lendable resources of CCBs were deployed in lending. The total owned funds of CCBs stood at ₹ 17,604 crore and deposits, net of SLR and CRR investments, available for lending stood at ₹ 1,31,357 crore. Thus, the total internal resources of the

CCBs available for lending work out to ₹ 1,48,961 crore. Since CCBs had net borrowings of ₹ 53,863 crore, an amount of ₹ 1,03,165 crore were loans outstanding net of borrowings. In other words, the CCBs had made investments of about ₹ 45,000 crore even beyond their SLR and CRR deposits which could have been very well used for expanding their loan portfolio.

Investments

4.28 Nearly 32% of the resources of the CCBs were kept as investments, and investments at ₹ 94,769 crore constituted 51% of the deposits. The return on investments worked out to 8.1%.

CCBs in Profit and Losses

4.29 As may be seen from the table below, the number of CCBs making current profits improved substantially by 2011-12 as compared to 2007-08, with about two thirds of the loss-making CCBs in 2007-08 making current profits in 2011-12. Only about 13% of the CCBs are now making losses. This was the result of the loan defaults of PACS being cleared due to implementation of the Vaidyanathan package as well as the agricultural debt waiver and debt relief scheme. The loss amounts however ranged widely from ₹ 10 lakh in Lalitpur CCB to ₹ 51 crore in Bolangir CCB.

CCBs In Profit or Loss (₹ in crore)				
Year	CCBs in Profit	Amount	CCBs in Loss	Amount
2007-08	259	+ 858	109	- 935
2011-12	325	+ 1,511	43	- 334

4.30 During 2011-12, Kolhapur CCB¹⁵ had reported the highest profit amount of ₹ 79.61 crore, mainly on account of ploughing back of excess provision of ₹ 62.80 crore. While 36 CCBs earned profit of above ₹ 10 crore each, 54 CCBs earned profit between ₹ 5 and ₹ 10 crore. However, 236 CCBs, or almost two third of the CCBs, earned profits of less than ₹ 5 crore, and as many as 92 CCBs (25%) earned current profit of less than ₹ 1 crore.

¹⁵ This bank is, however, non compliant of Section 11(1) of BR Act, 1949 (AACS).

4.31 116 CCBs still carry accumulated losses of ₹ 4,334 crore, ranging from as less as ₹ 16 lakh to ₹ 199 crore. Twelve CCBs carry losses of above ₹ 100 crore each.

Costs and Margins

4.32 The costs and margins of CCBs in comparison with RRBs during 2007-08 and 2011-12 are given in the table below

Costs & Returns of CCBs vis a vis RRBs (in %)				
	CCBs		RRBs	
	2007-08	2011-12	2007-08	2011-12
Yield on loans	8.3	8.9	8.9	9.6
Return on Investments	6.9	8.1	6.7	7.2
Financial Return	7.0	7.6	8.1	8.7
Cost of Deposits	5.5	5.9	4.2	5.0
Cost of Borrowings	5.7	5.3	5.6	6.3
Financial Cost	4.7	5.0	4.4	5.2
Financial Margin	2.4	2.7	3.7	3.5
Staff Cost	1.2	1.2	1.9	1.8
Administrative Cost	0.6	0.7	0.7	0.7
Operating Cost	1.8	1.9	2.5	2.5
Operating Margin	0.6	0.8	1.2	1.0
Miscellaneous Income	0.8	0.6	0.6	0.5
Risk Cost	1.5	0.9	0.8	0.7
Net Margin	-0.04	0.4	1.0	0.8
Figures rounded off				

4.33 While the cost of deposits of the RRBs (5.0% in 2011-12) was lower than that of the CCBs (5.9% in 2011-12), the cost of borrowings of RRBs was significantly higher in 2011-12 (6.3%) as compared to (5.3%) of CCBs. Although, the share of non agri loans of CCBs (49%) was slightly higher in terms of percentage as compared to RRBs (45%), yield on loans of RRBs was higher (9.6%) as compared to CCBs (8.9%). The staff cost of CCBs (1.2%) was significantly lower than that of the RRBs (1.8%). As a result, the operating cost of the CCBs was much lower (1.9%) as compared to RRBs (2.5%).

4.34 The higher financial margin of the RRBs ensured that their net margin remain positive and higher than that of the CCBs (0.4% as against 0.8% of RRBs).

4.35 It can be inferred from the above analysis that the earnings of the CCBs was lower primarily on account of higher cost of deposits.

PACS

4.36 The owned funds of about 90,000 PACS under the three tier and mixed tier structures stood at ₹ 14,368 crore as on 31 March 2011. The average owned funds per PACS works out to ₹ 0.16 crore.

4.37 Total deposits of the PACS which were around ₹ 25,225 crore as on 31 March 2008 increased to ₹ 37,062 crore as on 31 March 2011 registering an average growth of 15%. The average deposits per PACS, however, works out to ₹ 0.41 crore only, and excluding the deposits in the three southern states, the average deposits per PACS worked out to only ₹ 11 lakh.

4.38 Total borrowings of PACS which were around ₹ 47,375 crore as on 31 March 2008, increased to ₹ 53,892 crore as on 31 March 2011. The loans outstanding which stood at ₹ 64,998 crore as on 31 March 2008 increased to ₹ 87,625 crore as on 31 March 2011. The share of ST loans ranged between 65% to 72% over the period.

Profitability

4.39 Of the total number of 93,000+ PACS, data on profitability for 2010-11 is available for 80,858 PACS. During 2010-11, 54% of the PACS, i.e., 43,850 PACS earned profit of ₹ 1,756 crore while 46%, i.e., 37,008 PACS incurred loss of ₹ 1,926 crore.

Performance of Two tier ST CCS

4.40 As on 31 March 2012, the Two tier ST CCS consists of 13 StCBs and 3,668 PACS spread across 13 States/UTs inclusive of 8 NER States, and smaller states like Delhi and Goa. This structure comprises less than 5% of the total outlets of the ST CCS.

State Cooperative Banks(StCBs)

Sources of funds

Owned Funds

4.41 The owned funds of the 13 StCBs comprising share capital, free reserves and other reserves stood at ₹ 834 crore as on 31 March 2012 as against ₹ 645 crore as on 31 March 2008. Only 3 StCBs, viz., Arunachal Pradesh, Delhi, and Goa, out of the 13 StCBs have own funds of more than ₹ 100 crore each.

Deposits

4.42 Deposits at ₹ 8,160 crore in March 2012 constituted about 77% of the total resources of the StCBs. Aggregate deposits of the 13 StCBs have increased since March 2008 at an average growth rate of around 16% during the last five years. While 4 StCBs had deposits of more than ₹ 1,000 crore each, 2 StCBs had deposits above ₹500 crore, 5 StCBs had deposits between ₹ 100 and ₹ 500 crore, and 2 StCBs had deposits of ₹ 95 crore each only.

Deposits by type

4.43 As these StCBs primarily cater to the requirements of town population, they are able to tap CASA deposits of around 57%. In fact, although the StCBs in the two tier structures have CASA deposits of above 50% at the aggregate, CASA deposits in seven StCBs constituted more than 60% of the total deposits.

4.44 Also, in a significant departure from the trend observed so far, around 83% of the total deposits were collected from individuals, around 10% from affiliated cooperatives and the balance of around 7% from local bodies and other institutions.

4.45 A significantly higher share of CASA deposits has resulted in a low average cost of deposits at 5.2%.

Borrowings

4.46 Borrowings of the 13 StCBs stood at only ₹ 472 crore as on 31 March 2012. Borrowings from NABARD constituted 39% of the total borrowings while borrowings from State Govts and other financial institutions worked out to 30% each. The primary reason for low borrowings is the extremely low share of agricultural business in these states.

Uses of funds

Loans Outstanding

4.47 Loans outstanding of the StCBs in two tier structure which was ₹ 2,174 crore as on 31 March 2008, increased to ₹ 3,666 crore as on 31 March 2012. During the period, growth in loans outstanding was around 69%. Short term loans constituted around 23% of the total loans outstanding. Loans to agriculture constituted around 11% of the total loans outstanding. With such low share of agricultural loans and almost all loans being directly provided to clients in urban areas, these StCBs were practically working as urban cooperative banks.

Total Loans O/s of StCBs (₹ in crore)			
As on 31 March	Total Loans Outstanding	Of which, Agri Loans	% of Agri loans to total
2008	2,174	234	11
2012	3,666	393	11

Investments

4.48 Total investments of the StCBs increased from ₹ 2,800 crore as on 31 March 2008 to ₹ 5,043 crore as on 31 March 2012. Investments which stood at 64% of the total deposits as on 31 March 2008 declined to 62% of the total deposits as on 31 March 2012.

Profitability

4.49 Eleven of the 13 StCBs earned profit during 2011-12 (please see Table below). During this year, 4 StCBs earned profit of above ₹ 10 crore each.

StCBs in profit and in loss (₹ in crore)				
Year	in Profit	Amount	in Loss	Amount
2007-08	9	+ 38	4	- 31
2011-12	11	+ 94	2	- 7

The aggregate accumulated losses of 5 StCBs totalled ₹ 220 crore with Arunachal Pradesh carrying the highest accumulated loss of ₹ 129 crore.

Costs and Margins

4.50 Cost, margin and financial ratios of StCBs in three and mixed tier vis-a-vis two tier structures are given in table below (state-wise details given at Annexures 4.1 and 4.3)

	Costs & Returns of StCBs (in %)			
	Three & Mixed Tier		Two Tier	
	2007-08	2011-12	2007-08	2011-12
Yield on loans	5.8	7.1	8.2	8.4
Return on Investments	7.8	7.8	8.3	9.5
Financial Return	6.2	6.7	6.6	7.8
Cost of Deposits	6.1	7.6	4.6	5.2
Cost of Borrowings	4.1	3.9	5.3	6.0
Financial Cost	4.8	5.5	3.6	4.4
Financial Margin	1.3	1.2	3.0	3.3
Staff Cost	0.4	0.4	1.4	1.8
Administrative Cost	0.5	0.3	0.8	0.7
Operating Cost	0.9	0.7	2.2	2.5
Operating Margin	0.5	0.5	0.8	0.8
Miscellaneous Income	0.1	0.4	0.5	0.5
Risk Cost	0.3	0.4	1.2	0.5
Net Margin	0.3	0.4	0.1	0.8
Figures rounded off				

4.51 In comparison with the StCBs in the three and mixed tier structures, higher yield on loans which are for non-agricultural purposes and investments have resulted in significantly higher financial margin for the StCBs in two tier structure (3.3% as against 1.2% in three tier StCBs in 2011-12). However, on account of higher staff cost (1.8% as against 0.4% in StCBs in three and mixed tier in 2011-12), the net margin of these StCBs has declined to 0.8%, but still higher than that of the three tier structure at 0.4%

PACS

4.52 Of the 93,000 and odd PACS at in the country, only about 3,700 PACS operate in the two tier structure. These PACS are however in poor financial

health in respect of all parameters ranging from paid-up capital to deposits and loans outstanding. Their deposits actually declined from ₹ 225 crore in 2007 to ₹ 176 crore in 2011, and loans outstanding also declined from ₹ 668 crore to ₹ 142 crore during the same period. Most of these PACS are either defunct or engaged in non-agricultural activities like providing public distribution and other such services.

4.53 As per available data, during 2007-08, 776 PACS earned profit of ₹ 80 crore and 908 PACS incurred loss of ₹ 113 crore. During 2010-11, 704 PACS earned profit of ₹ 85 crore and 958 PACS incurred loss of ₹ 120 crore. Data in respect of remaining PACS (2,047 PACS for 2006-07 and 2,006 PACS for 2010-11) is not available readily.

4.54 The foregoing analysis shows that conclusions cannot be drawn on operational efficiencies between StCBs in three tier and two tier CCS merely on the basis of structures as these two structures are not comparable as most of the StCBs in two tier system are either located in NER/ backward/ disturbed areas or are urban in character.

Chapter 5

Financial Sustainability of ST CCS

5.1 The terms of reference of the committee included, inter alia, "to identify cooperative banks that may not be sustainable in the long run even if some of them have met the diluted licensing criteria for the time being". Both CCBs and StCBs are federal structures and their sustainability very largely depends on the sustainability of the lower tiers. It is this logic that was the backbone of the Vaidyanathan Task Force recommendations, and the Gol package subsequently designed on its recommendations also followed a bottom-up approach.

5.2 Therefore, a look at the functioning of PACS in greater detail and assessing their sustainability and future role in the light of developments that are taking place in the rural banking sector is needed before the sustainability of CCBs is looked into.

Sustainability and Future Role of PACS

5.3 As mentioned in chapter 2, an essential ingredient of grass roots financial cooperatives is mobilisation of deposits and providing loans from these aggregated deposits, although its resources could be supplemented through borrowings if the deposits are not enough for meeting the requirements of the members. The governance structure of PACS is therefore built around this cooperative principle.

5.4 PACS in 25 states had mobilised an amount of ₹ 37,238 crore as on 31 March 2011. The aggregate loans disbursed by PACS stood at ₹ 91,304 crore, or about 2½ times the deposits, suggesting significant requirement of liquidity support from CCBs for meeting the credit needs of the members of the PACS. The aggregated figures however hide the fact that ₹ 28,210 crore, or almost 80% of the deposits emanated in PACS of only three states, viz., Kerala, Karnataka, and Tamil Nadu, with ₹ 21,140 crore only in Kerala. Excluding these three states, PACS in the rest of the country had mobilised only about ₹ 7,000 crore as deposits whereas they had provided loans

aggregating ₹ 47,000 crore which was more than 6 times the deposits mobilised signifying even more acute requirement of funds to be supplemented by CCBs.

5.5 It was obvious therefore, that deposit collection by PACS had to be given importance. The Vaidyanathan Task Force therefore recommended voting rights to be given to all depositors of PACS to enable them to have a say in the governance structure and also suggested that an Institutional protection and Deposit Safety Scheme may be devised to protect the deposits of PACS as they are not covered by DICGC. While steps have been initiated on these recommendations, the ground level banking scenario is not only changing significantly, but changing at a very fast pace, due to the financial inclusion drive as well as the program to transfer all the government benefits directly to the Aadhaar enabled savings accounts of the beneficiaries as a national agenda. With the spread of business correspondents of commercial banks and RRBs already covering over 73,000 habitats with population of more than 2,000 in addition to opening of ultra-small and brick and mortar branches of these banks in larger habitats, and introducing similar initiatives in habitats with population of more than 1,000 during the next year, almost all rural households will very soon have savings bank accounts of the banking system where the deposits are protected by DICGC.

5.6 In the light of these developments, the probability of PACS increasing their deposit base significantly when these deposits are not covered by DICGC is not very high. In fact, a flight of deposits from PACS to savings bank accounts of commercial banks and RRBs, even when they are serviced through ultra-small branches or business correspondents, cannot be ruled out. While PACS are expected to play increasing role in provision of agricultural credit, their resource base is not likely to grow, or in fact may become smaller, and the need for their resources to be supplemented by CCBs would further increase, creating not only issues of prudential borrowing but also of corporate governance.

5.7 The principal business of PACS is provision of agricultural credit. The new guidelines for provision of agricultural credit by the banking system

require banks to issue ATM and POS device enabled kisan credit cards (KCC) with a combination of distinguishable credit limits for crop production, agricultural investments, working capital for allied activities, and an element of consumption loan. This would require the issuing entity to be on core banking platform with connectivity to ATM switch etc. The possibility of PACS having this facility even in the distant future is remote.

5.8 These developments therefore, require a change in the business model of the PACS as well as the CCBs to which they are affiliated. The RBI guidelines already permit PACS to become business correspondents of commercial banks and RRBs. As and when the CCBs migrate to the core banking platform, it would be ideal for the PACS affiliated to the CCB to become its business correspondent so that all deposits made at PACS level are accounted directly in the books of the CCB and therefore are covered by the DICGC protection, and also major clients of the PACS - the farmers members - are able to get and operate ATM and POS enabled KCCs. The methodology for such transformation in the organisational design and functioning of PACS and CCBs is discussed in chapter 6.

Sustainability of CCBs

5.9 As on 31 March 2011, 149 CCBs had not received banking licence from the RBI. As per NABARD's latest available inspection reports, 41 unlicensed CCBs did not have CRAR of 4% (in addition to eight CCBs which are already licensed but did not have 4% CRAR), and were thus not eligible to be issued licence by the RBI by 31 March 2012. The RBI therefore, gave time up to 30 September 2012 to enable the banks and the concerned state governments to take steps, primarily through capital infusion, to attain a CRAR of 4%. Many state governments took proactive steps and provided capital in one or the other form to enable some of these banks to have CRAR of 4%, thus enabling NABARD to recommend their cases to RBI for grant of licence. By 30 September 2012, with capital infusion of ₹ 266 crore in 14 CCBs, and one CCB attaining the 4% CRAR norm on its own, NABARD could recommend these 15 CCBs to RBI for grant of licence.

5.10 As on 30 September 2012, 187 out of 370 CCBs had CRAR of 9% or higher, thus matching the requirements of the banking sector in general. However, 49 CCBs did not have even the diluted norm of 4% CRAR; 26 of these CCBs are unlicensed - 16 in Uttar Pradesh, 6 in Maharashtra, 3 in J&K, and one in West Bengal.

Number of CCBs and their CRAR levels (31 March 2012)						
CRAR %	< 4	4 to < 7	7 to < 9	9 to < 12	> = 12	Total
CCBs	49	83	51	85	102	370

5.11 In other words, 23 CCBs, which had already received licence now, do not comply with even the diluted CRAR norm of 4%. In fact, seven of these CCBs do not comply even with the minimum net worth norm of ₹ 1 lakh.

5.12 The above analysis means that at least 130 CCBs, or about one third of the total number, need to take serious action for attaining at least 7% CRAR in the next two years, and then to move on to at least 9% CRAR within the next five years.

CRAR of CCBs and their Market Share in Agricultural Credit

5.13 The Working Group on agricultural credit for the 12th Plan had estimated, about three years ago, the total agricultural credit requirement from all the agencies to be in the range of ₹ 40 - 42 lakh crore during the Plan period 2012-17, with the share of cooperatives estimated at around ₹ 9 lakh crore during the Plan period. Year-wise, the share of cooperatives was expected to increase from about ₹ 68,000 crore in 2012-13 to about ₹ 1 lakh crore in 2016-17. However, as has been seen earlier, agricultural credit from cooperatives has picked up substantially during the past two years, and with increasing refinance support from NABARD has already touched about ₹ 87,000 crore in 2011-12, an estimate they were expected to reach only by 2015-16. Given this trend, the cooperatives should be able to continue their growth path.

5.14 However, as CCBs are expected to primarily focus on agricultural credit, the effect that such an expansion will have on their CRAR needs to be

analysed. The table below presents CRAR and the share of CCBs in agricultural credit in the operational areas for 366 CCBs for which detailed data was available. It is seen that 82 CCBs (71%) out of 115 CCBs, which had 30% or more share in agricultural credit, had CRAR of 7% or above. This goes on to suggest that increasing agricultural lending does not necessarily translate into riskier portfolio so as to have negative impact on CRAR. In fact, it is seen that the non. agricultural portfolio is riskier than the agricultural portfolio. Of the 49 CCBs with CRAR of less than 4%, 38 have less than 30% share in agricultural credit. Low CRAR therefore seems to be a manifestation of poor governance and management rather than the nature of portfolio.

CRAR Level	No. of CCBs **	No. of CCBs based on its share of Agri-lending				Total
		<15%	15% to 30%	>30% to 50%	>50%	
<4%	49	23	15	6	5	49
4 to 7%	80	29	29	15	7	80
>7 to 9%	51	17	17	12	5	51
>9to 12%	85	27	26	22	10	85
>12%	101	35	33	22	11	101
Total	366	131	120	77	38	366
** Of the total 370, 366 have been taken up						

5.15 It is imperative that even if the RBI had diluted the criteria for licensing to 4% CRAR, CCBs and StCBs cannot continue to operate in the banking environment with such a low capital base. These banks would need to take concerted steps to reach the general banking norms in the foreseeable future and a five-year time-frame, i.e., by March 2017 for achieving at least 9% CRAR with an intermediate target of achieving 7% CRAR by March 2015 seems logical. Not only do we need to estimate the additional capital that may be required by these banks, but also how it can be contributed. The unlicensed banks, which do not achieve the CRAR of at least 4% by March 2013, may be debarred from undertaking any banking operations and their agri lending portfolio may be taken over by the neighbouring CCB or the StCB. For assessing the likely capital requirement, the Committee has used 4 different models as described hereunder:

Model 1

5.16 A simple analysis presuming a flat growth rate in all CCBs¹⁶ shows that 209 CCBs¹⁷ spread over 15 states would require an infusion of a little over ₹ 4,000 crore by March 2015 to attain CRAR of at least 7%, and an additional ₹ 2,500 crore by March 2017 to achieve CRAR of at least 9%. Although this estimate gives a fair idea of the capital infusion that would be required, the analysis suffers from the fact that a flat growth is assumed for all CCBs irrespective of their past performance and growth capacities.

Model 2

5.17 Another attempt was therefore made to see the capital requirements for achieving these CRAR levels if the present trend of business in the CCBs continues. Due to paucity of data and time, however, this analysis was restricted to a random sample of CCBs. An analysis of 20 CCBs spread over 5 states which presently have a CRAR of less than 4% and most of which are unlicensed, showed that they would require infusion of about ₹ 2,112 crore for achieving CRAR of at least 9% by March 2017 if they continue to grow at the same pace as at present. The comparable estimate for these 20 CCBs under Model 1 would be ₹ 1,453 crore (as given in Annexure 5.1).

5.18 For a sample of 10 CCBs in 5 states (including two unlicensed CCBs recommended for granting license), which have a CRAR between 4% and 7%, capital infusion ₹ 126 crore would be required if they continue with the present business trends, and would require ₹ 225 crore under Model 1. As some of the CCBs may have business trends upwards of 15%, restricting their business growth to 15% in fact would put more pressure on them as they would receive lower amounts of loan linked share capital.

5.19 A similar analysis of 5 CCBs across 5 states which already have a CRAR of 7% or above reveals that capital infusion of about ₹ 29 crore would

¹⁶A constant 15% growth in loan issued and consequently 7.5% growth in loan outstanding and risk weighted assets, 5% growth in profit with 30% of surplus profit to be ploughed back to reserve and 5% growth on incremental loan outstanding as loan linked share capital accretion is presumed in this analysis.

¹⁷ Other CCBs would not require any infusion as they would generate the required capital on their own

be required under Model 1 while no additional capital would be required if they continue their business on the same trends as of now.

Model 3

5.20 It is obvious from the above analysis that continuation of the present trend of business is not adequate enough, especially for CCBs with CRAR of less than 7%. It was also seen that many CCBs had less than 15% share in agricultural credit. It could be normally expected that such a situation will prevail in case of CCBs whose own agriculture portfolio was less than 50% of their total loan portfolio. However, surprisingly, this included even CCBs whose agricultural lending constituted more than 50% of their total loan business, and even 100%, as in absolute terms their total business was itself very small. Another attempt was therefore made to estimate the capital requirement if the agricultural credit portfolio was to expand to cover at least 15% of the agricultural credit disbursement in their operational area. An analysis of 16 such randomly selected CCBs spread over 8 states showed that CCBs which already had CRAR of more than 7%, would not require additional capital infusion even if their agricultural credit portfolio is expanded to cover at least 15% of the agricultural credit flow in the operational areas. However, CCBs with lower CRAR would need additional capital ranging from about ₹ 1 crore to ₹ 12 crore in addition to the capital required by them under Model 2 for achieving 9% CRAR by March 2017.

Model 4

5.21 Model 4 assumes a high growth trajectory covering both agricultural and non-agricultural credit business for the CCBs. It was obvious that cooperatives need to have, especially in view of their long history of agricultural financing, a meaningful share in the agricultural credit flow in their operational areas, which, in the long run should not be less than 30% if they have to remain an agricultural credit disbursing entity which can influence the credit flow in the region. However, as the national average itself is a paltry 17% at the moment, and almost one third of the CCBs have a less than 15% share in agriculture credit disbursement in their operational areas, the first target needs to be achieving a minimum of 15% share in agricultural credit

within the next two years, and then accelerate agricultural credit disbursements to reach at least 30% share in about five years. It would also be necessary to increase loan linked share contribution to atleast 5% in those CCBs where it is lower than 5% and to a maximum of 10% for all kinds of loans and members depending on additional capital requirement of a particular CCB. The aggregate repayment rate of agricultural loans of cooperatives is about 76%, which needs to be stepped up to atleast 90% within five years through better credit appraisal and intensive monitoring. It has been seen that for some of the CCBs almost the entire credit portfolio is agricultural credit. Even this is not conducive to their growth. Such CCBs would have to build up capacities for providing non-agricultural loans and gradually have a share of 20% to 30% of their credit portfolio as non-agricultural loans. These efforts would lead to higher incomes making contributions to reserves possible.

5.22 Model 4 takes into account the above aspects, and the analysis needs to be bank specific based on potential and financials for bringing in such change in the CCBs in the next five years. Due to time constraints, this analysis was limited to a random sample of 16 CCBs. Ten of the 16 CCBs would need about ₹ 671 crore as additional capital for attaining CRAR of at least 9% by 2017. This means, an additional amount of around ₹ 224 crore over and above the additional capital needed under Model 3 (Annexure 5.2).

5.23 Based on the exercise carried out under the 4 models, 209 CCBs would require additional capital ranging from around ₹ 2 lakh to ₹ 282 crore under model 1. However, the number of CCBs and additional capital requirement would vary when the financial and business parameters are moderated under other models. CCBs with less than 4% CRAR and less than 15% of market share in agricultural credit would need substantial additional capital while CCBs already having 7% or more CRAR but with less than 15% agricultural credit share would generally not require additional capital for sustaining CRAR at 9%. While banks with CRAR of 4-9% and less than 15% agricultural credit share would need additional capital (model 3), most banks with 7-9% CRAR may not need any additional capital. As mentioned earlier,

bank specific exercise would be required under models 3 and 4 to assess capital requirements for higher CRAR and higher agricultural credit share.

Strategies and Sources of Capital Mobilisation

5.24 StCBs and CCBs, being cooperative banks, can mobilise their capital only from their members who are also their owners. The same is true for PACS. Capital can be contributed by members in the form of direct share purchase or through share linked loans as has been the practice. The latter however effectively makes the loan costlier to the member and is technically a detrimental step. However, if the cooperative is run well and makes profits, it can disburse dividend against such shares and bring the effective cost of loan down. In fact, this needs to be the strategy that the cooperatives should adopt.

5.25 Certain strategies and measures are suggested below for enabling StCBs and CCBs to raise capital to attain the required higher CRAR.

Share Capital from Members

5.26 As PACS become BCs of CCBs, the entire client base of PACS will become direct clients of CCBs. It would be necessary for CCBs, therefore, to ensure that a depositor or borrower who transacts business at the PACS now operating as BC is a shareholding member of the CCB. The present 4.2 crore borrowing members at the level of PACS, as also depositors, will therefore have to take shares of CCBs while they continue to be members of PACS for availing other services. In tune with this requirement, all the depositors and borrowers of CCBs therefore would become normal shareholding members of the CCB with voting rights for %active members+¹⁸. This transition would allow mobilisation of additional share capital of CCBs by about ₹ 500 crore on an assumption that atleast one crore new members and converting non-borrowing members to borrower members will subscribe at the rate of ₹ 500 per member. All the active members who are obtaining other services from the CCBs, viz., benefit of higher interest rate on deposits, fertilizer and other

¹⁸ Definition of active members with reference to deposits and loans may be provided by RBI or an agency authorised by it.

services etc may also be required to contribute additional share capital. Presently, they are nominal members. This measure would help improve the capital and help attain the sustainable CRAR faster.

Transfer of Share Capital Deposit of Vaidyanathan Package

5.27 53,202 PACS were provided ₹ 8,521 crore by the Gol and ₹ 825 crore by the concerned state governments as share capital deposits under the Vaidyanathan package for revival of ST CCS. Of this, an amount of about ₹ 102 crore has been released for attaining of CRAR of 7% as on 31 March 2004 for the PACS concerned. As all agricultural loans including existing loans outstanding at the level of PACS would have to be transferred onto the books of the CCBs, it would be logical that the share capital deposit made with the PACS against agricultural credit losses and improving CRAR be transferred to the respective CCBs unless the same have been eroded.

Enhancing Share Linkage Percentage

5.28 The share linkage (in terms of a percentage to incremental loan outstanding) is observed to be varying from state to state from 1% to 10% depending on the type of loan and the type of borrower. In some cases, a monetary ceiling is prescribed. The share linkage has to be at a higher percentage, since this is the most important source of capital augmentation in terms of volumes and percentage. The cooperatives would need to mobilise additional 2% to 5% through share linking (with a maximum of 10% so that it does not become counterproductive) to help generate additional core capital (Tier I). A quick analysis indicates that the CCBs as a lot would be able to mobilise about ₹ 6,500 crore through this method. The concerned cooperatives may have to amend their bye-laws for taking this step.

5.29 The following steps are suggested for consideration of RBI as these will help the StCBs and CCBs significantly in augmenting their capital base.

Introduction of Interest bearing Capital Deposits

5.30 A new instrument in the form of Share Capital Deposit from members could be approved by RBI to be treated as Tier-I Capital. This instrument may

have options to give a special dividend in the form of a fixed interest being paid. The individual banks could stipulate such capital deposits with a lock-in period of at least 5 years and maturity period of 10 years or more. After attaining sustainable CRAR level, banks could convert these deposits into regular shares eligible for payment of dividend.

Introduction of Perpetual Long-Term Bonds

5.31 RBI may allow StCBs and CCBs to float such Bonds on the line of perpetual long-term bonds¹⁹. These may be permitted as Tier-I Capital for CRAR calculation for at least 10 years or till attaining the sustainable CRAR level. Both Central and state governments may consider contributing to such bonds.

Long term debt

5.32 State government may keep deposits with StCBs/CCBs as long term debt for a period of 10-20 years without any interest or with nominal interest. Such debt may be kept with cooperative banks as share capital deposit for helping banks to attain higher CRAR²⁰ and the same may be reckoned as Tier I capital till the bank sustains CRAR of 9% (say at least 5-7 years). Such debts will have moratorium period of at least 5 years.

Reckoning of Tier II Capital

5.33 In a few banks, it is observed that Tier II Capital is more than Tier I. As per the existing stipulations of RBI, the Tier II capital can be counted upto a maximum extent of Tier I. RBI may consider giving a relaxation for 5 years to treat Tier II capital up to at least 150 % of Tier I towards CRAR compliance.

¹⁹ RBI has permitted Urban Cooperative Banks to mobilize capital through perpetual bonds.

²⁰ Some state governments such as Rajasthan & Maharashtra have expressed willingness for this.

Chapter 6

Strategies for higher CRAR and Consolidation

6.1 As per ToR 2, sustainability of banks was assessed for higher CRAR and additional capital requirement of banks was estimated wherever needed under different models. The findings of analysis and a few strategies for capital mobilisation were discussed in Chapter 5. As observed, 209 CCBs would need additional capital under various models for CRAR of 7% by 2014-15 and 9% by 2016-17.

6.2 In this chapter, an attempt is made for assessing feasibility of mobilising additional capital for 209 banks for attaining CRAR of 7% by 2014-15 and 9% by 2016-17 and sustaining the same. As per the assessment indicated earlier, total additional capital requirement was estimated at about ₹ 4,000 crore to ₹ 6,500 crore under different models. Bank wise requirement would vary widely depending on each bank's financials and business. Further, it was attempted to identify the banks, which will not be able to mobilise required capital by using either one or all the strategies and may have to eventually go for consolidation or closure. The results of consolidation and future 5 years financial position was also assessed for a few sets of banks to examine their sustainability.

6.3 As mentioned earlier, the additional capital requirement would undergo change if higher growth in business and in agri credit were applied (Model 4).

6.4 It was observed that 58 CCBs with CRAR of less than 7% were very sensitive and would not be able to attain 7% CRAR by 2014-15 without external fund support. Further, these banks may not sustain CRAR of 7% and 9%, even with increased growth in business and agri-credit and a higher market share. These include 26 CCBs which are unlicensed, 21 CCBs licensed but not having CRAR of 4% and a set of 11 other CCBs including CCBs which have received capital infusion for achieving CRAR of 4%.

6.5 Various possible measures for different categories of CCBs were applied to examine the sustainability of CCBs and to find out suitable

measures specifically for certain categories of banks. This approach was needed, as a uniform prescription of actions would not help all types of banks.

Measures for different categories of CCBs

6.6 As per Model 1 assessment, the likely total additional capital requirement for CCBs worked out to ₹ 4,024 crore for 7% CRAR and ₹ 6,498 crore for 9% CRAR to be mobilised by 209 banks during the next five years. The likely additional capital requirement varied widely from ₹ 1.84 lakh (Jabalpur CCB) to ₹ 282 crore (Solapur CCB). The feasibility of mobilising additional capital is discussed hereunder for different groups of banks.

6.7 Out of 41 unlicensed CCBs as on 31 March 2012, 26 remained unlicensed and 15 could attain CRAR of at least 4%. Another 23 CCBs were licensed but had CRAR of less than 4%. These banks are discussed separately in the following paragraphs.

Unlicensed CCBs

6.8 A decision on the continuation of these 26 unlicensed banks is under consideration of RBI since some State Governments (such as Maharashtra) are in the process of firming up their decision on infusion of capital. The fund requirements of the 26 unlicensed CCBs is likely to be around ₹ 2,114 crore for 4% CRAR (relaxed norm for license) at the first stage. Further, the likely additional capital requirement of these would be around ₹ 2,263 crore for 7% CRAR by 2014-15 and ₹ 2,391 crore for 9% CRAR by 2016-17 (Annexure 6.1).

Licensed Banks with CRAR of less than 4%

6.9 Under this category, 21 of 23 CCBs having CRAR of less than 4% are likely to require additional fund of about ₹ 912 crore for 7% CRAR by 2014-15 and about ₹ 1,373 crore for 9% CRAR by 2016-17. The capital requirement varied from ₹ 7 crore (Nawadha CCB) to ₹ 275 crore (Kolhapur CCB). Bank-wise requirement is given in Annexure 6.2. The balance two banks, viz., Sangli CCB and Kottayam CCB will not need any additional capital and would sustain on their own for 9% CRAR by 2017.

Unlicensed Banks recommended for licence in 2012-13

6.10 15 CCBs may get licence from RBI in 2012-13 which had attained 4% CRAR on receipt of government funds of about ₹ 286 crore (by 14 CCBs) and 1 CCB (Aurangabad in Bihar) on its own and NABARD has recommended to RBI for issuance of licence to these CCBs. However, 5 of these banks would be required to mobilise additional capital of ₹ 6.77 crore for a 7% CRAR by 2014-15 and 7 banks would require additional capital of ₹ 29.3 crore for 9% CRAR by 2016-17 (Annexure 6.3).

6.11 The Committee recommends that 31 March 2013 may be set as the deadline for these banks to mobilise the required capital either internally or from any other external source so as to achieve 4% CRAR failing which RBI should take the necessary regulatory action.

CCBs with 4% to 7% CRAR

6.12 Under this category, there are 77 banks, of which 66 banks require additional capital. 16 banks would not require any additional capital for 7% CRAR by 2014-15 while the remaining 61 banks would require capital to the extent of ₹ 805 crore. For attaining 9% CRAR by 2016-17, 66 banks would require an additional amount of ₹ 1,923 crore (please see table below). The banks are spread across states and the requirements varied from bank to bank, as given in Annexure 6.4.

Additional Capital Requirement for CCBs having CRAR of 4% to <7% (₹ in crore)							
No. of CCBs with CRAR of 4% to <7%	No. of CCBs do not require addl. capital for 7% CRAR by 2014-15	No. of CCBs do not require addl. capital for 9% CRAR by 2016-17	No. of CCBs require addl. capital for 7% CRAR by 2014-15		No. of CCBs require addl. capital for 9% CRAR by 2016-17		
			No.	Amt.	No.	Amt.	
77	16	11	61	805	66	1,923	

Banks with CRAR of 7% and above

6.13 There are 229 banks under this category, of which only 18 banks would require additional capital of ₹ 37.2 crore for maintaining 7% CRAR by 2014-15, while 88 banks would require additional capital of about ₹ 781 crore for 9%

CRAR by 2016-17 (please see the table below). The amount of additional capital to be mobilised would be in the range from ₹ 7.00 lakh (Etah CCB) to ₹ 82 crore (Mumbai CCB). Bank-wise requirement is given at Annexure 6.5.

Additional Capital Requirement for CCBs having CRAR of 7% and above (₹ in crore)							
CCBs with CRAR levels of 7% and above		CCBs may not require any Addl. Capital for		Requirement of Addl. Capital for			
		7% CRAR by 2014-15	9% CRAR by 2016-17	7% CRAR by 2014-15		9% CRAR by 2016-17	
CRAR level	No. of CCBs	No. of CCBs	No. of CCBs	No. of CCBs	Amt.	No. of CCBs	Amt.
7% to 9%	49	31	8	18	37.2	41	569.8
9% to 12%	83	83	38	00	00	45	209.9
12% & above	97	97	94	00	00	3	1.36
Grand Total	229	211	140	18	37.2	89	781.06

Feasibility of mobilisation of additional capital

6.14 193²¹ of 209 CCBs were taken up for detailed analysis for finding out feasibility of mobilising additional capital from borrowing and other members of PACS and identify CCBs which would not be able to mobilise funds from members for meeting additional capital requirement for CRAR of 9%.

6.15 CCB-wise analysis was carried out for assessing the feasibility of mobilising additional capital requirement which ranged from ₹ 1.84 lakh to ₹ 282 crore. The frequency distribution of capital requirement of 193 CCBs is presented below in the table.

Addl capital required to achieve 9% CRAR	No. of CCBs to mobilise addl. capital per PACS			
	< ₹25 lakh	₹25 lakh – ₹1 cr	₹1 – ₹2 cr	Total
Upto ₹1 crore	9			9
₹1 to 5 crore	47			47
₹5 to 10 crore	30	2		32
₹10 to 50 crore	58	18		76
Above ₹50 crore	7	21	1	29
Total	151	41	1	193

As seen, 9 CCBs require additional capital of less than ₹ 1 crore (ranging from ₹1.84 lakh to less than ₹1 crore), while 29 CCBs would require additional capital of above ₹50 crore (ranging from ₹50 crore to ₹282 crore).

Per PACS basis

6.16 It was observed that 151 CCBs would require additional capital upto ₹ 25 lakh per PACS which varied from a low of ₹ 2,000 to a high of ₹ 25 lakh. Another set of 41 CCBs would require additional capital of ₹ 5 crore to above ₹ 50 crore. However, the average per PACS works out to less than ₹ 25 lakh for 30 CCBs and upto ₹ 1 crore per PACS for another 2 CCBs. Only 1 CCB (Thiruvananthapuram) requires ₹ 140.50 crore which works to ₹ 1.34 crore per PACS. Considering the limitations of capital mobilisation by CCBs from sources other than the members, it is felt that ₹ 25 lakh per PACS can be taken as a probable and achievable limit to be mobilised by each CCB in accordance with its requirement over the next 4 year period (2013-14 to 2016-17) as additional capital for 9% CRAR. However, 42 of the 151 CCBs may find it difficult to mobilise the regular capital for attaining and maintaining CRAR level of 9% by 2016-17.

Per Borrowing Member basis

6.17 However, as capital has to be contributed technically only by members, further analysis was done to assess the feasibility of capital mobilisation on per borrowing member basis for 193 of 209 CCBs.

Category A

6.18 Of the 151 banks required to mobilise upto ₹ 25 lakh per PACS, 127 would be able to do so if they mobilise upto ₹ 4,000 per borrowing member over 4 year period (as shown in table below). It would perhaps be feasible to mobilise capital as interest bearing capital deposits²². 24 of 151 CCBs would however require mobilising more than ₹ 4,000 to even beyond ₹ 10,000 per borrowing member, which appears to be not feasible under most circumstances. However, each CCB can assess its capital requirement and

²¹ Remaining 16 CCBs could not be taken up for paucity of acceptable data. Only 209 CCBs would require additional capital for sustainable CRAR.

²² Discussed in detail in proposed sources of capital mobilisation in Chapter 5.

the feasibility in mobilisation for deciding its own road map for additional capital mobilisation.

No. of CCBs requiring additional capital for higher CRAR (9%) based on Model 1 estimation.								
Sr. No.	Recap assistance required	Category A : Average Per PACS <25 lakh						
		₹ 2 - ₹500	₹ 500 - 1000	₹1000 - 2000	₹2000 - 4000	₹4000 - 10000	> ₹10000	Total
1	Upto ₹1 cr	9						9
2	₹1 to 5 cr	31	8	5	1	2		47
3	₹5 to 10 cr	9	10	4	3	1	3	30
4	₹10 to 50 cr		7	19	20	9	3	58
5	Above ₹50 cr				1	3	3	7
6	Total	49	25	28	25	15	9	151
Category B : Average Per PACS - ₹ 25 lakh to ₹ 1 crore								
1	₹5 to 10 cr	1	1					2
2	₹ 10 to 50 cr			5	7	4	2	18
3	Above ₹ 50 cr	1	2	4	2	3	9	21
	Total	2	3	9	9	7	11	41
Category C : Average Per PACS - ₹1 crore to ₹2 crore								
1	₹ 1 to 5 cr			1				1
	Total	51	28	38	34	22	20	193

Categories B and C

6.19 Out of the 42 CCBs required to mobilise more than ₹ 25 lakh per PACS, 24 CCBs would need to mobilise from PACS borrowing members amounts upto ₹ 4,000/- which seems quite feasible although the absolute amounts per CCB are large. In all, therefore, a total of 151 CCBs (127+24) should be able to mobilise required additional capital if members contribute upto ₹ 4,000 per member (Annexure 6.6). In this process of additional capital mobilisation, per borrowing member contribution would be upto ₹ 500 (51 CCBs), ₹ 500 to ₹ 1,000 (28 CCBs), ₹ 1,000 to ₹ 2,000 (38 CCBs) and ₹ 2,000 to ₹ 4,000 (34 CCBs). The remaining 42 CCBs of 193 may not be in a position to mobilise adequate capital from borrowing members of the PACS.

6.20 Efforts therefore need to be initiated by CCBs to convert more non-borrowing members as borrowing members and also enrol additional members. CCBs can strive to mobilise capital additionally from other non-borrowing members and other members availing services as well. In this

process, they may mobilise required funds to the extent of about ₹ 500 crore (@ ₹ 500 for additional 1 crore such members, as mentioned in chapter 5)

6.21 It may therefore be concluded that 151 CCBs should be able to mobilise the required additional capital. These CCBs should prepare the Sustainable Business Plans (SBPs) after assessing exact requirement of additional capital based on performance as on March 2013 for attaining CRAR of 9% by 2016-17 under Models 2 to 4 from the borrowing members or in combination of other efforts. NABARD and RBI would need to monitor the implementation of SBPs on a regular basis.

6.22 Remaining 58 CCBs would not be able to easily attain CRAR of 9% for sustainability since per borrowing member contribution would be beyond ₹4,000 and above ₹ 10,000 in some cases, which is considered to be very high for a farmer to contribute over a period of 4 years. However, individual banks would have to strive to mobilise the required amounts for survival.

6.23 In case any CCB fails to mobilise the additional capital either from members or from any other source, there would be no alternative but to adopt the following two options:

- i. Consolidation of banks wherever feasible, and
- ii. If consolidation fails, closure or liquidation.

Consolidation

6.24 The primary objective of consolidation is to make the CCBs sustainable by combining 2 to 4 CCBs so that the combined unit can sustain the CRAR level of at least 9% with a small amount by way of additional capital, which is possible to be generated by the bank from its own operations and additional member contributions.

6.25 There are also small banks with limited business and functional areas as their branch network is limited, or they are functioning in smaller and remote areas. CCBs also became smaller as a consequence of division of districts in various states. Right-sizing of operations of such CCBs is also

required²³. Many CCBs are having CRAR of above 9% at present²⁴ but have less than ₹ 200 crore business (deposits+loan outstanding). Such small CCBs would not be able to sustain in the long run, even though some of them presently have 9% CRAR. Hence, consolidation is necessary (Annexure 6.7).

Methodology

6.26 An exercise of consolidation is attempted taking into account both financial and non financial parameters:

- a) Consolidation in contiguous geographical areas, where 2 to 4 banks can consolidate with each other with the primary objective of having bigger operational areas, economy of scale, profitability and sustainability.
- b) Minimum business level should be at least ₹ 200 crore.
- c) Consolidation would primarily be with CCBs and in case it is not feasible to get desired results, then consolidation with StCBs can be attempted.
- d) Where consolidation is not feasible (banks being in isolated areas etc), the weaker banks will have to go for liquidation.

Expected results

6.27 The following results are expected as outcome of consolidation:

- Have at least 70% of loan business for agriculture and allied activities including both short term and medium term loans.
- Enhance business level and attain at least 15% market share of agri-credit and further increase this share to about 30%.
- Adopt technology with appropriate software for MIS generation and also issue AADHAR enabled KCC, and provide ATMs, remittance services, etc. through technological upgradation.
- Increase the level of branch and staff productivity and profitability.

²³ Number of branches varied from 5 (Vaishali CCB in Bihar) to 137(Aurangabad, Maharashtra). The total business varied from ₹ 32 crore (Vaishali CCB) to ₹ 4,200 crore (Thiruvananthapuram CCB).

²⁴ Vaishali, Khagaria, National Bettiah, Magadh, Rohilka and other CCBs

Process and issues

6.28 The general bodies of the CCBs, which may be consolidated, will have to take appropriate decisions as required in the Cooperative Societies Act of the State.

6.29 HR issues such as, seniority, posting, transfer etc., would also arise and may be resolved as has been done in the case of amalgamation of RRBs. In some cases, voluntarily retirement plan may also have to be designed in the interest of the bank and the employees.

Legal framework

6.30 The Cooperative Societies Act has provisions for amalgamation of a CCB with two or more such CCBs and assets and liabilities can be transferred from the existing unit to the amalgamated bank. Provisions in the Societies Act in UP are not explicitly clear of this option and in a few other States (AP, Gujarat, Karnataka) have limited power for amalgamation. Hence, necessary amendments may be required in the respective Cooperative Societies Acts.

Requirements for Implementation

6.31 A Working Group may be constituted in each state where such an exercise is required to look into various aspects such as :

- a. Study the legal framework of the state and suggest required amendments.
- b. Assess the need for consolidation of CCBs which would be unable to mobilize additional capital and identify the neighbouring CCBs for consolidation after having detailed discussions with all stakeholders;
- c. Prepare a projected business and financial plan (as per Models 2 and 4) for ascertaining the attainment of CRAR level of 9% by 2017 and also its sustainability.
- d. Assess the need for additional capital and mobilization ability for attaining and ensuring sustainability of 9% CRAR.
- e. Assess the feasibility of mobilizing such capital from members and other stakeholders including state government.

- f. Address any other matters related to the amalgamation.

Analysis of consolidation

6.32 To assess the feasibility of proposed consolidation, an exercise was carried out, wherein latest financial position of such CCBs identified for consolidation, likely status of the CCBs on consolidation and projected financials including likely CRAR of the consolidated CCBs over next five years was worked out. For projecting the financial position of the consolidated CCB, assumptions / methodology for Model 1 discussed in Chapter 5 were adopted as an initial assessment to examine the possibility of attaining CRAR of 9% by 2017.

Illustrations

6.33 Based on the latest financial position, 37 combinations (5 in West Bengal, 1 in Kerala, 5 in Punjab, 10 in Rajasthan, 9 in Bihar, 4 in Maharashtra and 3 in Odisha) involving 90 CCBs, having contiguous geographical locations were identified for an illustrative exercise and should not be quoted as a prescription of the Committee. These CCBs in Punjab had CRAR ranging from 0.56% to 42.35%, CCBs in Rajasthan with CRAR from 0.12% to 19.91%; CCBs in Bihar with CRAR from -11.14% to 55.10% and so on (as given in Annexure 6.7). Business level of the CCBs in Punjab, Rajasthan and Bihar was ranging from ₹ 215 crore to ₹ 1,056 crore, from ₹ 164 crore to ₹ 788 crore and from ₹ 33 crore to about ₹ 250 crore respectively. Combination of Thiruvananthapuram CCB with the highest amount of business of ₹ 4206 crore with Kollam CCB was also taken up. It was observed from the combinations that uniformly consolidating the financials (balance sheet as on 31 March 2012) of 2 banks²⁵ would not help in all the cases to arrive at CRAR of 4%. Hence, 3 or more banks may have to be taken depending on the financial conditions of weak and strong banks.

Results of a few samples

6.34 Some possible combinations have been made in 5 states by combining 2 to 4 banks and tested for sustainable CRAR. A few of these combinations

²⁵ e.g Nawadha and Nalanda CCBs merged CCBs CRAR at negative 2.08%; Kollam and Thiruvananthapuram CCBs . merged CCBs CRAR at 3.9%)

are given in table below. It may be seen that the consolidated bank will have sustainable CRAR with some capital infusion in some cases. These 12 consolidated banks were taken for further testing as per Models 1 and 2 for assessing sustainability (as given in Annexure 6.8). It is observed that combined banks still need additional capital (4 out of 5 combinations) under Model 1.

Consolidation of CCBs : Few examples (₹ in crore)					
State	Name of CCB	CRAR (latest)	Total assistance required to achieve 9% by 2016-17 after consolidation – Model I	As per Model II recapitalisation required to achieve 7% and 9%	
				2014-15	2016-17
1	2	3	4	5	6
Maha rashtra	Beed	11.03			
	Jalna	-10.01			
	Osmanabad	-3.92			
	Aurangabad	4.07			
	Consolidated Bank	4.48	82.91	0	0
	Nanded	6.01			
	Parbhani	14.14			
	Latur	4.25			
	Consolidated Bank	9.17	0	0	0
Odisha	Balasore-Bhadrak	7.67			
	Banki	8.25			
	Cuttack	5.55			
	Consolidated Bank	6.63	81.63	0	0
	Bolangir	5.18			
	Bhawanipatna	5.7			
	Consolidated Bank	5.31	33.52	2	0
Rajasth an	Alwar	13.1			
	Bharatpur	0.12			
	Dausa	8.45			
	Consolidated Bank	7.54	21.23	0	8.50

6.35 Further testing under Model 2 showed that 3 combinations (as shown in table above) would not require any additional capital, whereas 2 combinations, i.e., 1 in Odisha - Bolangir and Bhawanipatna need ₹ 2 crore in 2014-15 for 7% CRAR while the other combination in Rajasthan, i.e., Alwar, Bharatpur and Dausa CCBs may need ₹ 8.5 crore in 2016-17 for 9% CRAR.

6.36 The illustrative examples mentioned above clearly indicate that there is a need for assessing additional capital requirement for each of the banks as also for the consolidated banks for actually working out the CRAR level of 9%

by 2016-17 on the basis of the Model 2 to 4 (since uniform growth rate in business and profitability as assumed in Model 1 will not work for all the banks).

6.37 It is observed that for CCBs which required huge sums of additional capital for 9% CRAR, such as Solapur (₹ 282 crore), Kolhapur (₹ 275 crore), Deoria Kasia DCB (₹ 174 crore), Jammu CCB (₹ 201 crore) and Nagpur CCB (₹ 151 crore), it would not be feasible to take them up for consolidation without any external capital infusion either from the members or from any external source. Many of such banks have actually incurred huge losses not due to their agricultural lending portfolio but because of other business and investments. It would therefore be logical that such banks are taken up for closure/ liquidation after taking out their agricultural credit portfolio and consolidating only that part with other CCBs.

PACS as Business Correspondents (BC)

6.38 The need for PACS to function as BCs of CCBs has been articulated in para 5.8 of Chapter 5.

6.39 Functionally, while working as BCs, the loaning operations as also deposits collection will be carried out by PACS on behalf of CCBs and will be on the books of the CCBs, hence imbalances between the PACS and CCBs would not arise. While PACS will carry out their traditional operations on behalf of CCBs²⁶ and earn agency fees without any risk, a proper mechanism needs to be developed in this regard. This will also enable PACS to increasingly provide other agricultural and non-agricultural services to the members who would now be members of both the PACS as well as of CCB.

6.40 NABARD has taken a lead for creating a common CBS system in over 200 CCBs and StCBs across the country. It is also creating the required ICT support infrastructure in the form of POS terminals and ATM card, as well as arranging required capacity building in CCBs. This will help CCBs to provide doorstep banking facilities using the services of PACS as BCs. This will also enable the member clients of CCBs and PACS to connect to the national payment system and avail all types of financial services. This can be

²⁶ RBI already permits PACS to act as BCs of Commercial Banks and RRBs.

implemented in any CCB or StCB having stabilized CBS branches. The Committee also proposes that a deadline of 30 September 2013 may be prescribed by RBI for all CCBs and StCBs to be fully operational on CBS and also to be part of the payment gateway through RTGS and NEFT and connectivity to the ATM or switch either directly or through a sponsor bank.

Chapter 7

Policy Measures and other Initiatives Required

7.1 The Committee observed that while mobilisation of the required capital by the concerned CCBs may help meet the CRAR requirements, the CCBs and StCBs will have to take many other steps in improving internal systems, adoption of technology, and improvement of human resources if they have to survive and function as an efficient banking institutions. PACS will also have to undergo a structural transformation while working as BCs and aim at providing multiple financial and non-financial services to member farmers and other rural population. These would require various policy measures and initiatives to be undertaken not only by the ST CCS, but also by the concerned state governments, RBI, Central Government and others. These measures and initiatives are indicated in the paragraphs below.

Membership of CCBs

7.2 At present, the CCB is a federal structure with PACS and other cooperatives being the principal members and having voting rights for the purpose of electing the Board of Directors of the CCB. However, as indicated earlier, when the CCBs start providing deposit and loan products to the rural population with PACS acting only as business correspondents, these depositors and borrowers will become direct clients of CCBs. In order to ensure good governance, it would be necessary that these depositors and borrowers become voting members of the CCB, subject to their being defined as **active members** as per the recent Constitutional amendment for cooperatives. It would be necessary to define **active member** in terms of amount of deposit and period for which the deposit is kept so far as depositors are concerned, and similarly in terms of amount of loan taken and the status of such a loan in terms of default, in the case of borrowers. That authority to prescribe parameters of deposits and loans for defining active members shall vest with RBI or an agency authorised by RBI.

7.3 These initiatives would require suitable amendments in the respective State Cooperative Societies Act with necessary changes in Rules and

Byelaws. PACS will have to enter into a suitable agreement with the CCB for which it acts as business correspondent for payment of service fees. The members of PACS will then be farmers and others who avail of services directly provided by the PACS which would include services like sale of farm inputs, leasing out of equipments, provision of warehousing space to member farmers, provision of services like payment of electricity bills, insurance premium etc. as well as many other non-financial services like sale of household goods etc. If the PACS is in a position to also work as an extension centre for member farmers in collaboration with an appropriate technology service provider, such services would also be included and farmers availing of such services would need to become members of PACS. However, PACS not being any longer borrowing entities of CCBs, would not be having voting rights for elections to the Board of Directors of the CCB. Necessary amendments to the respective State Cooperative Societies Act with necessary changes in Rules and Byelaws would have to be carried out.

Role, Status and Functions of StCBs

7.4 To the extent the StCBs are able to mobilise deposits from individuals, cooperatives other than CCBs and governmental institutions and agencies, they would continue to provide a useful service to CCBs in terms of supplementing the liquidity of CCBs which need it. StCBs could also continue to act as aggregators of refinance requirements on behalf of member CCBs and take necessary action for borrowing and disbursing the same to the CCBs although, technically, CCBs being independent banks can avail of such refinance directly from higher financing institutions, and there needs to be an enabling provision to this effect irrespective of their federal relationship with the StCB.

7.5 It has been mentioned in earlier chapters that the StCBs and CCBs need to move towards providing about 70% of their loans for agriculture inclusive of crop loans and term loans for making capital investment in farms, and about 30% of their loan portfolio should be diversified as a risk mitigating measure. To facilitate such diversification in a safe manner, the Committee recommends a higher allocation to StCBs (and CCBs led by the concerned

StCB) in the food consortium advances by the banking system for a period of at least 10 years.

7.6 It has been mentioned earlier that CCBs place their SLR and CRR deposits with StCBs and a regulatory issue arises when the same StCB disburses loans to the concerned CCBs or to others, thus placing the SLR and CRR deposits of CCBs to risk. Opportunities, direction and guidance for making safe investments of such deposits therefore need to be provided to StCBs by the RBI.

7.7 At present, there is a single StCB in each state although there are enabling provisions for more than one StCB in a single state²⁷. The Committee has noted that states have been divided in the past due to a variety of reasons. Following such divisions, division of StCBs has also been done in many cases. The Committee feels that division of a business entity only due to division of administrative boundaries may not necessarily result in efficient and profitable divided entities. The Committee therefore recommends that if a state is divided the possibility of the existing StCB functioning as a multistate cooperative bank should not be overlooked. Necessary amendments in the Multistate Cooperative Societies Act, BR Act, and NABARD Act would therefore be required to enable the functioning of a Multi-state apex cooperative bank which is federal in character.

7.8 At present, the StCB is not only a banking entity for the affiliated CCBs, it is also expected to provide guidance, technical support, support in human resource development through training and other such initiatives, and handholding support for many other activities. The Committee notes that quite often business and banking decisions of the StCBs which are bottom line oriented could be in conflict with development initiatives which the StCBs are expected to take as these are in the nature of expenditure. The Committee therefore recommends that CCBs and other cooperatives should

²⁷ NABARD act provides for this. The present provision however authorises the state government to declare a federal cooperative of some CCBs as an StCB. However, as StCB is a banking entity in a cooperative system, such a decision needs to be taken on the basis of business parameters and the authority to permit the same needs to be RBI irrespective of the recommendation or opinion of the state government.

either avail the services through other professional entities or financially support the formation and operations of a separate federal cooperative for providing only non-financial services to the member CCBs²⁸.

Governance and Management of StCBs and CCBs

7.9 The Vaidyanathan Task Force had recommended various measures for improving governance and management in StCBs and CCBs. The present Committee endorses the same and makes following recommendations to further improve the governance and management in StCBs and CCBs.

- i. An autonomous cooperative election authority to be set up in each state as per the requirements of the Constitutional amendments would conduct elections for StCBs and CCBs also. On lines of the conditions of the Vaidyanathan Task Force for election to PACS, the Committee recommends an amendment in the respective State Cooperative Societies Act to provide that any director on the board of CCB or StCB removed or superseded by RBI for any financial irregularity or if the bank incurred losses in any three years during their term of five years may be barred from contesting elections in that CCB or StCB or any other CCB for a period of five years.
- ii. Being banking institutions, the authority to remove the boards of StCBs and CCBs needs to be solely vested with RBI. Necessary amendments in the BR Act and the State Cooperative Societies Act would have to be carried out to ensure overriding powers of RBI vis-à-vis any other law.
- iii. The Fit and Proper criteria presently prescribed by RBI for election of professionals to the boards of CCBs and StCBs stipulates three professionals to be either elected or to be co-opted with voting rights in case such number does not get elected. The recent Constitutional amendment puts the number of such professionals in cooperatives at two. Suitable amendment in the BR Act giving RBI overriding powers

²⁸ Such a service-oriented federal cooperative would be in the nature of DGRV in the German cooperative banking system.

to prescribe the number of professionals generally for StCBs and CCBs, as well as specifically for a particular StCB or CCB as part of regulatory action, needs to be made. A modification in the present RBI order on Fit and Proper criteria for Board of Directors is also required to specify that each such professional should be of a separate specialisation. Such professional directors, if required to be co-opted, also should be co-opted within three months of the constitution of the board of the CCB or StCB failing which RBI should be free to take any necessary regulatory action.

- iv. The Constitutional amendment prescribes that the panel of statutory auditors would be recommended by the state. However, CCBs and StCBs being banking institutions, the authority for appointing statutory auditors needs to be vested with the RBI or an agency authorised by RBI.
- v. In order to provide better and more efficient financial services to the farmers and other rural population, if any PACS wishes to function as the BC of a CCB registered in a district other than in which the PACS is located and the CCB is in agreement to provide financial services in the operational area of that PACS by taking up that PACS as its BC, it should be free to do so. In such an event, the RBI would be required to modify the banking licence provided to the CCB for expanding its operational area to that district where such a PACS is located.
- vi. At present, some of the State Cooperative Societies Acts²⁹ contain provisions which restrict the flexibility of StCBs and CCBs in taking business decisions like prescribing the percentage of share linkage on loans, making investments, payment of dividend, etc. Necessary amendments in the State Cooperatives Societies Acts would be required which give complete freedom to the CCBs and StCBs to take such business decisions within the directions and guidelines prescribed by RBI.

²⁹ for example, in Kerala

Other recommendations

7.10 The Committee recommends that 30 September 2013 may be set as the deadline for all the StCBs and CCBs to be not only fully operational on CBS but also be part of the payment system through RTGS and NEFT, and also provide transactions through any ATM and POS devices which may be placed with PACS, input suppliers etc.

7.11 State and Central governments may take required steps to involve StCBs and CCBs in the financial inclusion drive and electronic benefit transfers (EBTs). The governments may also consider placing deposits of governmental agencies and entities with StCBs and CCBs which have achieved 7% sustainable CRAR and are already on core banking platform.

7.12 The depositors and borrowers of CCBs and StCBs also need to be part of a grievance redressal mechanism in the nature of Ombudsman instituted by RBI and the Committee recommends that all licensed CCBs and StCBs may be covered by the Ombudsman or a similar mechanism that may be developed by RBI with NABARD.

7.13 With the CCBs and StCBs moving onto the CBS and other ICT platforms, their human resource requirements would no longer be governed by the Mitra Committee recommendations made as a follow-up of the implementation of the Vaidyanathan package. RBI may like to constitute a working group to look into these issues and make suitable recommendations.

7.14 As a large number of CCBs and StCBs are required to augment their capital, the Committee recommends that the Government of India may consider providing income tax exemption to CCBs and StCBs up to 2016-17 for incentivizing them to achieve CRAR of 9%.

7.15 RBI may consider graded CRAR norms for CCBs and StCBs of different businesses sizes.

ANNEXURES

AND

APPENDICES



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

www.rbi.org.in

आवक क्रमांक/Inward No.	
अध्यक्ष/Chairman's	सचिवालय/Secretariat
26 JUL 2012	
राष्ट्रीय कृषि और ग्रामीण विकास बैंक, मुंबई NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT, MUMBAI पंजाब मुंबई H O Mumbai	

मुख्य महाप्रबंधक

Chief General Manager

DO. RPCD.CO.RCBD. 593 /07.06.000/2012-13

July 23, 2012

Dear Dr Prakash Bakshi

Expert Committee to examine Three-Tier-Short Term Cooperative Credit Structure (STCCS)

As per the recommendations of the Committee on Financial Sector Assessment (CFSA) (Chairman: Dr. Rakesh Mohan), no unlicensed cooperative bank may be allowed to operate in cooperative space beyond 31 March 2012. However, this has to be attained in a non-disruptive manner. After recapitalization of the three tier Short-Term Co-operative Credit Structure (STCCS) 43 Central Cooperative Banks (CCBs) continue to have high level of financial impairment and as on 31 March 2012 they were unable to meet the licensing criteria. These financially weak/unviable entities need to be strengthened/weeded out of the financial system. The structural constraints in rural credit delivery system would need to be addressed so as to ensure a sustainable rural financial system. In order to examine all such issues and explore various ways to strengthen the rural cooperative credit architecture with appropriate institutions and instruments of credit to fulfill credit needs, it was proposed in the Annual Policy Statement for the year 2012-13, to constitute a Working Group to review the Short Term Cooperative Credit Structure (STCCS). The Committee will make an in-depth analysis of the STCCS and examine various alternatives with a view to reducing the cost of credit, including feasibility of setting up of a two-tier STCCS as against the existing three-tier structure. Consequently, Reserve Bank has constituted an 'Expert Committee' under the Chairmanship of Shri Prakash Bakshi, Chairman, NABARD with the following terms of reference:

ग्रामीण आयोजना और ऋण विभाग, केन्द्रीय कार्यालय, 10वीं मंजिल, केन्द्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, मुंबई - 400 001. भारत
फोन : 022-2261 0261 फैक्स : 022-2261 0943 ई-मेल : cdsrinivasan@rbi.org.in

Rural Planning & Credit Department, Central Office, 10th Floor, Central Office Building, Shahid Bhagat Singh Marg, Mumbai - 400 001. INDIA
Tel : 022-2261 0261 Fax : 022-2261 0943 E-mail : cdsrinivasan@rbi.org.in

हिंदी आसान है, इसका प्रयोग बढ़ाइए

- 2 -

- i) To assess role played by State & District Central Cooperative Banks in fulfilling the requirement of agriculture credit, the primary purpose for which they were set up
- ii) To identify Cooperative Banks that may not be sustainable in the long run even if some of them have met the diluted licensing criteria for the time being
- iii) To suggest appropriate mechanism for consolidation by way of amalgamation, merger, takeover, liquidation and delayering
- iv) To suggest pro-active measures that need to be taken in this direction by the cooperative banks themselves, GOI, State Governments, RBI and NABARD
- v) Any other issues and concerns relevant to the subject matter.

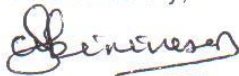
2. It gives me great pleasure to inform that you have been nominated Chairman of the *Expert Committee*, which is as under;

- | | |
|--|------------|
| (i) Dr. Prakash Bakshi, Chairman, NABARD | : Chairman |
| (ii) Shri V. Ramakrishna Rao, ED, NABARD | : Member |
| (iii) The Joint Secretary, DFS, MOF, GOI | : Member |
| (iv) Dr. Mona Sharma, Principal Secretary, Govt. of Odisha | : Member |
| (v) Shri Yadavalli Vijendra Reddy A.P. State Coop. Bank | : Member |
| (vi) Dr. B. Yerram Raju, an Expert in the field | : Member |
| (vii) Dr. H. Shylendra, Institute of Rural Management, Anand | : Member |
| (viii) Shri C. D. Srinivasan, Chief General Manager, Reserve Bank of India, Rural Planning and Credit Department will be the Member Secretary. | |

3. The Committee is required to submit its report within three months of the date of its first meeting.

With best regards,

Yours sincerely,



(C. D. Srinivasan)

Dr Prakash Bakshi
Chairman
National Bank for Agriculture & Rural Development
Plot No.C-24, G-Block
Bandra-Kurla Complex
PB No.8121, Bandra (East)
Mumbai - 400051

Annexure 3.1

State-wise Details of Membership, and Loan Issued by PACS in Two tier & mixed tier structures- Average of 3 Years (2009-10 to 2011-12)

Sl. No.	State	No. of PACS	Membership of PACS (No.)				Loans issued by PACS			Average Member per PACS	Avg borr. member per PACS	% Borrowing membership	Avg loan per member in ₹	Avg. Agri. Loan per borrower in ₹
			Total members (No.)	Borrowing membership (No.)			Amt of loan issued (₹ crore)							
				Agri	Non-Agri	Total	Agri	Non-Agri	Total					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Andhra Pradesh	3126	10368739	2711409	251135	2962544	5845	332	6177	3317	948	28.6	20852	21557
2	Bihar	7299	988687	146388	0	146388	414	0	414	136	21	14.8	28301	28301
3	Chattisgarh	1104	1931587	1287296	4460	1291756	1186	40	1226	1750	1171	66.9	9493	9215
4	Gujarat	8052	2551887	1091709	8818	1100527	4762	125	4887	317	137	43.1	44407	43621
5	Haryana	643	2754823	1189932	431882	1621814	5087	134	5222	4285	2523	58.9	32197	42754
6	Karnataka	4821	4991824	1634771	480830	2115601	4709	2047	6756	1036	439	42.4	31935	28803
7	Kerala	1554	15346101	2993982	5069067	8063049	3959	25474	29433	9876	5189	52.5	36503	13222
8	MP	4526	6210642	3913546	0	3913546	5747	0	5747	1373	865	63.0	14685	14685
9	Maharashtra	20653	8219599	3279577	128868	3408445	10145	1027	11172	398	166	41.5	32778	30934
10	Orissa	2699	4884332	1976808	70495	2047303	3633	162	3795	1810	759	41.9	18536	18379
11	Punjab	3636	1573630	1063007	436583	1499590	8496	579	9075	433	413	95.3	60519	79925
12	Rajasthan	5396	4485269	2564286	0	2564286	5488	1379	6867	832	476	57.2	26780	21401
13	Tamil Nadu	4534	9249536	3652657	0	3652657	2842	12018	14860	2041	806	39.5	40682	7781
14	U P	7253	12594640	3926263	0	3926263	3217	3071	6289	1737	542	31.2	16017	8194
15	Jharkhand	498	1251910	1129000	122910	1251910	188	0	188	2514	2514	100.0	1501	1664
16	Uttarakhand	756	187253	93901	62468	156369	160	0	161	248	207	83.5	10276	17068
17	West Bengal	5106	2969736	1504601	165647	1670248	1378	336	1714	582	328	56.2	10260	9156
18	HP	2104	1078481	124271	0	124271	258	33	291	513	60	11.5	23420	20764
19	J & K	567	884151	188452	0	188452	16	1	17	1560	333	21.3	915	870
	Total	84327	92522827	34471856	7233163	41705019	67531	46760	114291	1098	495	45.1	27405	19590

Annexure 3.2

**State-wise Summary of Loans Issued by CCBs
in Three tier & mixed tier Structures vis-à-vis All Agencies
Average for the Years 2009-10 to 2011-12**

(₹ crore)

Sl. No.	Name of the State	GLC of all agencies				GLC of CCBs			
		Total Loans Issued	Of which Agriculture Sector			Total Loans Issued	Of which Agriculture Sector		
			Short term	Term Loan	Total		Short Term	Term loan	Total
1	Andhra Pradesh	70575	30508	17435	47943	8540	5975	569	6544
2	Bihar	21625	6462	3445	9907	397	397	0	397
3	Chhattisgarh	6529	1678	1735	3413	1203	1061	92	1153
4	Gujarat	33771	13689	6165	19854	6947	4469	563	5032
5	Haryana	50355	17150	9472	26622	6388	4829	151	4980
6	Karnataka	39319	14229	4833	19063	8168	3640	239	3880
7	Kerala	89067	24503	4686	29188	34401	6358	567	6926
8	Madhya Pradesh	25497	15482	3733	19214	6464	5979	168	6146
9	Maharashtra	42092	13144	5289	18434	13343	7863	1216	9079
10	Odisha	16169	5535	1674	7209	3890	3410	134	3545
11	Punjab	49015	25661	5124	30785	11944	8421	388	8809
12	Rajasthan	33496	17911	5227	23138	7038	5659	171	5830
13	Tamil Nadu	54113	28197	4042	32240	5535	3249	334	3583
14	Uttar Pradesh	55787	23981	8458	32439	8963	4272	937	5208
15	Jharkhand	13012	950	504	1454	78	9	0	9
16	Uttarakhand	5804	1570	993	2563	1032	485	127	612
17	West Bengal	17551	4460	2607	7067	2942	1201	158	1359
18	Himachal Pradesh	3623	580	516	1096	906	111	85	197
19	Jammu & Kashmir	3483	182	425	608	128	17	8	25
	Total	630883	245873	86364	332238	128309	67406	5907	73313

Annexure 3.3
Share of CCBs in Three tier & mixed tier Structures
In Total Loans Issued and agri loan in its operational area
(Based on average of years 2009-10 to 2011-12)

(share in %)

Sl	State	Share of CCBs in Total LI (%)	Share of CCBs in Agri LI (%)	Share of CCBs in crop loan (%)	Share of Agri LI of CCB in its Total LI (%)
1	Andhra Pradesh	12	14	20	77
2	Bihar	2	4	6	100
3	Chhattisgarh	18	34	63	96
4	Gujarat	21	25	33	72
5	Haryana	13	19	28	78
6	Karnataka	21	20	26	47
7	Kerala	39	24	26	20
8	Madhya Pradesh	25	32	39	95
9	Maharashtra	32	49	60	68
10	Odisha	24	49	62	91
11	Punjab	24	29	33	74
12	Rajasthan	21	25	32	83
13	Tamil Nadu	10	11	12	65
14	Uttar Pradesh	16	16	18	58
15	Jharkhand	1	1	1	12
16	Uttarakhand	18	24	31	59
17	West Bengal	17	19	27	46
18	Himachal Pradesh	25	18	19	22
19	Jammu & Kashmir	4	4	9	19
	Average	20	22	27	57

Annexure 3.4

Share of CCBs in Three tier & mixed tier Structures in Total Loans Issued, Agri loans and Crop Loans based on 3 years average- Range

SI	State	Share of CCBs in Total LI (%)		Share of CCBs in Agri LI (%)		Share of CCBs in Crop Loan (%)		CRAR (%)	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1	Andhra Pradesh	8.0	25.5	10.3	24.4	10.7	41.4	4.9	26.3
2	Bihar	0.3	10.8	0.6	17.3	0.8	26.7	-1.3	55.1
3	Chhattisgarh	11.4	38.6	18.7	71.2	6.1	79.8	8.9	25.2
4	Gujarat	4.7	43.7	5.1	59.7	6.9	78.2	4.2	16.8
5	Haryana	8.9	32.3	16.4	45.2	17.9	59.3	3.8	13.5
6	Karnataka	3.1	68.5	4.3	51.5	4.8	59.1	7.1	25.3
7	Kerala	18.7	67.4	9.4	50.5	12.4	51.8	-2.1	11.4
8	Madhya Pradesh	6.3	68.3	9.3	77.1	13.7	78.9	4.3	25.2
9	Maharashtra	8.6	69.1	12.1	71.6	18.5	84.9	-18.4	26.8
10	Orissa	13.5	55.0	21.4	71.7	33.9	79.8	4.5	11.1
11	Punjab	10.8	49.4	8.5	46.9	10.1	48.2	0.6	26.1
12	Rajasthan	6.1	45.6	9.6	51.7	13.4	66.7	0.1	13.1
13	Tamil Nadu	2.3	30.7	3.4	27.5	3.0	28.9	4.91	13.2
14	Uttar Pradesh	0.3	57.5	0.4	49.7	0.4	49.5	-1700.7	24.7
15	Jharkhand	0.3	1.6	0.0	2.7	0.1	4.6	5.7	61.8
16	Uttaranchal	13.3	37.3	15.9	57.4	22.7	61.5	9.9	23.2
17	West Bengal	1.0	36.2	2.5	38.8	3.8	66.0	-19.7	12.8
18	HP	10.7	30.6	17.6	19.2	16.0	37.1	10.1	23.2
19	J & K	1.7	6.1	2.5	4.9	5.0	15.7	-140.1	-7.2
	All India	0.3	69.1	0.0	77.1	0.1	84.9	-1700.7	61.8

Annexure 3.5

**State-wise Summary of Loans Issued (LI)
by StCBs under Two Tier Structure vis-à-vis All Agencies
Average for the Years 2009-10 to 2011-12**

(GLC in ₹ crore, share in %)

Sl. No.	Name of the State	GLC of all agencies				GLC of StCBs				Share of StCBs in				
		Total	Agriculture Sector			Total	Agriculture Sector			Total LI	Agri LI	crop loan	Agri LI in its Total LI	Crop LI in its Agri LI
			Short term	Term loan	Total		Short term	Term loan	Total					
1	Assam	3329	605	626	1231	63	5	26	32	2	3	1	50	16
2	Andaman & Nicobar	268	6	32	38	48	2	21	23	18	59	33	47	9
3	Arunachal Pradesh	159	22	38	60	5	0	2	2	3	3	0	33	3
4	Chandigarh	6804	0	4792	4792	13	0	0	0	0	0		0	
5	Delhi	474	30	36	66	12	1	3	3	3	5	2	28	19
6	Goa	2448	79	148	227	589	10	15	25	24	11	13	4	41
7	Manipur	382	20	35	55	12	0	4	4	3	7	0	32	2
8	Meghalaya	519	90	66	156	34	4	5	10	7	6	5	28	46
9	Mizoram	456	36	41	77	85	1	8	10	19	12	3	11	12
10	Nagaland	201	0	0	95	21	0	0	14	10	14		66	0
11	Puducherry	1561	281	62	343	405	10	0	10	26	3	4	3	97
12	Sikkim	504	12	13	25	23	4	1	5	5	20	36	22	85
13	Tripura	1254	278	0	278	146	28	0	28	12	10	10	19	100
	Total	18359	1458	5890	7443	1457	66	85	164	8	2	5	11	40

Annexure 4.1
Business and Profitability parameters of StCBs Three & mixed Tier Structures as on 31 March 2012

(₹ in crore)

Sr No	StCB	Capital	Reserves & Surpluses	Total Deposits	Total Borrowings	Total Investments	Total Loans Outstanding	Interest earned on		Interest paid on		Profit (+) / Loss (-)	Accumulated Loss, if any
								Investments	Advances	Deposits	Borrowings		
1	Andhra Pradesh	247	1354	3912	5086	1543	7078	279	419	275	220	123	0
2	Bihar	20	172	1866	846	1046	1710	96	105	116	16	46	0
3	Chhattisgarh	77	80	1484	702	428	1156	27	71	107	24	10	0
4	Gujarat	21	311	4862	2504	3632	3624	324	235	380	136	19	0
5	Haryana	102	330	2131	3404	1358	4515	113	197	140	118	19	0
6	Karnataka	113	420	5263	2834	2908	5382	179	364	361	115	29	0
7	Kerala	389	393	5904	1384	4436	3077	200	113	474	26	-101	390
8	Madhya Pradesh	212	312	3879	3347	3081	4529	260	283	258	122	68	0
9	Maharashtra	445	656	15862	3966	12040	10285	886	809	1285	145	175	77
10	Orissa	171	122	3954	3403	4136	3793	263	238	320	134	11	0
11	Punjab	68	244	2593	4823	1488	6296	126	327	167	185	27	0
12	Rajasthan	84	398	3580	3611	3491	4036	248	212	253	151	20	0
13	Tamil Nadu	996	579	6523	2328	2139	7538	182	548	476	114	52	0
14	UP	144	573	4631	1804	2484	4979	253	233	358	70	30	0
15	Uttaranchal	34	25	1231	511	1080	643	93	33	95	18	3	0
16	H P	8	326	5242	749	3931	2362	313	230	357	39	41	0
17	J & K	2	7	538	1	427	103	36	11	33	0	4	0
18	West Bengal	40	104	4814	1649	3189	2873	248	420	492	45	-31	27
	Total	3170	6408	78270	42953	52837	73978	4126	4849	5946	1679	544	494

Annexure 4.2
Business and Profitability parameters of CCBs in Three & mixed Tier Structures as on 31 March 2012

(₹ crore)

Sr No	State	Capital	Reserves & Surplus	Total Deposits	Total Borrowings	Total Investments	Total Loans Outstanding	Interest earned on		Interest paid on		No. of CCBs in Profit	Amount of Profit	No. of CCBs in Loss	Amount of Loss	Accumulated Losses
								Investments	Advances	Deposits	Borrowings					
1	Andhra Pradesh	1045	1014	4702	6412	3246	9725	219	707	343	318	21	50	1	-2	180
2	Bihar	175	134	1807	422	932	849	66	103	90	12	18	30	2	-2	5
3	Chhattisgarh	190	174	3404	703	2693	1308	234	166	143	32	6	60	0	0	0
4	Gujarat	390	978	14075	3411	10277	8309	694	869	819	162	15	87	3	-13	0
5	Haryana	332	355	5365	4144	2364	7562	165	477	305	171	14	8	5	-28	0
6	Jharkhand	73	76	901	81	626	305	72	30	61	2	8	11	0	0	0
7	Karnataka	505	683	9222	3952	4331	9669	345	780	542	193	21	99	0	0	16
8	Kerala	206	899	22414	2404	7113	17463	598	1923	1681	243	11	41	3	-20	0
9	Maharashtra	1911	3212	49231	5110	23083	35298	1780	3238	2447	291	30	428	1	-7	0
10	MP	685	1005	9536	3918	5870	8651	376	901	504	229	38	181	0	0	0
11	Odisha	587	137	4731	3006	3160	5360	257	416	335	124	15	32	2	-52	26
12	Punjab	162	696	9035	5665	1743	9864	411	724	508	265	17	34	3	-11	29
13	Rajasthan	320	352	7063	3830	4514	6213	298	531	434	171	28	44	1	-9	10
14	Tamil Nadu	1639	1206	15418	5399	4332	20590	357	1918	1214	369	23	189	0	0	3
15	UP	441	1149	11646	3503	8347	6763	744	433	534	161	32	98	18	-153	25
16	Uttarakhand	45	310	4249	671	3350	1738	287	148	238	27	10	52	0	0	12
17	West Bengal	165	346	7576	877	4457	4104	403	361	493	52	16	31	1	-2	0
18	HP	5	588	5663	340	3551	2654	296	237	378	10	2	36	0	0	24
19	J & K	5	68	1616	15	780	604	59	59	21	2	0	0	3	-35	1
	Total	8881	13381	187653	53863	94768	157028	7659	14019	11090	2835	325	1511	43	-334	331

Annexure 4.3
Business and Profitability parameters of StCBs in Two tier Structure as on 31 March 2012

(₹ in crore)

Sr. No.	StCB	Capital	Reserves & Surplus	Total Deposits	Total Borrowings	Total Investments	Total Loans Outstanding	Gross NPA Amount	Interest earned on Investments	Interest on advances	Interest paid on deposits	Interest paid on Borrowings	Profit (+) / Loss (-)	Accumulated Loss, (if any)
1	Assam	9	16	1559	7	1020	505	104	79	46	61	0	26	16
2	Andaman & Nicobar	3	41	456	46	316	223	43	26	22	24	4	3	0
3	Arunachal Pradesh	192	6	95	149	20	109	92	24	2	3	14	0	129
4	Chandigarh	1	11	254	0	217	62	9	16	7	12	0	3	0
5	Delhi	3	144	794	21	634	362	27	111	0	44	0	30	0
6	Goa	21	90	1160	0	527	624	94	46	70	85	0	1	0
7	Manipur	15	31	95	121	103	153	133	9	5	3	1	0	21
8	Meghalaya	6	53	1184	44	888	422	56	67	42	54	3	11	0
9	Mizoram	6	4	372	30	106	237	40	12	21	17	2	3	0
10	Nagaland	35	27	367	10	236	132	34	19	11	16	1	1	43
11	Pondicherry	15	46	533	19	171	387	50	10	42	34	1	-7	11
12	Sikkim	11	11	136	21	43	93	5	7	10	8	2	3	0
13	Tripura	17	21	1156	3	761	356	27	53	31	64	0	14	0
	Total	334	500	8160	472	5043	3666	714	479	308	424	28	87	220

Annexure 4.4

Deposits by Type and by Source of StCBs in Three tier and mixed tier Structures as on 31 March 2012

(₹ crore)

Sr. No.	StCB	Deposits by Type						Deposits by Source				
		Fixed / Term Deposits	Savings Bank Deposits	Current Deposits	Total Deposits	Of which, Total CASA Deposits	Share of CASA Deposits to Total (%)	Deposits by Individuals	Deposits by CCBs	Deposits by Other Societies	Deposits by Govt. / Govt. bodies	Total Deposits
1	Andhra Pradesh	3478	176	258	3912	434	11	545	2941	153	273	3912
2	Bihar	1011	412	444	1866	855	46	611	802	453	0	1866
3	Chhattisgarh	1344	96	43	1484	139	9	124	1318	42	0	1484
4	Gujarat	4633	5	223	4862	229	5	38	3737	1087	0	4862
5	Haryana	1838	232	60	2131	292	14	411	1535	47	138	2131
6	Karnataka	4596	297	371	5263	668	13	836	3987	0	440	5263
7	Kerala	5518	91	295	5904	386	7	300	5473	131	0	5904
8	Madhya Pradesh	3364	209	305	3879	514	13	426	3051	402	0	3879
9	Maharashtra	14635	624	603	15862	1228	8	861	11330	3671	0	15862
10	Orissa	3739	118	98	3954	216	5	739	2922	114	179	3954
11	Punjab	2259	215	120	2593	335	13	579	1924	91	0	2593
12	Rajasthan	3225	74	281	3580	355	10	293	3287	0	0	3580
13	Tamil Nadu	5764	611	149	6523	759	12	2178	3479	866	0	6523
14	Uttar Pradesh	4149	335	147	4631	482	10	700	3437	493	0	4631
15	Uttaranchal	1198	10	23	1231	33	3	14	1205	12	0	1231
16	Himachal Pradesh	3517	1628	97	5242	1726	33	5073	0	156	13	5242
17	Jammu & Kashmir	351	126	61	538	187	35	288	249	0	0	538
18	West Bengal	4052	448	314	4814	762	16	1055	2737	1020	3	4814
	Grand Total	68670	5707	3893	78270	9600	12	15072	53414	8738	1046	78270

Annexure 4.5
Analysis of NPAs of Agri and Non Agri loans of Select StCBs

(₹ in crore)

Sl. No.	Name of the StCB	Position as on (31 March)	Total loan o/s	Agri. Loan o/s	Non-Agri loan o/s	Gross NPAs	Agri. Loan NPAs	Non-Agri loan NPAs	% of Non Agri Loans to Total Loans	Prov for Agr.	Prov. For non-agri	Net Loss/ Profit	Accu mulated loss	Gross NPAs %	Agri NPA %	Non-Agri. NPA %
1	Punjab StCB	2011	5325	4187	1138	55	26	29	21.4	99	19	26	0	1.0	0.6	2.6
2	West Bengal StCB	2011	3303	2396	907	424	385	39	27.5	28	39	10	0	12.8	16.1	4.3
3	UP StCB Ltd.	2011	3999	3979	1999	313	116	197	50.0	269	159	21	0	7.8	2.9	9.8
4	Andhra Pradesh StCB	2011	5660	4835	825	155	44	111	14.6	4	22	112	0	2.7	0.9	13.5
5	Madhya Pradesh StCB	2011	3271	2661	610	105	0	105	18.7	0	75	40	0	3.2	0.0	17.2
6	Maharastra StCB	2012	10285	3725	6560	2210	0	2210	63.8	0	2039	175	77	21.5	0.0	33.7

Annexure 4.6
Deposits by Type and by Source of CCBs in Three tier and mixed tier Structures as on 31 March 2012

(₹ crore)

Sr No	State	Deposits by Type						Deposits by Source				
		Fixed / Term Deposits	Savings Bank Deposits	Current Deposits	Total Deposits	Of which, Total CASA Deposits	Share of CASA Deposits in Total (%)	Deposits by Individuals	Deposits by PACS	Deposits by Other Societies	Deposits by Govt. / Govt. bodies	Total Deposits
1	Andhra Pradesh	3793	745	165	4702	909	19	2958	1092	533	120	4702
2	Bihar	492	1132	183	1807	1315	73	1432	23	267	85	1807
3	Chhattisgarh	1126	2112	166	3404	2278	67	2798	445	25	136	3404
4	Gujarat	7540	5429	1107	14075	6535	46	9729	488	3560	299	14075
5	Haryana	2625	2631	109	5365	2740	51	3896	179	436	853	5365
6	Jharkhand	370	479	52	901	531	59	670	11	204	16	901
7	Karnataka	6332	2126	763	9222	2890	31	5225	2069	1483	444	9222
8	Kerala	18171	3342	901	22414	4243	19	10019	9571	2369	455	22414
9	Maharashtra	22887	17312	9032	49231	26344	54	29071	5731	7244	7185	49231
10	MP	5162	3789	585	9536	4374	46	6041	801	1994	699	9536
11	Odisha	3246	1342	143	4731	1485	31	3041	1551	73	65	4731
12	Punjab	4433	4324	278	9035	4602	51	7373	1354	54	254	9035
13	Rajasthan	4428	2382	252	7063	2635	37	4613	991	933	526	7063
14	Tamil Nadu	11997	2451	971	15418	3422	22	10680	3214	866	658	15418
15	Uttar Pradesh	4377	6734	535	11646	7269	62	10624	317	546	159	11646
16	Uttarakhand	1833	2267	150	4249	2416	57	2976	795	115	363	4249
17	West Bengal	4889	2498	189	7576	2686	35	4701	2122	691	62	7576
18	HP	4120	1521	21	5663	1542	27	4121	11	1173	358	5663
19	J & K	827	681	108	1616	789	49	1543	11	1	62	1616
	Total	108647	63297	15709	187653	79005	42	121510	30776	22567	12800	187653

Annexure 4.7
Analysis of NPAs of Agri and Non Agri loans of Select CCBs

(₹ in crore)

Sl.No	Name of the CCB	Position as on	Total loan o/s	Agri. Loan o/s	Non-Agri loan o/s	Gross NPAs	Agri. Loan NPAs	Non-Agri loan NPAs	% of Non Agri Loans to Total Loans	Prov for Agr.	Prov. For non-agri	Net Loss (-) / Profit (+)	Accumulated loss	Gross NPAs %	Agri NPA %	Non-Agri. NPA %
1	Jalandhar	31-Mar-12	608	346	262	17	17	0.4	43.1	0.2	9.0	2.5	0	2.9	4.9	0.1
2	Karimnagar	31-Mar-12	467	180	287	11	1.4	10	61.4	0.2	6.4	3.5	15	2.4	0.8	3.4
3	Nasik	31-Mar-10	1532	651	881	113	61	52	57.5	12	180	11	0	7.4	9.4	5.9
4	Nagpur	31-Mar-12	730	375	355	74	47	27	48.6	8.2	24	41	199	10.2	12.6	7.6
5	Mugberia	31-Mar-12	215	69	147	15	1.1	14	68.1	0.1	4.6	0.8	0	7.0	1.6	9.6
6	Khammam	31-Mar-12	334	246	88	15	6.6	8.8	26.4	0.7	6.9	1.2	0	4.6	2.7	10.0
7	Nalgonda	31-Mar-12	424	297	126	30	16	14	29.8	2.2	6.0	1.0	0	7.0	5.4	10.8
8	Gorakhpur	31-Mar-12	181	90	91	76	66	10	50.4	54	0	-11	117	42.3	74.0	11.2
9	Jammu	31-Mar-12	381	58	323	57	19	38	84.9	22	0	-32	148	15.0	33.8	11.7
10	Purnea	31-Mar-12	69	46	23	20	17	2.8	33.1	7.0	2.8	-1.6	25	28.7	36.8	12.3
11	Murshidabad	31-Mar-12	207	90	117	26	10	16	56.6	3.2	8.8	0.2	5.5	12.4	11.2	13.3
12	Kakinada	31-Mar-12	796	564	232	51	19	32	29.1	5.1	20	1.1	0	6.4	3.4	13.6
13	Ghazipur	31-Mar-12	76	55	21	17	13	3.2	27.6	10.6	0	-2.4	39	21.8	24.3	15.4
14	Solapur	31-Mar-11	2935	623	2312	407	22	385	78.8	5.7	145	15	0	13.9	3.5	16.6
15	Thiruvananthapuram	31-Mar-11	1848	597	1251	327	10	317	67.7	1.7	100	2.7	0	17.7	1.7	25.3
16	Jalna	31-Mar-12	202	140	63	37	21	16	31.0	17	16	11	5	18.5	15.2	25.9

Annexure 4.7
Analysis of NPAs of Agri and Non Agri loans of Select CCBs

(₹ in crore)

Sl.No	Name of the CCB	Position as on	Total loan o/s	Agri. Loan o/s	Non-Agri loan o/s	Gross NPAs	Agri. Loan NPAs	Non-Agri loan NPAs	% of Non Agri Loans to Total Loans	Prov for Agr.	Prov. For non-agri	Net Loss (-) / Profit (+)	Accumulated loss	Gross NPAs %	Agri NPA %	Non-Agri. NPA %
17	Mau	31-Mar-12	31	17	14	14	10	3.7	45.9	12	0	-1.7	27	44.8	60.5	26.2
18	Muzzafarpur	31-Mar-12	35	14	21	15	10	6	58.8	7.2	5.6	2.7	29	44.3	68.8	27.2
19	Burdwan	31-Mar-12	605	327	278	88	12	76	45.9	8.0	52	2.0	0	14.5	3.5	27.5
20	Amritsar	31-Mar-12	473	354	119	45	11	33	25.1	6.0	15	1.5	12	9.5	3.2	28.2
21	Jalgaon	31-Mar-12	1147	567	581	209	27	182	50.6	3.9	180	17	94	18.2	4.7	31.4
22	Buldhana	31-Mar-12	577	166	410	134	3.7	130	71.1	123	0	2.0	170	23.2	2.2	31.7
23	Azamgarh	31-Mar-12	61	41	20	22	15	7.0	33.4	15	0	-2.7	81	35.3	36.0	34.0
24	Dhule & Nandurbar	31-Mar-12	510	183	327	169	19	150	64.2	12	70	0.9	117	33.1	10.2	45.9
25	Etah	31-Mar-12	93	79	14	27	20	7.7	15.3	13	4.9	0	0	29.5	25.1	54.0
26	Nanded	31-Mar-12	547	224	323	208	16	192	59.0	10	192	2.8	144	38.1	7.2	59.6
27	Birbhum	31-Mar-12	197	104	92	61	2.0	59	47.0	0.9	25	-1.8	46	30.8	1.9	63.4
28	Kolhapur	31-Mar-11	1356	542	814	563	21	542	60.0	14	293	7.3	197	41.5	3.9	66.6

Annexure 4.8
Deposits by Type and by Source of StCBs in Two tier Structure as on 31 March 2012

(₹ crore)

Sr. No.	StCB	Deposits by Type						Deposits by Source				
		Fixed / Term Deposits	Savings Bank Deposits	Current Deposits	Total Deposits	Of which, Total CASA Deposits	Share of CASA Deposits in Total (%)	Deposits by Individuals	Deposits by PACS	Deposits by Other Societies	Deposits by Govt. / Govt. bodies	Total Deposits
1	Assam	496	929	135	1559	1064	68	1494	0	66	0	1559
2	Andaman & Nicobar	197	244	15	456	259	57	448	0	8	0	456
3	Arunachal	30	47	18	95	65	69	62	0	33	0	95
4	Chandigarh	88	161	6	254	167	66	185	0	28	41	254
5	Delhi	333	401	59	794	460	58	619	7	168	0	794
6	Goa	628	426	106	1160	532	46	743	0	354	63	1160
7	Manipur	30	45	20	95	65	69	81	0	14	0	95
8	Meghalaya	431	645	108	1184	752	64	981	0	26	177	1184
9	Mizoram	140	218	14	372	233	62	366	4	2	0	372
10	Nagaland	139	203	25	367	228	62	361	0	6	0	367
11	Pondicherry	357	140	36	533	176	33	389	0	63	80	533
12	Sikkim	76	51	8	136	60	44	110	0	23	2	136
13	Tripura	583	434	139	1156	573	50	911	0	38	206	1156
	Total	3526	3945	689	8160	4634	57	6751	11	829	569	8160

Annexure - 5.1

Statement showing likely additional capital required for CCBs on 'Trend Based' performance

(₹ crore)

Sr. No	Name of the CCB	State	Status of CCB - Licenced / Unlicenced	Present CRAR (as per DoS)	Share of Agri. Loans issued in Area of Operation	Likely additional capital requirements estimated for achieving 9% CRAR (Model-1)	Likely additional capital requirements estimated for achieving CRAR of 7% by 2014-15 & 9% by 2016-17 (Model - 2)
Group - I [CRAR upto 4%]							
1	Jaunpur	Uttar Pradesh	Unlicenced	-1700.68	0.92	125	162
2	Siddharthnagar	Uttar Pradesh	Unlicenced	-1511.17	5.96	47	61
3	Sultanpur	Uttar Pradesh	Unlicenced	-717.81	0.81	71	89
4	Bahraich	Uttar Pradesh	Unlicenced	-620.32	1.93	69	101
5	Deoria	Uttar Pradesh	Unlicenced	-487.78	0.36	174	229
6	Ballia	Uttar Pradesh	Unlicenced	-439.84	5.89	99	183
7	Sitapur	Uttar Pradesh	Unlicenced	-113.88	3.72	97	179
8	Azamgarh	Uttar Pradesh	Unlicenced	-91.87	8.44	66	86
9	Basti	Uttar Pradesh	Unlicenced	-73.94	18.06	59	89
10	Hardoi	Uttar Pradesh	Unlicenced	-71.55	2.9	73	110
11	Fatehpur	Uttar Pradesh	Unlicenced	-57.26	12.49	106	273
12	Gorakhpur	Uttar Pradesh	Unlicenced	-55.39	5.21	109	152
13	Varanasi	Uttar Pradesh	Unlicenced	-47.59	10.24	59	51
14	Ghazipur	Uttar Pradesh	Unlicenced	-28.39	12.75	41	52
15	Allahabad	Uttar Pradesh	Unlicenced	-27.39	17.86	98	121
16	Faizabad	Uttar Pradesh	Unlicenced	-19.85	8.21	33	37
17	Bharatpur	Rajasthan	Licenced	0.1	10.52	21	14
18	Birbhum	West Bengal	Unlicenced	-19.66	29.57	71	88
19	Jind	Haryana	Licenced	3.78	19.52	25	37
20	Sitamarhi	Bihar	Licenced	3.71	3.48	10	0
	Total					1453	2112
Group - II [CRAR above 4% upto 7%]							
1	Murshidabad	West Bengal	Licenced	4.02	10.38	19	4
2	Hissar	Haryana	Licenced	4.01	25.74	47	16

Annexure - 5.1

Statement showing likely additional capital required for CCBs on 'Trend Based' performance

(₹ crore)

Sr. No	Name of the CCB	State	Status of CCB - Licenced / Unlicenced	Present CRAR (as per DoS)	Share of Agri. Loans issued in Area of Operation	Likely additional capital requirements estimated for achieving 9% CRAR (Model-1)	Likely additional capital requirements estimated for achieving CRAR of 7% by 2014-15 & 9% by 2016-17 (Model - 2)
3	Kurukshttra	Haryana	Licenced	4.83	14.54	27	17
4	Sirsa	Haryana	Licenced	4.21	16.97	24	29
5	Palakkad	Kerala	Licenced	4.1	50.5	66	45
6	Kanpur *	Uttar Pradesh	Unlicenced \$	4.2	13.37	0	4
7	Kanyakumari	Tamil Nadu	Licenced	5.21	3.83	26	0
8	Sivaganga	Tamil Nadu	Licenced	5.63	5.79	12	0
9	Mau#	Uttar Pradesh	Unlicenced \$	5.5	2.48	0	13
10	Purulia	West Bengal	Licenced	4.73	8.91	4	0
	Total					225	126
Group - III [CRAR above 7% upto 9%]							
1	Karnataka - Dharwad	Karnataka	Licenced	7.2	9.86	0	0
2	Salem	Tamil Nadu	Licenced	7.9	22.43	25	0
	Total					25	0
Group - IV [CRAR above 9% upto 12%]							
1	Vidyasagar	West Bengal	Licenced	9.25	14.02	2	0
2	Keonjhar	Odisha	Licenced	9.73	57.14	2	0
	Total					4	0
Group - V [CRAR above 12%]							
1	Aurangabad	Bihar	Licenced	17.6	10.35	0	0
	Total					0	0

* Besides ₹30.00 Crore received during 2012-13.

Besides ₹19.05 Crore received during 2012-13.

\$ Recommended for grant of licence as the banks has attained licencing criteria.

Annexure - 5.2

Model wise assessment of likely additional capital requirement of select CCBs

(₹ crore)

Sr No	Name of the CCB	CRAR as per DoS	Model- 1 (Uniform growth rate @ 15%)	Model - 2 (Trend)	Model - 3 (Higher Agri Loan O/S)		Model - 4 (Higher growth in important business parameters)		
			Recap needed to achieve 9% CRAR by 2017	Recap needed to achieve 9% CRAR by 2017	Recap needed to achieve 9% CRAR by 2017	Additional capital Need for Model 3 compared to Model 2.	Likely additional capital need in growth model (Model-4)	Likely additional capital Need for Model 4 compared to Model 3.	
1	Kanpur	4.2	0	3.5*	5.2*	1.7	14.0*	8.8*	
2	Kurushetra	4.83	27.0	17.2	18.4	1.2	36.0	17.6	
3	Pallakad	4.1	66.1	45.0	57.0	12.0	205	148	
4	Salem	7.9	25.0	0	0	0	0	0	
5	Murshidabad	4.02	19.0	3.5	4.5	1.0	9.2	4.7	
6	Vidyasagar	9.25	1.9	0	0	0	2.0	2.0	
7	Birbhum	-19.66	71.1	87.5	91.0	3.5	82.5	0	
8	Jind	3.78	25.0	36.5	36.5	0	46.5	10	
9	Allahabad	-27.39	98.0	120.7	116.0	0	132.5	16.5	
10	Basti	-73.94	59.0	88.8	89.5	0.7	97.3	7.8	
11	Sitamarhi	3.71	10.0	0	0	0	0	0	
12	Hissar	4.01	47.0	15.5	15.5	0	18.0	2.5	
13	Sirsa	4.21	24.0	29.0	29.0	0	22.5	0	
14	Karnataka Dharwad	7.2	0	0	0	0	0	0	
15	Keonjhar	9.73	2.0	0	0	0	6.0	6.0	
16	Aurangabad (Bihar)	17.6	0	0	0	0	0	0	
	Total		475.1	447.2	462.6	20.1	671.5	223.9	
	* besides ₹ 30 crore given during 2012-13.								

Annexure - 6.1

**Unlicensed CCBs - CCB- wise likely additional capital required to achieve 4%, 7% and 9%
by 2012-13, 2014-15 and 2016-17 respectively**

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
1	Deoria Kasia	31.03.2012	-487.78	173	173	174
2	Jammu	31.03.2012	-33.85	168	185	201
3	Buldana	31.03.2012	-15.55	151	179	206
4	Nagpur	31.03.2012	-15.77	149	153	151
5	Jaunpur	31.03.2012	-1700.68	125	125	125
6	Dhule & Nandurbar	31.03.2012	-10.49	107	135	161
7	Gorakhpur	31.03.2012	-55.39	97	103	109
8	Ballia	31.03.2012	-439.84	97	98	99
9	Fatehpur	31.03.2012	-57.26	96	101	106
10	Sitapur	31.03.2012	-113.88	92	95	97
11	Allahabad	31.03.2012	-27.39	78	88	98
12	Anantnag	31.03.2012	-140.11	78	80	82
13	Wardha	31.03.2012	-18.36	76	81	85
14	Sultanpur	31.03.2012	-717.81	70	71	71
15	Baharaich	31.03.2012	-620.32	68	68	69
16	Hardoi	31.03.2012	-71.55	66	70	73
17	Azamgarh	31.03.2012	-91.87	61	64	66
18	Birbhum	31.03.2012	-19.66	54	63	71
19	Basti	31.03.2012	-73.94	54	57	59
20	Varanasi	31.03.2012	-47.59	52	56	59
21	Siddhartha Nagar	31.03.2012	-1511.17	47	47	47
22	Osmanabad	31.03.2012	-3.92	38	37	32
23	Jalna	31.03.2012	-10.01	38	41	44
24	Ghazipur	31.03.2012	-28.39	33	37	41
25	Faizabad	31.03.2012	-19.85	25	29	33
26	Baramulla	31.03.2012	-7.24	20	27	33
Total				2114	2263	2391

Annexure - 6.2

Licensed Banks with less than 4% CRAR

CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13, 2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
1	Kolhapur	31.03.2011	-11.49	190.11	234.77	275.06
2	Sangli	31.03.2011	-14.30	95.76	0.00	0.00
3	Alappuzha	31.03.2011	-2.05	57.16	95.13	130.36
4	Sambalpur	31.03.2012	-1.50	41.42	67.95	92.13
5	Nasik	31.03.2010	2.40	32.70	114.77	191.33
6	Pathanamthitta	31.03.2010	1.16	13.45	33.42	52.02
7	Balageria	31.03.2011	-1.88	13.20	22.37	30.96
8	Kasargod	31.03.2010	1.85	10.69	32.02	51.79
9	Mansa	31.03.2010	0.56	10.66	23.39	35.42
10	Kollam	31.03.2011	2.94	8.89	48.58	84.90
11	Malappuram	31.03.2011	3.33	8.13	54.55	97.69
12	Faridkot	31.03.2011	1.48	6.97	18.04	28.30
13	Bharatpur	31.03.2011	0.12	6.89	14.02	20.63
14	Idukki	31.03.2010	3.34	5.21	39.57	71.41
15	Nagaur	31.03.2010	1.84	4.90	14.38	23.20
16	Thrissur	31.03.2010	3.59	3.20	55.70	104.07
17	Nawadah	31.03.2011	-1.31	2.84	5.04	7.12
18	Jalpaiguri	31.03.2011	2.80	1.59	7.01	12.02
19	Wyanad	31.03.2011	3.53	0.97	11.78	21.71
20	Jind	31.03.2010	3.78	0.74	13.58	25.49
21	Sitamarhi	31.03.2011	3.71	0.29	5.49	10.33
22	Kottayam	31.03.2011	-0.40	0.23	0.00	0.00
23	Jalgaon	31.03.2012	3.29	0.00	0.00	7.21
Total				516.01	911.57	1373.17

Annexure - 6.3

**CCBs recommended for license -
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively**

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	Net Worth	Capital Funds	Risk Weighted Assets	CRAR (%)	Likely additional capital required for achieving			Financial Support received from State Govt. in 2012-13
							4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17	
State - BIHAR										
1	Katihar	31.03.2012	3.1	5.25	40.56	12.95	0.00	0.00	0.00	5.65
2	Purnea	31.03.2012	4.09	4.09	72.43	5.64	0.00	0.32	1.92	9.78
3	Muzaffarpur	31.03.2012	11.23	12.43	48.48	25.63	0.00	0.00	0.00	21.33
4	Munger- Jamui	31.03.2012	4.3	6.07	62.19	9.76	0.00	0.00	0.00	27.30
5	Aurangabad	31.03.2012				17.60	0.00	0.00	0.00	0.00
Sub total							0.00	0.32	1.92	64.06
State - RAJASTHAN										
6	Tonk	31.03.2012	10.14	10.45	163.43	6.40	0.00	2.25	7.95	30.00
Sub total							0.00	2.25	7.95	30.00
State - UP										
7	Pratapgarh	31.03.2012	11.58	6.8	117.54	5.78	0.00	0.58	3.34	8.49
8	Raibareilly	31.03.2012	8.65	8.13	115.65	7.03	0.00	0.00	2.45	11.69
9	Farukkhabad	31.03.2012	10.92	10.92	145.24	7.52	0.00	0.00	4.31	15.68
10	Mau	31.03.2012	1.4	9.34	30.73	30.38	0.00	0.00	0.00	19.05
11	Barabanki	31.03.2012	9.67	8.26	77.72	10.62	0.00	0.00	0.00	21.64
12	Aligarh	31.03.2012	5.92	5.14	85.13	6.04	0.00	1.25	4.05	24.45
13	Lucknow	31.03.2012	4.09	4.02	82.17	4.90	0.00	2.37	5.24	28.50
14	Kanpur	31.03.2012	6.54	3.43	81.76	4.20	0.00	0.00	0.00	30.00
15	Unnao	31.03.2012	4.67	13.59	55.08	24.67	0.00	0.00	0.00	32.40
Sub total							0.00	4.20	19.39	191.90
GRANT TOTAL							0.00	6.77	29.26	285.96

Annexure - 6.4
Licensed Banks with CRAR ranging from 4% to 7%-
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
1	Hisar	31.03.2012	4.01	0.06	24.31	46.85
2	Murshidabad	31.03.2012	4.02	0.15	9.89	19.02
3	Sasaram-Babhua	31.03.2011	4.06	0.00	2.84	5.77
4	Palakkad	31.03.2010	4.07	0.00	33.91	66.10
5	Aurangabad	31.03.2011	4.07	0.00	31.88	62.72
6	Sangrur	31.03.2011	4.16	0.00	31.87	63.65
7	Mugberia	31.03.2010	4.19	0.03	10.17	19.66
8	Sirsa	31.03.2011	4.21	0.00	11.95	23.57
9	Kutch	31.03.2012	4.22	0.00	2.55	5.06
10	Parbhani	31.03.2011	4.25	0.00	0.00	0.00
11	Chhindwara	31.03.2010	4.33	0.00	5.07	11.13
12	Thiruvananthapuram	31.03.2011	4.42	0.00	68.55	140.50
13	Mehsana	31.03.2010	4.45	0.00	9.96	20.54
14	United Puri Nimpara	31.03.2011	4.48	0.00	2.26	5.30
15	Solapur	31.03.2011	4.49	0.00	144.07	282.18
16	Ferozepur	31.03.2012	4.51	0.00	14.74	30.44
17	Fatehabad	31.03.2011	4.55	0.00	11.62	24.14
18	Amritsar	31.03.2012	4.64	0.00	16.19	34.18
19	Junagarh	31.03.2012	4.65	0.00	0.00	0.00
20	Purulia	31.03.2011	4.73	0.00	1.96	4.30
21	Hoshangabad	31.03.2011	4.79	0.00	6.74	17.77
22	Surendranagar	31.03.2012	4.80	0.00	0.00	0.64
23	Kurukshetra	31.03.2011	4.83	0.00	12.53	27.02
24	Prakasam	31.03.2011	4.89	0.00	14.68	32.35
25	Virudhunagar	31.03.2011	4.91	0.00	2.51	12.24
26	Pali	31.03.2011	4.93	0.00	7.16	17.78

Annexure - 6.4
Licensed Banks with CRAR ranging from 4% to 7%-
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
27	Seoni	31.03.2011	4.97	0.00	0.00	0.00
28	Gurdaspur	31.03.2012	4.97	0.00	16.54	37.20
29	Taran Taran	31.03.2011	5.02	0.00	9.23	21.96
30	Fatehgarh Sahib	31.03.2011	5.06	0.00	10.46	24.98
31	Boudh	31.03.2010	5.07	0.00	0.17	2.95
32	Tirunelveli	31.03.2011	5.14	0.00	12.31	28.05
33	Guna	31.03.2011	5.15	0.00	0.00	0.00
34	Panchkula	31.03.2011	5.15	0.00	4.30	10.41
35	Bolangir	31.03.2012	5.18	0.00	10.34	24.03
36	Tamluk Ghatal	31.03.2011	5.18	0.00	8.83	19.62
37	Kanyakumari	31.03.2011	5.21	0.00	10.60	25.98
38	Raisen	31.03.2010	5.26	0.00	6.57	15.37
39	Kurnool	31.03.2010	5.27	0.00	6.56	14.88
40	Patiala	31.03.2011	5.27	0.00	21.96	53.33
41	Bhatinda	31.03.2011	5.29	0.00	13.62	32.50
42	Datia	31.03.2010	5.34	0.00	1.59	4.25
43	Rewari	31.03.2010	5.38	0.00	7.32	17.18
44	Thanjavur	31.03.2011	5.43	0.00	4.32	18.67
45	Nadia	31.03.2012	5.55	0.00	6.26	16.23
46	Cuttack	31.03.2012	5.55	0.00	20.06	49.84
47	Motihari	31.03.2011	5.59	0.00	3.03	7.78
48	Sivagangai	31.03.2011	5.63	0.00	2.82	12.47
49	Deogarh-Jamtara	31.03.2012	5.70	0.00	0.00	0.00
50	Bhawanipatna	31.03.2010	5.70	0.00	3.97	9.49
51	Ajmer	31.03.2010	5.71	0.00	1.24	5.33
52	Baroda	31.03.2012	5.74	0.00	0.00	0.00
53	Fazilka	31.03.2011	5.75	0.00	8.09	21.76

Annexure - 6.4
Licensed Banks with CRAR ranging from 4% to 7%-
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
54	Vellore	31.03.2011	5.78	0.00	13.37	38.50
55	Dindigul	31.03.2011	5.81	0.00	12.15	33.11
56	Kozhikode	31.03.2012	5.85	0.00	28.35	83.85
57	Kannur	31.03.2010	5.93	0.00	22.68	66.52
58	Thoothukudi	31.03.2011	6.00	0.00	0.00	5.28
59	Bhilwara	31.03.2010	6.04	0.00	4.61	11.86
60	Nanded	31.03.2011	6.10	0.00	6.61	23.62
61	Jabalpur	31.03.2011	6.15	0.00	0.00	0.02
62	Dewas	31.03.2010	6.18	0.00	0.00	0.00
63	Moga	31.03.2010	6.27	0.00	6.99	20.29
64	Mirzapur DCCB	31.03.2011	6.28	0.00	1.89	6.34
65	Cuddalore	31.03.2010	6.30	0.00	9.24	33.32
66	Bhiwani	31.03.2010	6.38	0.00	8.86	27.70
67	Ratnagiri	31.03.2011	6.48	0.00	2.70	21.23
68	Kheda	31.03.2011	6.58	0.00	0.00	0.00
69	Shahdol	31.03.2011	6.60	0.00	0.00	0.00
70	Dakshin Dinajpur	31.03.2011	6.61	0.00	0.00	0.05
71	Koraput	31.03.2011	6.65	0.00	8.55	27.23
72	Bhopal	31.03.2010	6.70	0.00	4.47	20.94
73	Tiruchirapalli	31.03.2010	6.70	0.00	2.78	36.16
74	Yamunanagar	31.03.2010	6.71	0.00	0.00	0.00
75	Hazaribagh	31.03.2011	6.82	0.00	0.00	0.00
76	Warangal	31.03.2010	6.88	0.00	0.00	2.85
77	Sundergarh	31.03.2011	6.88	0.00	4.29	16.85
				0.23	805.13	1922.92

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
1	Tumkur	31.03.2010	7.07	0.00	1.11	10.70
2	Mayurbhanj	31.03.2010	7.13	0.00	1.98	7.42
3	Shivpuri	31.03.2011	7.14	0.00	0.00	3.19
4	Pudukottai	31.03.2010	7.18	0.00	1.86	12.10
5	Karnataka (Dharwad)	31.03.2011	7.18	0.00	0.00	0.00
6	Bundi	31.03.2010	7.20	0.00	0.36	4.07
7	Ramanathapuram	31.03.2011	7.20	0.00	0.00	9.29
8	Sindhudurg	31.03.2011	7.22	0.00	0.37	21.08
9	Aska	31.03.2012	7.23	0.00	0.00	2.74
10	Kanchipuram	31.03.2011	7.27	0.00	0.87	34.72
11	South Canara	31.03.2011	7.28	0.00	0.00	28.11
12	Chandrapur	31.03.2010	7.29	0.00	2.48	29.06
13	Sabarkantha	31.03.2010	7.44	0.00	2.29	18.79
14	Mumbai	31.03.2010	7.44	0.00	16.57	81.55
15	Agra	31.03.2011	7.54	0.00	0.00	3.13
16	Hoshiarpur	31.03.2011	7.61	0.00	1.70	27.17
17	Madurai	31.03.2011	7.61	0.00	0.00	19.97
18	Balasore Bhadrak	31.03.2010	7.64	0.00	2.76	27.98
19	Jhunjhunu	31.03.2010	7.67	0.00	0.57	5.86
20	Anantapur	31.03.2010	7.68	0.00	0.00	15.07
21	Tiruvannamalai	31.03.2010	7.69	0.00	0.00	14.23
22	Banda	31.03.2011	7.74	0.00	0.05	3.68
23	Karnal	31.03.2011	7.81	0.00	0.91	24.06
24	Hooghly	31.03.2011	7.88	0.00	0.41	16.05
25	Salem	31.03.2011	7.90	0.00	0.00	25.02
26	Morena	31.03.2011	7.91	0.00	0.00	6.01

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
27	Nalanda	31.03.2010	7.92	0.00	0.00	1.30
28	Khurda	31.03.2011	7.97	0.00	0.18	9.00
29	Chitradurga	31.03.2011	8.00	0.00	0.00	4.06
30	Nilgiris	31.03.2011	8.05	0.00	0.00	0.00
31	Damoh	31.03.2011	8.06	0.00	0.00	0.00
32	Gurgaon	31.03.2011	8.07	0.00	0.62	17.44
33	Banki	31.03.2012	8.25	0.00	0.00	3.81
34	Bangalore	31.03.2011	8.32	0.00	0.00	0.00
35	Kodinar	31.03.2010	8.32	0.00	0.00	0.00
36	Jhalawar	31.03.2011	8.43	0.00	0.00	9.30
37	Ambala	31.03.2011	8.44	0.00	0.00	9.87
38	Dausa	31.03.2010	8.45	0.00	0.00	3.09
39	Muktsar	31.03.2010	8.48	0.00	2.13	15.59
40	Jaisalmer	31.03.2011	8.50	0.00	0.00	1.58
41	Kaithal	31.03.2011	8.54	0.00	0.00	13.27
42	Villupuram	31.03.2010	8.60	0.00	0.00	9.83
43	Udaipur	31.03.2011	8.74	0.00	0.00	5.37
44	Tikamgarh	31.03.2011	8.77	0.00	0.00	0.00
45	Dharmapuri	31.03.2010	8.79	0.00	0.00	6.40
46	Jalore	31.03.2011	8.89	0.00	0.00	0.00
47	Bilaspur	31.03.2010	8.90	0.00	0.00	0.00
48	Chittoor	31.03.2010	8.92	0.00	0.00	2.97
49	SAS Nagar	31.03.2011	8.97	0.00	0.00	5.86
Sub total - CRAR 7% to 9%				0.00	37.24	569.81
50	Churu	31.03.2011	9.03	0.00	0.00	2.83
51	Kota	31.03.2010	9.13	0.00	0.00	0.00
52	Mandya	31.03.2011	9.14	0.00	0.00	4.97

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
53	Jagdalpur	31.03.2010	9.16	0.00	0.00	0.00
54	Jaipur	31.03.2011	9.16	0.00	0.00	5.55
55	Raigarh	31.03.2010	9.18	0.00	0.00	10.73
56	Visakhapatnam	31.03.2011	9.21	0.00	0.00	5.96
57	Vidyasagar	31.03.2011	9.25	0.00	0.00	1.92
58	Rewa	31.03.2012	9.27	0.00	0.00	0.00
59	Ahmednagar	31.03.2010	9.27	0.00	0.00	38.66
60	Firozabad	31.03.2011	9.28	0.00	0.00	2.45
61	Faridabad	31.03.2011	9.30	0.00	0.00	14.37
62	Kumbakonam	31.03.2010	9.31	0.00	0.00	0.00
63	Jhansi	31.03.2011	9.34	0.00	0.00	1.90
64	Vaishali	31.03.2011	9.34	0.00	0.00	1.13
65	Banaskantha	31.03.2011	9.35	0.00	0.00	11.48
66	Kolar	31.03.2012	9.38	0.00	0.00	0.00
67	Chittorgarh	31.03.2010	9.41	0.00	0.00	6.38
68	Gwalior	31.03.2012	9.52	0.00	0.00	0.00
69	Karimnagar	31.03.2010	9.55	0.00	0.00	1.32
70	Gopalganj	31.03.2011	9.59	0.00	0.00	2.04
71	Panchmahals	31.03.2011	9.61	0.00	0.00	0.00
72	Raiganj	31.03.2010	9.62	0.00	0.00	1.73
73	Lalitpur	31.03.2010	9.62	0.00	0.00	0.00
74	Jhajjar	31.03.2011	9.63	0.00	0.00	7.26
75	Rohika	31.03.2010	9.65	0.00	0.00	0.00
76	Kadapa	31.03.2011	9.67	0.00	0.00	2.58
77	Bulandshahar	31.03.2010	9.71	0.00	0.00	2.94
78	Keonjhar	31.03.2011	9.73	0.00	0.00	2.03
79	Sriganganagar	31.03.2011	9.74	0.00	0.00	6.69

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
80	Shimoga	31.03.2010	9.75	0.00	0.00	1.15
81	Yeotmal	31.03.2011	9.81	0.00	0.00	0.00
82	Bijapur	31.03.2011	9.83	0.00	0.00	11.00
83	Rohtak	31.03.2010	9.84	0.00	0.00	6.25
84	Dehradun	31.03.2011	9.85	0.00	0.00	0.00
85	Siddhi	31.03.2011	9.88	0.00	0.00	0.00
86	Raichur	31.03.2011	9.88	0.00	0.00	0.00
87	Belgaum	31.03.2010	9.92	0.00	0.00	2.52
88	Burdwan	31.03.2010	9.97	0.00	0.00	1.93
89	Bidar	31.03.2010	10.01	0.00	0.00	5.56
90	Bhavnagar	31.03.2011	10.02	0.00	0.00	0.00
91	North Kanara	31.03.2010	10.02	0.00	0.00	5.29
92	Ambikapur	31.03.2011	10.04	0.00	0.00	0.00
93	Jogindra	31.03.2011	10.05	0.00	0.00	0.00
94	Davangere	31.03.2010	10.11	0.00	0.00	3.41
95	Mahendragarh	31.03.2010	10.11	0.00	0.00	4.19
96	Malda	31.03.2011	10.19	0.00	0.00	0.00
97	Banswara	31.03.2011	10.35	0.00	0.00	0.00
98	Ahmedabad	31.03.2010	10.37	0.00	0.00	0.00
99	Baran	31.03.2010	10.39	0.00	0.00	2.18
100	Berhampur	31.03.2011	10.63	0.00	0.00	2.57
101	Sonepat	31.03.2010	10.67	0.00	0.00	4.83
102	Chhattarpur	31.03.2011	10.68	0.00	0.00	0.39
103	Amravati	31.03.2011	10.70	0.00	0.00	0.00
104	Etah DCB	31.03.2012	10.73	0.00	0.00	0.07
105	Angul United	31.03.2011	10.77	0.00	0.00	2.49
106	Ludhiana	31.03.2011	10.81	0.00	0.00	2.15

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
107	Hassan	31.03.2011	10.84	0.00	0.00	0.00
108	Satna	31.03.2011	10.86	0.00	0.00	0.00
109	Garwal (Kotdwar)	31.03.2011	10.88	0.00	0.00	0.00
110	Bagalkot	31.03.2010	10.91	0.00	0.00	0.00
111	Dungarpur	31.03.2010	10.93	0.00	0.00	1.03
112	Amreli	31.03.2010	11.02	0.00	0.00	0.80
113	Beed	31.03.2011	11.03	0.00	0.00	0.00
114	Akola	31.03.2011	11.05	0.00	0.00	4.81
115	Ujjain	31.03.2010	11.06	0.00	0.00	2.68
116	Mathura	31.03.2011	11.06	0.00	0.00	0.00
117	Nayagarh	31.03.2010	11.08	0.00	0.00	0.00
118	Jalaun	31.03.2010	11.10	0.00	0.00	0.00
119	Jalandhar	31.03.2010	11.14	0.00	0.00	5.42
120	Bhind	31.03.2010	11.15	0.00	0.00	1.21
121	Barmer	31.03.2010	11.21	0.00	0.00	0.00
122	Ernakulam	31.03.2010	11.36	0.00	0.00	0.00
123	Adilabad	31.03.2010	11.39	0.00	0.00	0.00
124	Kakinada	31.03.2010	11.45	0.00	0.00	2.71
125	Pune	31.03.2011	11.52	0.00	0.00	0.00
126	Darjeeling	31.03.2011	11.53	0.00	0.00	0.00
127	Sawai Madhopur	31.03.2011	11.57	0.00	0.00	0.00
128	Begusarai	31.03.2011	11.63	0.00	0.00	0.37
129	Mainpuri	31.03.2011	11.70	0.00	0.00	0.00
130	Kapurthala	31.03.2011	11.83	0.00	0.00	0.00
131	Coimbatore	31.03.2010	11.84	0.00	0.00	0.00
132	Howrah	31.03.2011	11.96	0.00	0.00	0.00
Sub total - CRAR 9 to 12%				0.00	0.00	209.90

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
133	Rajgarh	31.03.2011	12.08	0.00	0.00	0.00
134	Narsinghpur	31.03.2011	12.08	0.00	0.00	0.00
135	Sehore	31.03.2011	12.09	0.00	0.00	0.00
136	Badaun	31.03.2011	12.10	0.00	0.00	0.00
137	Hanumangarh	31.03.2010	12.11	0.00	0.00	0.18
138	Valsad	31.03.2010	12.11	0.00	0.00	0.00
139	Indore	31.03.2010	12.18	0.00	0.00	0.00
140	Mandsaur	31.03.2010	12.19	0.00	0.00	0.00
141	Patliputra	31.03.2010	12.25	0.00	0.00	1.04
142	Bellary	31.03.2011	12.27	0.00	0.00	0.00
143	Panna	31.03.2011	12.28	0.00	0.00	0.00
144	Sirohi	31.03.2010	12.33	0.00	0.00	0.00
145	Bareilly	31.03.2010	12.50	0.00	0.00	0.00
146	Bikaner	31.03.2010	12.56	0.00	0.00	0.00
147	Jodhpur	31.03.2011	12.56	0.00	0.00	0.00
148	Sikar	31.03.2010	12.61	0.00	0.00	0.00
149	Thane	31.03.2011	12.61	0.00	0.00	0.00
150	Gondia	31.03.2011	12.62	0.00	0.00	0.00
151	Khammam	31.03.2010	12.63	0.00	0.00	0.00
152	Kodagu	31.03.2011	12.74	0.00	0.00	0.00
153	Ropar	31.03.2011	12.79	0.00	0.00	0.00
154	Bankura	31.03.2010	12.81	0.00	0.00	0.00
155	Lakhimpur Kheri	31.03.2011	12.88	0.00	0.00	0.00
156	Surat	31.03.2011	12.92	0.00	0.00	0.00
157	Bhandara	31.03.2011	13.05	0.00	0.00	0.00
158	Alwar	31.03.2010	13.10	0.00	0.00	0.00
159	Uttarkashi	31.03.2011	13.13	0.00	0.00	0.00

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
160	Bharuch	31.03.2011	13.16	0.00	0.00	0.00
161	Erode	31.03.2011	13.23	0.00	0.00	0.00
162	Gumla-Simdega	31.03.2010	13.27	0.00	0.00	0.15
163	Shahjahanpur	31.03.2011	13.28	0.00	0.00	0.00
164	Khagaria	31.03.2011	13.46	0.00	0.00	0.00
165	Panipat	31.03.2010	13.47	0.00	0.00	0.00
166	Khandwa	31.03.2011	13.56	0.00	0.00	0.00
167	Singhbhum	31.03.2012	13.61	0.00	0.00	0.00
168	Khargone	31.03.2010	13.89	0.00	0.00	0.00
169	Chikmagalur	31.03.2011	13.99	0.00	0.00	0.00
170	Rajkot	31.03.2011	14.02	0.00	0.00	0.00
171	Nizamabad	31.03.2010	14.04	0.00	0.00	0.00
172	Latur	31.03.2011	14.14	0.00	0.00	0.00
173	Satara	31.03.2011	14.23	0.00	0.00	0.00
174	Ghaziabad	31.03.2011	14.35	0.00	0.00	0.00
175	Hyderabad	31.03.2010	14.53	0.00	0.00	0.00
176	Dhar	31.03.2010	14.53	0.00	0.00	0.00
177	Tehri Garhwal	31.03.2010	14.82	0.00	0.00	0.00
178	Guntur	31.03.2010	14.91	0.00	0.00	0.00
179	Shajapur	31.03.2011	14.97	0.00	0.00	0.00
180	Saharanpur	31.03.2010	15.44	0.00	0.00	0.00
181	Balaghat	31.03.2010	15.48	0.00	0.00	0.00
182	Vidisha	31.03.2011	15.96	0.00	0.00	0.00
183	Eluru	31.03.2010	15.98	0.00	0.00	0.00
184	Almora	31.03.2011	16.00	0.00	0.00	0.00
185	Krishna	31.03.2010	16.01	0.00	0.00	0.00
186	Mysore	31.03.2011	16.04	0.00	0.00	0.00

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
	Chamrajnagar					
187	Ara	31.03.2010	16.07	0.00	0.00	0.00
188	Betul	31.03.2010	16.09	0.00	0.00	0.00
189	Rampur	31.03.2010	16.21	0.00	0.00	0.00
190	Bijnore	31.03.2011	16.29	0.00	0.00	0.00
191	Moradabad	31.03.2011	16.41	0.00	0.00	0.00
192	Jamnagar	31.03.2010	16.81	0.00	0.00	0.00
193	Nalgonda	31.03.2010	17.00	0.00	0.00	0.00
194	Rajnandgaon	31.03.2010	17.29	0.00	0.00	0.00
195	Roorkee (Haridwar)	31.03.2010	17.48	0.00	0.00	0.00
196	Samastipur	31.03.2011	17.50	0.00	0.00	0.00
197	Durg	31.03.2011	17.82	0.00	0.00	0.00
198	Mahabubnagar	31.03.2010	18.01	0.00	0.00	0.00
199	Ratlam	31.03.2010	18.41	0.00	0.00	0.00
200	Nainital	31.03.2010	18.46	0.00	0.00	0.00
201	Sagar	31.03.2010	18.67	0.00	0.00	0.00
202	Pithoragarh	31.03.2010	19.10	0.00	0.00	0.00
203	Etawah	31.03.2011	19.53	0.00	0.00	0.00
204	Nellore	31.03.2011	19.67	0.00	0.00	0.00
205	Pilibhit	31.03.2010	20.27	0.00	0.00	0.00
206	Muzaffar Nagar	31.03.2011	21.21	0.00	0.00	0.00
207	Chamoli	31.03.2010	21.23	0.00	0.00	0.00
208	Srikakulam	31.03.2011	21.84	0.00	0.00	0.00
209	Kangra	31.03.2011	23.15	0.00	0.00	0.00
210	Udhamsinghnagar	31.03.2010	23.24	0.00	0.00	0.00
211	Hamirpur	31.03.2010	23.29	0.00	0.00	0.00
212	Siwan	31.03.2010	23.54	0.00	0.00	0.00

Annexure - 6.5
Licensed Banks with CRAR above 7%
CCB- wise likely additional capital required to achieve 4%, 7% and 9% by 2012-13,
2014-15 and 2016-17 respectively

(₹ crore)

Sr. No.	Name of the CCB	Reference date of Inspection	CRAR (%) (Base Position)	Likely additional capital required for achieving		
				4% CRAR by 2012-13	7% CRAR by 2014-15	9% CRAR by 2016-17
213	Vizianagaram	31.03.2011	23.60	0.00	0.00	0.00
214	Mandla	31.03.2012	24.39	0.00	0.00	0.00
215	Meerut	31.03.2011	24.66	0.00	0.00	0.00
216	Dhanbad	31.03.2010	24.74	0.00	0.00	0.00
217	Raipur	31.03.2011	25.19	0.00	0.00	0.00
218	Jhabua	31.03.2010	25.21	0.00	0.00	0.00
219	Gulbarga	31.03.2011	25.32	0.00	0.00	0.00
220	Chennai	31.03.2011	26.12	0.00	0.00	0.00
221	Nawanshahr	31.03.2011	26.12	0.00	0.00	0.00
222	Medak	31.03.2010	26.32	0.00	0.00	0.00
223	Gadchiroli	31.03.2010	26.75	0.00	0.00	0.00
224	National Bettiah	31.03.2011	26.75	0.00	0.00	0.00
225	Giridih	31.03.2012	30.70	0.00	0.00	0.00
226	Ranch-Khunti	31.03.2012	39.72	0.00	0.00	0.00
227	Magadh	31.03.2011	50.35	0.00	0.00	0.00
228	Bhagalpur	31.03.2011	55.10	0.00	0.00	0.00
229	Dumka	31.03.2010	61.84	0.00	0.00	0.00
Sub total - CRAR above 12%				0.00	0.00	1.36
TOTAL				0.00	37.24	781.07

Annexure - 6.6

Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
Likely assistance required – CCB upto ₹ 1 crore, per PACS <₹ 25 lakh								
1	Jabalpur	31.03.2011	6.15	0.02	121	100549	0.02	2
2	Etah	31.03.2012	10.73	0.07	139	74341	0.05	10
3	Hanumangarh	31.03.2010	12.11	0.18	190	120000	0.09	15
4	Dakshin Dinajpur	31.03.2011	6.61	0.05	139	14348	0.04	36
5	Chhattarpur	31.03.2011	10.68	0.39	113	106988	0.34	36
6	Amreli	31.03.2010	11.02	0.8	331	54278	0.24	148
7	Gumla-Simdega	31.03.2010	13.27	0.15	270	8882	0.05	166
8	Begusarai	31.03.2011	11.63	0.37	257	19916	0.14	187
9	Surendranagar	31.03.2012	4.80	0.64	278	29133	0.23	219
Likely assistance required – CCB ₹ 1 - ₹ 5 crore, per PACS <₹ 25 lakh								
1	Burdwan	31.03.2010	9.97	1.93	576	325372	0.34	59
2	Vidyasagar	31.03.2011	9.25	1.92	981	318454	0.20	60
3	Belgaum	31.03.2010	9.92	2.52	715	388343	0.35	65
4	Dungarpur	31.03.2010	10.93	1.03	101	130000	1.02	79
5	Karimnagar	31.03.2010	9.55	1.32	127	151561	1.04	87
6	Angul United	31.03.2011	10.77	2.49	183	267981	1.36	93
7	Kakinada	31.03.2010	11.45	2.71	293	256048	0.92	106
8	Churu	31.03.2011	9.03	2.83	159	230000	1.78	123
9	Bhind	31.03.2010	11.15	1.21	168	95560	0.72	127
10	Shimoga	31.03.2010	9.75	1.15	161	79409	0.71	144
11	Ujjain	31.03.2010	11.06	2.68	172	167714	1.56	160

Annexure - 6.6
Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
12	Warangal	31.03.2010	6.88	2.85	69	171042	4.13	167
13	Ludhiana	31.03.2011	10.81	2.15	364	127391	0.59	169
14	Kadapa	31.03.2011	9.67	2.58	407	152367	0.63	169
15	Bulandshahar	31.03.2010	9.71	2.94	166	152800	1.77	193
16	Akola	31.03.2011	11.05	4.81	835	236437	0.58	203
17	Aska	31.03.2012	7.23	2.74	192	129076	1.43	212
18	Raibareili	31.03.2012	7.03	2.45	142	99239	1.73	247
19	Keonjhar	31.03.2011	9.73	2.03	44	77937	4.61	260
20	Berhampur	31.03.2011	10.63	2.57	257	97100	1.00	264
21	Baran	31.03.2010	10.39	2.18	150	78000	1.45	279
22	Chittoor	31.03.2010	8.92	2.97	76	90400	3.91	329
23	Shivpuri	31.03.2011	7.14	3.19	89	88246	3.59	362
24	Jhansi	31.03.2011	9.34	1.9	59	44452	3.23	428
25	Aligarh	31.03.2012	6.04	4.05	113	93678	3.58	432
26	Agra	31.03.2011	7.54	3.13	144	70296	2.18	446
27	Pratapgarh	31.03.2012	5.78	3.34	174	74301	1.92	450
28	Mandya	31.03.2011	9.14	4.97	229	106296	2.17	468
29	Boudh	31.03.2010	5.07	2.95	66	61071	4.48	484
30	Firozabad	31.03.2011	9.28	2.45	81	49534	3.02	494
31	Dausa	31.03.2010	8.45	3.09	129	61249	2.39	504
32	Mahendragarh	31.03.2010	10.11	4.19	23	80572	18.22	520
33	Jaisalmer	31.03.2011	8.50	1.58	84	30000	1.89	528
34	Davangere	31.03.2010	10.11	3.41	182	61247	1.87	557
35	Datia	31.03.2010	5.34	4.25	78	70667	5.45	602

Annexure - 6.6

Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
36	Sonepat	31.03.2010	10.67	4.83	34	75865	14.19	636
37	Purulia	31.03.2011	4.73	4.3	168	57000	2.56	755
38	Bundi	31.03.2010	7.20	4.07	123	41036	3.31	991
39	Banki	31.03.2012	8.25	3.81	98	38419	3.88	991
40	Banda	31.03.2011	7.74	3.68	88	28561	4.18	1289
41	Raiganj	31.03.2010	9.62	1.73	303	13353	0.57	1294
42	Chitradurga	31.03.2011	8.00	4.06	135	31068	3.01	1307
43	Patliputra	31.03.2010	12.25	1.04	331	5437	0.31	1906
44	Purnea	31.03.2012	5.64	1.92	595	9699	0.32	1983
45	Nalanda	31.03.2010	7.92	1.3	249	3097	0.52	4185
46	Gopalganj	31.03.2011	9.59	2.04	234	3869	0.87	5267
47	Vaishali	31.03.2011	9.34	1.13	290	1360	0.39	8282
Likely assistance required – CCB ₹ 1 - ₹ 5 crore, per PACS <₹ 25 lakh								
1	Jalgaon	31.03.2012	3.29	7.21	877	264349	0.82	273
2	Kutch	31.03.2012	4.22	5.06	380	13811	1.33	3663
3	Sasaram-Babhua	31.03.2011	4.06	5.77	397	2388	1.45	24146
4	Motihari	31.03.2011	5.59	7.78	409	3207	1.90	24260
5	Jaipur	31.03.2011	9.16	5.55	282	160000	1.97	347
6	Udaipur	31.03.2011	8.74	5.37	266	146000	2.02	368
7	Jalandhar	31.03.2010	11.14	5.42	247	82543	2.19	657
8	Sriganganagar	31.03.2011	9.74	6.69	296	110000	2.26	608
9	Dharmapuri	31.03.2010	8.79	6.4	252	361851	2.54	177
10	United Puri Nimpara	31.03.2011	4.48	5.3	207	105354	2.56	503
11	Chittorgarh	31.03.2010	9.41	6.38	208	182000	3.07	351

Annexure - 6.6

Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
12	Ajmer	31.03.2010	5.71	5.33	166	92324	3.21	577
13	North Kanara	31.03.2010	10.02	5.29	163	111276	3.24	475
14	Bidar	31.03.2010	10.01	5.56	171	194333	3.25	286
15	Thoothukudi	31.03.2011	6.00	5.28	152	113847	3.47	464
16	Jhunjhunu	31.03.2010	7.67	5.86	161	100010	3.64	586
17	Nawadah	31.03.2011	-1.31	7.12	187	2076	3.81	34286
18	Villupuram	31.03.2010	8.60	9.83	238	169134	4.13	581
19	Mirzapur	31.03.2011	6.28	6.34	148	82839	4.28	765
20	Morena	31.03.2011	7.91	6.01	136	174848	4.42	344
21	Tonk	31.03.2012	6.40	7.95	173	76820	4.59	1035
22	Lucknow	31.03.2012	4.90	5.24	95	33835	5.52	1549
23	Khurda	31.03.2011	7.97	9	157	93525	5.74	963
24	Visakhapatnam	31.03.2011	9.21	5.96	98	155223	6.08	384
25	Jhalawar	31.03.2011	8.43	9.3	150	88258	6.20	1054
26	Ramanathapuram	31.03.2011	7.20	9.29	131	55535	7.09	1672
27	SAS Nagar	31.03.2011	8.97	5.86	67	20246	8.75	2896
28	Bhawanipatna	31.03.2010	5.70	9.49	103	23267	9.21	4079
29	Mayurbhanj	31.03.2010	7.13	7.42	52	82355	14.27	901
30	Ambala	31.03.2011	8.44	9.87	45	36104	21.94	2734
Likely assistance required – CCB ₹ 1 - ₹ 5 crore, per PACS ₹ 25- ₹ 50 lakh								
31	Rohtak	31.03.2010	9.84	6.25	22	115236	28.39	542
Likely assistance required – CCB ₹10- ₹50 crore, per PACS upto ₹25 lakh								
1	Tiruvannamalai	31.03.2010	7.69	14.23	159	263786	8.95	540

Annexure - 6.6
Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
2	Salem	31.03.2011	7.90	25.02	380	440732	6.58	568
3	Bijapur	31.03.2011	9.83	11	245	176393	4.49	624
4	Virudhunagar	31.03.2011	4.91	12.24	182	165167	6.73	741
5	South Canara	31.03.2011	7.28	28.11	174	351517	16.16	800
6	Banaskantha	31.03.2011	9.35	11.48	1187	127852	0.97	898
7	Tamluk Ghatal	31.03.2011	5.18	19.62	393	206594	4.99	950
8	Bhilwara	31.03.2010	6.04	11.86	281	117000	4.22	1013
9	Chhindwara	31.03.2010	4.33	11.13	145	108123	7.68	1030
10	Hooghly	31.03.2011	7.88	16.05	342	154414	4.69	1039
11	Anantapur	31.03.2010	7.68	15.07	98	134578	15.38	1120
12	Madurai	31.03.2011	7.61	19.97	263	175271	7.59	1139
13	Cuttack	31.03.2012	5.55	49.84	467	434549	10.67	1147
14	Balasore Bhadrak	31.03.2010	7.64	27.98	251	211785	11.15	1321
15	Kanyakumari	31.03.2011	5.21	25.98	114	180150	22.79	1442
16	Tiruchirapalli	31.03.2010	6.70	36.16	347	250205	10.42	1445
17	Bharatpur	31.03.2011	0.12	20.63	360	142417	5.73	1449
18	Kanchipuram	31.03.2011	7.27	34.72	283	225567	12.27	1539
19	Kurnool	31.03.2010	5.27	14.88	97	91494	15.34	1627
20	Nadia	31.03.2012	5.55	16.23	364	95664	4.46	1696
21	Sabarkantha	31.03.2010	7.44	18.79	582	104609	3.23	1796
22	Thanjavur	31.03.2011	5.43	18.67	233	103601	8.01	1802
23	Nanded	31.03.2011	6.10	23.62	981	127474	2.41	1853
24	Nagaur	31.03.2010	1.84	23.2	284	123650	8.17	1877
25	Pudukottai	31.03.2010	7.18	12.1	136	63475	8.90	1906

Annexure - 6.6
Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
26	Raisen	31.03.2010	5.26	15.37	113	79859	13.60	1924
27	Tirunelveli	31.03.2011	5.14	28.05	159	136220	17.64	2059
28	Osmanabad	31.03.2012	-3.92	31.62	467	143654	6.77	2201
29	Hoshangabad	31.03.2011	4.79	17.77	150	79844	11.85	2226
30	Dindigul	31.03.2011	5.81	33.11	197	146973	16.81	2253
31	Vellore	31.03.2011	5.78	38.5	185	169000	20.81	2278
32	Bolangir	31.03.2012	5.18	24.03	222	104029	10.83	2310
33	Moga	31.03.2010	6.27	20.29	169	85275	12.00	2379
34	Mugberia	31.03.2010	4.19	19.66	163	82048	12.06	2397
35	Pali	31.03.2011	4.93	17.78	213	71910	8.35	2473
36	Ghazipur	31.03.2012	-28.39	40.77	182	160529	22.40	2540
37	Hoshiarpur	31.03.2011	7.61	27.17	289	101029	9.40	2690
38	Jalpaiguri	31.03.2011	2.80	12.02	206	44593	5.83	2695
39	Muktsar	31.03.2010	8.48	15.59	144	55757	10.83	2797
40	Ratnagiri	31.03.2011	6.48	21.23	382	73838	5.56	2876
41	Cuddalore	31.03.2010	6.30	33.32	166	112279	20.07	2968
42	Faizabad	31.03.2012	-19.85	32.93	185	100869	17.80	3265
43	Balageria	31.03.2011	-1.88	30.96	130	93618	23.82	3308
44	Murshidabad	31.03.2012	4.02	19.02	452	53525	4.21	3553
45	Amritsar	31.03.2012	4.64	34.18	194	87985	17.62	3885
46	Bhatinda	31.03.2011	5.29	32.5	186	81568	17.47	3984
47	Prakasam	31.03.2011	4.89	32.35	168	79004	19.26	4095
48	Jalna	31.03.2012	-10.01	43.78	565	93708	7.75	4672
49	Fazilka	31.03.2011	5.75	21.76	120	46402	18.13	4689

Annexure - 6.6

Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
50	Ahmednagar	31.03.2010	9.27	38.66	1325	67893	2.92	5694
51	Taran Taran	31.03.2011	5.02	21.96	186	37930	11.81	5790
52	Chandrapur	31.03.2010	7.29	29.06	561	47663	5.18	6097
53	Raigarh	31.03.2010	9.18	10.73	171	16069	6.27	6676
54	Ferozepur	31.03.2012	4.51	30.44	241	41158	12.63	7395
55	Fatehgarh Sahib	31.03.2011	5.06	24.98	112	31265	22.30	7990
56	Gurdaspur	31.03.2012	4.97	37.2	215	36693	17.30	10139
57	Sitamarhi	31.03.2011	3.71	10.33	326	3294	3.17	31356
58	Mehsana	31.03.2010	4.45	20.54	731	746	2.81	275372
Likely assistance required – CCB ₹10- ₹50 crore, per PACS ₹25 - ₹100 lakh								
1	Kaithal	31.03.2011	8.54	13.27	34	104238	39.04	1273
2	Sundergarh	31.03.2011	6.88	16.85	44	130681	38.29	1289
3	Karnal	31.03.2011	7.81	24.06	49	178935	49.10	1345
4	Koraput	31.03.2011	6.65	27.23	55	196605	49.51	1385
5	Gurgaon	31.03.2011	8.07	17.44	33	111087	52.85	1570
6	Bhiwani	31.03.2010	6.38	27.7	41	124290	67.55	2228
7	Jind	31.03.2010	3.78	25.49	30	110975	84.96	2297
8	Rewari	31.03.2010	5.38	17.18	26	72310	66.09	2376
9	Fatehabad	31.03.2011	4.55	24.14	30	96652	80.45	2497
10	Hisar	31.03.2012	4.01	46.85	47	160062	99.68	2927
11	Sirsa	31.03.2011	4.21	23.57	36	79876	65.48	2951
12	Kurukshetra	31.03.2011	4.83	27.02	62	82061	43.58	3293
13	Panchkula	31.03.2011	5.15	10.41	11	22032	94.61	4724

Annexure - 6.6

Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
14	Faridkot	31.03.2011	1.48	28.3	79	53849	35.83	5256
15	Mansa	31.03.2010	0.56	35.42	107	50620	33.11	6998
16	Bhopal	31.03.2010	6.70	20.94	35	21663	59.83	9666
17	Baramulla	31.03.2012	-7.24	33.37	63	23082	52.97	14457
18	Wyanad	31.03.2011	3.53	21.71	31	11899	70.04	18247
Likely assistance required – CCB above ₹50 crore, per PACS < ₹25 lakh								
1	Patiala	31.03.2011	5.27	53.33	298	150871	17.90	3535
2	Sangrur	31.03.2011	4.16	63.65	273	129250	23.32	4925
3	Birbhum	31.03.2012	-19.66	71.08	318	110700	22.35	6421
4	Kolhapur	31.03.2011	-11.49	275.06	1848	346018	14.88	7949
5	Solapur	31/03/2011	4.49	282.18	1186	238637	23.79	11825
6	Wardha	31.03.2012	-18.36	84.7	400	60533	21.18	13993
7	Aurangabad	31.03.2011	4.07	62.72	695	40216	9.02	15596
Likely assistance required – CCB above ₹50 crore, per PACS ₹25 - ₹100 lakh								
1	Palakkad	31.03.2010	4.07	66.1	91	1782645	72.64	371
2	Kannur	31.03.2010	5.93	66.52	144	787568	46.20	845
3	Kozhikode	31.03.2012	5.85	83.85	104	844920	80.63	992
4	Malappuram	31.03.2011	3.33	97.69	120	894428	81.41	1092
5	Kollam	31.03.2011	2.94	84.9	124	616104	68.47	1378
6	Pathanamthitta	31.03.2010	1.16	52.02	104	305000	50.02	1706
7	Idukki	31.03.2010	3.34	71.41	73	365413	97.83	1954
8	Alappuzha	31.03.2011	-2.05	130.36	187	434676	69.71	2999
9	Kasargod	31.03.2010	1.85	51.79	63	132050	82.21	3922
10	Sambalpur	31.03.2012	-1.50	92.13	164	177986	56.18	5176

Annexure - 6.6
Per PACS/Borrower likely additional capital mobilization by 2016-17

Sr. No.	Name of the	Reference date of Inspection	CRAR	Likely additional capital mobilization to achieve 9% CRAR by 2016-17 as per Model-I (₹ Crore)	No. of PACS	Borrowing members of PACS (No.)	Likely additional capital mobilization	
							Per PACS (₹lakh)	Per Borrowing member of PACS (₹)
11	Varanasi	31.03.2012	-47.59	58.97	229	105134	25.75	5609
12	Anantnag	31.03.2012	-140.11	81.76	130	99680	62.89	8202
13	Azamgarh	31.03.2012	-91.87	66.14	254	64820	26.04	10203
14	Allahabad	31.03.2012	-27.39	97.7	271	92688	36.05	10541
15	Buldana	31.03.2012	-15.55	205.93	567	166220	36.32	12389
16	Gorakhpur	31.03.2012	-55.39	108.94	287	87884	37.96	12396
17	Sitapur	31.03.2012	-113.88	97.38	204	50657	47.74	19224
18	Nagpur	31.03.2012	-15.77	151.49	585	47733	25.90	31737
19	Fatehpur	31.03.2012	-57.26	106.36	115	32101	92.48	33131
20	Jammu	31.03.2012	-33.85	200.8	374	56903	53.69	35289
21	Basti	31.03.2012	-73.94	59.02	199	16552	29.66	35659
22	Thiruvananthapuram	31.03.2011	4.42	140.5	105	734266	133.81	1914

Annexure- 6.7

Illustrations of merger of banks with other banks in geographically contiguous area

(Amt ₹ lakh)

Sr. No.	Name of CCB	No. of Branches (excl HO)	Districts covered	Reference date of Inspection	Owned funds (capital funds)	Risk Weighted Assets	Net Worth	CRAR %	Profit (+) / Loss(-)	Accumulated Losses	Total deposits Outstanding	Loans & Advances Outstanding	Total Business	Total investments
1	West Bengal													
	Jalpaiguri	9	Jalpaiguri, part of Darjeeling & Coochbehar	31.03.2011	382	13655	382	2.80	17	0	14753	12761	27514	4583
	Darjeeling	8	part of Darjeeling	31.03.2011	732	6346	840	11.53	198	0	6839	5615	12453	2325
	Merged	17			1114	20001	1222	5.57	215	0	21592	18376	39967	6908
	Murshidabad	14	Murshidabad	31.03.2012	1004	24959	799	4.02	24	569	27383	15987	43370	15116
	Nadia	17	Nadia	31.03.2011	1595	28751	1583	5.55	146	0	37035	14099	51135	29132
	Merged	31			2599	53710	2382	4.84	170	569	64418	30086	94505	44248
	Purulia	7	Purulia	31.03.2011	316	6687	316	4.73	27	27	225	9271	9497	136
	Bankura	17	Bankura	31.03.2010	3796	29633	5289	12.81	674	4449	47044	24464	71508	38562
	Merged	24			4112	36320	5605	11.32	701	4476	47269	33735	81005	38698
	Dakshin Dinajpur	7	Dakshin Dinajpur	31.3.2011	565	8538	565	6.61	206	0	8560	8198	16758	2665
	Raiganj	8	Uttar Dinajpur	31.03.2010	2048	21295	1675	9.62	149	0	30501	21968	52469	16774
	Merged	15			2613	29833	2240	8.76	355	0	39061	30166	69217	19439
	Mugberia	10	Purba medinipur	31.3.2010	949	22676	949	4.19	45	0	24495	13452	37947	18745
	Tamluk Ghatal	17		31.3.2011	1403	27071	1403	5.18	32	0	30501	21968	52469	1674
	Merged	27			2352	49747	2352	4.73	77	0	54996	35420	90416	20419
2	Kerala													
	Kollam	58	Kollam	31.03.2011	3102	105603	3101	2.94	456	0	133557	96898	230456	40649
	Thiruvananthapuram	71	Thiruvananthapuram	31.03.2011	8712	196993	7898	4.42	274	0	235768	184789	420556	62135
	Merged	129			11814	302596	10999	3.90	730	0	369325	281687	651012	102784

Annexure- 6.7

Illustrations of merger of banks with other banks in geographically contiguous area

(Amt ₹ lakh)

Sr. No.	Name of CCB	No. of Branches (excl HO)	Districts covered	Reference date of Inspection	Owned funds (capital funds)	Risk Weighted Assets	Net Worth	CRAR %	Profit (+) / Loss(-)	Accumulated Losses	Total deposits Outstanding	Loans & Advances Outstanding	Total Business	Total investments
3	Punjab													
	Fasilka	28	Ferozepur	31.03.2011	2150	37412	2184	5.75	26	0	22795	37544	60340	5943
	Muktsar	23	Muktsar	31.03.2010	2567	30258	4582	8.48	42	0	10770	10770	21541	3129
	Merged	51			4717	67670	6766	6.97	68	0	33565	48314	81881	9072
	Taran Taran	41	Tarntaran	31.03.2011	1876	37355	1876	5.02	147	0	26165	37003	63167	6669
	Kapurthala	40	Kapurthala	31.03.2011	5870	49631	7953	11.83	408	0	68591	37045	105636	53140
	Merged	81			7746	86986	9829	8.90	555	0	94756	74048	168803	59809
	Bathinda	41	Bathinda	31.03.2011	2718	51375	2788	5.29	44	0	38507	49455	87962	13557
	Mansa	22	Mansa	31.03.2010	151	27050	151	0.56	-782	782	13125	13125	26250	33300
	Merged	63			2869	78425	2939	3.66	-738	782	51632	62580	114212	46857
	Fatehgarh Sahib	25	Fatehgarh Sahib	31.03.2011	17921	42313	2141	42.35	150	0	21757	42344	64100	5596
	Ropar	26	Ropar	31.03.2011	3627	30667	5422	11.83	206	0	30315	25322	55636	20053
	SAS Nagar	21	SAS Nagar	31.03.2011	1961	21858	2295	8.97	59	0	29823	16722	46545	20427
	Merged	72			23509	94838	9858	24.79	415	0	81895	84388	166281	46076
	Faridkot	25	Faridkot	31.03.2011	407	27489	407	1.48	-120	439	15082	26718	41800	3930
	Moga	48	Moga	31.03.2010	2065	32942	2065	6.27	42	0	27244	27244	54488	12750
	Merged	73			2472	60431	2472	4.09	-78	439	42326	53962	96288	16680
4	Rajasthan													
	Bundi	12	Bundi	31.03.2010	734	10194	793	7.20	60	297	9434	8732	18165	3377
	Kota	12	Kota	31.03.2010	1245	12607	1245	9.88	322	0	19065	10188	29254	10596
	Baran	10	Baran	31.03.2010	1429	11633	1429	12.29	12	0	11938	10554	22492	4771
	Jhalawar	15	Jhalawar	31.03.2011	2180	25867	2220	8.43	68	0	17673	15579	33251	10098
	Merged	49			5588	60301	5687	9.27	462	297	58110	45053	103162	28842
	Alwar	16	Alwar	31.03.2010	2919	22279	2673	13.10	79	0	24923	17205	42128	11119
	Bharatpur	15	Bharatpur	31.03.2011	22	17679	44	0.12	2	718	16712	16900	33612	4704
	Dausa	7	Dausa	31.03.2010	662	7838	741	8.45	9	0	11484	6650	18135	6117
	Merged	38			3603	47796	3458	7.54	90	718	53119	40755	93875	21940

Annexure- 6.7

Illustrations of merger of banks with other banks in geographically contiguous area

(Amt ₹ lakh)

Sr. No.	Name of CCB	No. of Branches (excl HO)	Districts covered	Reference date of Inspection	Owned funds (capital funds)	Risk Weighted Assets	Net Worth	CRAR %	Profit (+) / Loss(-)	Accumulated Losses	Total deposits Outstanding	Loans & Advances Outstanding	Total Business	Total investments
	Ajmer	14	Ajmer	31.03.2010	1568	14954	857	10.49	129	816	16427	11625	28053	8696
	Bhilwara	17	Bhilwara	31.03.2010	1042	17248	788	6.04	11	0	24896	12160	37056	14739
	Chittorgarh	18	Chittorgarh & Pratapgarh	31.03.2010	2506	24201	2385	10.35	65	0	29727	20269	49996	14945
	Merged	49			5116	56403	4030	9.07	205	816	71050	44054	115105	38380
	Churu	10	Churu	31.03.2011	1355	15005	1392	9.03	78	0	14021	12905	26927	8120
	Nagaur	16	Nagaur	31.03.2010	465	21526	533	2.16	-428	729	21217	18858	40075	6339
	Hanumangarh	15	Hanumangarh	31.03.2010	2920	23322	2949	12.52	47	0	19215	19731	38946	8952
	Merged	41			4740	59853	4874	7.92	-303	729	54453	51494	105948	23411
	Jhunjunu	14	Jhunjunu	31.03.2010	1043	13598	1381	7.67	30	0	14574	12280	26854	5697
	Sikar	21	Sikar	31.03.2010	4688	23551	4118	19.91	232	0	33511	22161	55673	19569
	Merged	35			5731	37149	5499	15.43	262	0	48085	34441	82527	25266
	Jaipur	21	Jaipur	31.03.2011	2874	31383	3367	9.16	177	0	39529	25433	64961	28561
	Tonk	12	Tonk	31.03.2011	1045	17318	-2232	6.04	-1601	581	13359	19290	32649	3879
	Sawai Madhopur	16	S.Madhopur & Karoli	31.03.2011	2011	17382	2117	11.57	347	0	16158	15116	31275	6579
	Merged	49			5930	66083	3252	8.97	-1077	581	69046	59839	128885	39019
	Pali	29	Pali	31.03.2011	1654	34477	1654	4.80	296	0	41363	27549	68913	33617
	Sirohi	12	Sirohi	31.03.2010	1282	10396	1213	12.33	41	0	12538	8894	21433	6446
	Jalore	12	Jalore	31.03.2011	2848	32043	2806	8.89	1185	0	23744	33567	57311	9167
	Merged	53			5784	76916	5673	7.52	1522	0	77645	70010	147657	49230
	Udaipur	17	Udaipur & Rajsamand	31.03.2011	1655	1655	1655	100.00	57	0	28711	14648	43360	21400
	Dungarhpur	10	Dungarhpur	31.03.2010	830	7597	1039	10.93	30	0	16552	4739	21292	5717
	Banswara	10	Banswara	31.03.2011	1358	13120	1999	10.35	507	0	14851	11074	25925	9667
	Merged	37			3843	22372	4693	17.18	594	0	60114	30461	90577	36784
	Sri Ganganagar	22	Sri Ganganagar	31.03.2010	4184	43937	4361	9.52	124	0	27265	39018	66283	15507

Annexure- 6.7

Illustrations of merger of banks with other banks in geographically contiguous area

(Amt ₹ lakh)

Sr. No.	Name of CCB	No. of Branches (excl HO)	Districts covered	Reference date of Inspection	Owned funds (capital funds)	Risk Weighted Assets	Net Worth	CRAR %	Profit (+) / Loss(-)	Accumulated Losses	Total deposits Outstanding	Loans & Advances Outstanding	Total Business	Total investments
	Bikaner	10	Bikaner	31.03.2010	1261	10041	1163	12.56	1	0	7259	9212	16471	2646
	Merged	32			5445	53978	5524	10.09	125	0	34524	48230	82754	18153
	Jodhpur	17	Jodhpur	31.03.2011	3858	30707	4228	12.56	245	0[NA]	30240	25966	56205	20075
	Barmer	14	Barmer	31.03.2010	4488	40048	5098	11.21	699	0	44593	34169	78762	22503
	Merged	31			8346	70755	9326	11.80	944	0	74833	60135	134967	42578
5	Bihar													
	Sasaram Bhabua	17	Kaimur, Rohtas	31.03.2011	180	4538	180	3.98	96	2355	5921	4279	10200	2627
	Arrah	23	Bhojpur, Buxar	31.03.2010	1043	6429	1038	16.22	260	0	18180	2556	20735	18781
	Merged	40			1223	10967	1218	11.15	356	2355	24101	6835	30935	21408
	Motihari	9	E Champran	31.03.2011	2195	12862	524	17.06	71	723	4659	6425	11084	5751
	National Bettiah	8	West Champran	31.03.2011	813	3040	884	26.75	-128	455	6698	2961	9660	5258
	Merged	17			3008	15902	1408	18.91	-57	1178	11357	9386	20744	11009
	Sitamarhi	12	Sitamarhi, Sheohar	31.03.2011	519	5656	687	9.18	125	340	8334	2097	10431	7477
	Rohika	14	Madhubani	31.03.2010	318	3297	318	9.65	168	1331	6069	3956	10025	4236
	Merged	26			837	8953	1005	9.36	293	1671	14403	6053	20456	11713
	Nawadha	13	Nawadha	31.03.2011	-551	4947	361	-11.14	4	1167	4527	2465	6992	3227
	Nalanda	12	Nalanda	31.03.2010	355	4481	325	7.92	47	0	8104	2467	10571	6607
	Merged	25			-196	9428	686	-2.08	51	1167	12631	4932	17563	9834
	Pataliputra	20	Patna	31.03.2010	1277	10431	1317	12.25	38	0	21931	3008	24939	19840
	Vaishali	5	Vaishali	31.03.2011	273	2922	270	9.34	-42	39	2337	928	3266	2268
	Merged	25			1550	13353	1587	11.61	-4	39	24268	3936	28205	22108
	Gopalganj	13	Gopalganj	31.03.2011	-41	8396	582	-0.48	16	0	18645	5678	24323	14156
	Siwan	11	Siwan	31.03.2010	832	3533	832	23.54	8	0	7426	1294	8720	7089
	Merged	24			791	11929	1414	6.63	24	0	26070	6972	33043	21245

Annexure- 6.7

Illustrations of merger of banks with other banks in geographically contiguous area

(Amt ₹ lakh)

Sr. No.	Name of CCB	No. of Branches (excl HO)	Districts covered	Reference date of Inspection	Owned funds (capital funds)	Risk Weighted Assets	Net Worth	CRAR %	Profit (+) / Loss(-)	Accumulated Losses	Total deposits Outstanding	Loans & Advances Outstanding	Total Business	Total investments
	Begusarai	9	Begusarai	31.03.2011	807	6941	750	11.63	10	0	6782	4488	11270	6561
	Samastipur	7	Samastipur	31.03.2011	1141	6521	417	17.50	297	574	7132	4793	11925	5395
	Khagaria	6	Khagaria	31.03.2011	659	4895	712	13.46	3	0	3541	3507	7048	3198
	Merged	22			2607	18357	1879	14.20	310	574	17455	12788	30243	15154
	Katihar	8	Katihar	31.03.2012	310	2396	310	12.95	93	1924	1909	2069	3978	1276
	Bhagalpur	16	Bhagalpur, Banka	31.03.2011	2395	4347	2325	55.10	913	0	9312	2635	11947	9763
	Purnea	20	Purnea, Araria, Kishanganj	31.03.2012	409	7252	409	5.64	144	2347	4538	4962	9500	3423
	Merged	44			3114	13995	3044	22.25	1150	4271	15759	9666	25425	14462
	Magadh	NA	Gaya, Arwal, Jahanabad	31.03.2011	1093	2170	565	50.35	40	507	2630	981	3611	2625
	Aurangabad (Bihar)	11	Aurangabad (Bihar)	31.03.2012	1650	9375	756	17.60	39	740	5869	4561	10429	5091
	Merged	11			2743	11545	1321	23.76	79	1247	8499	5542	14040	7716
6	Maharashtra													
	Nanded	79	Nanded	31.3.2011	3092	50706	1451	6.10	226	14699	48301	51029	99330	20574
	Latur	112	Latur	31.03.2011	13423	94935	10428	14.14	2483	0	91092	101330	192422	23133
	Parbhani	111	Parbhani, Hingoli	31.3.2011	2723	64123	2723	4.25	3435	2713	69415	60689	130104	24973
	Merged	302			19238	209764	14602	9.17	6144	17412	208808	213048	421856	68680
	Beed	74	Beed	31.3.2011	16446	149114	14970	11.03	3324	0	119733	124899	244632	47433
	Jalna	64	Jalna	31.3.2012	-2903	28997	-1745	-10.01	1112	6516	36018	15131	51149	12114
	Aurangabad	137	Aurangabad	31.3.2011	3524	86483	3009	4.07	150	3218	115073	87269	202342	40750
	Osmanabad	102	Osmanabad	31.03.2012	-2430	61982	-2430	-3.92	3398	14476	72056	69981	142037	34339
	Merged	377			14637	326576	13804	4.48	7984	24210	342880	297280	640160	134636
	Akola	102	Akola	31.3.11	9252	83733	9792	11.05	190	0	123709	68713	192422	77500
	Amravathi	88	Amravathi	31.03.2011	4576	42765	5981	10.70	610	0	72253	41667	113920	45271

Annexure- 6.7

Illustrations of merger of banks with other banks in geographically contiguous area

(Amt ₹ lakh)

Sr. No.	Name of CCB	No. of Branches (excl HO)	Districts covered	Reference date of Inspection	Owned funds (capital funds)	Risk Weighted Assets	Net Worth	CRAR %	Profit (+) / Loss(-)	Accumulated Losses	Total deposits Outstanding	Loans & Advances Outstanding	Total Business	Total investments
	Yeotmal	82	Yeotmal	31.3.2011	9352	95321	18125	9.81	1062	0	102878	99213	202091	37805
	Merged	272			23180	221819	33898	10.45	1862	0	298840	209593	508433	160576
	Ratnagiri	72	Ratnagiri	31.3.2011	3893	60039	3839	6.48	531	0	83013	54907	137920	35072
	Sindhudurg	92	Sindhudurg	31.03.2011	4546	62929	4546	7.22	385	0	79733	58330	138063	29550
	Merged	164			8439	122968	8385	6.86	916	0	162746	113237	275983	64622
7	Orissa													
	Bolangir	21	Bolangir, Subarannapur	31.3.2012	1986	38353	1986	5.18	2	0	26148	32278	58426	8999
	Bhavanipatna	17	Kalahandi, Nuapada	31.3.2010	750	13161	750	5.70	1	695	10169	9965	20134	7270
	Merged	38			2736	51514	2736	5.31	4	695	36317	42243	78560	16269
	Cuttack	38	Cuttack, Kedrapada, Jagat singh, Jajpur	31.3.2012	4458	80320	1465	5.55	-634	3901	56820	53674	110495	34706
	Balasore Bhadrak	30	Balasore, Bhadrak	31.3.2010	4963	64692	4963	7.67	188	0	54579	55382	109961	36599
	Banki	11	Cuttack	31.3.2012	1017	12330	1017	8.25	-1909	1909	7927	11201	19128	315613
	Merged	79			10438	157342	7445	6.63	-2355	3901	119326	120257	239584	386918
	Sambalpur	34	Sambalpur, Deogarh, Bargarh	31.3.2012	-1155	77141	-1155	-1.50	317	10957	54241	57037	111278	23707
	Sundergarh	15	Sundergarh	31.3.2011	2262	32868	2262	6.88	6	0	29530	29530	59060	18302
	Merged	49			1107	110009	1107	1.01	323	10957	83771	86567	170338	42009

Annexure - 6.8

Illustrations of Consolidation of CCBs - Estimation of additional capital required by consolidated CCBs

₹ crore

Sr No	State	Name of CCB	No. Of branches	Total additional capital required by CCB to achieve 9% by 2016-17 (Model-I) before consolidation	CRAR (latest)	Ref. Date of Inspection	Total likely additional capital required to achieve 9% by 2016-17 after consolidation – Model I	CRAR as per Model II (Trend based)					As per Model II additional capital required to achieve 7% and 9%			Difference between additional capital as per Model I and Model II		
								2012-13	2013-14	2014-15	2015-16	2016-17	2014-15	2016-17	Total			
1	Maharashtra	Beed	74	0	11.03	31.03.2011												
		Jalna	64	43.78	-10.01	31.03.2012												
		Osmanabad	102	31.62	-3.92	31.03.2012												
		Aurangabad	137	62.72	4.07	31.03.2011												
		Consolidated Bank	377	138.12	4.48			82.91	15.27	15.16	14.93	14.69	14.5	0	0	0	82.91	
2	Maharashtra	Nanded	79	23.62	6.01	31.03.2011												
		Parbhani	111	0	14.14	31.03.2011												
		Latur	112	0	4.25	31.03.2011												
		Consolidated Bank	302	23.62	9.17			0.00	9.7	10.83	12.39	13.47	13.17	0	0	0	0.00	
3	Odisha	Balasore-Bhadrak	30	27.98	7.67	31.03.2010												
		Banki	11	3.81	8.25	31.03.2012												
		Cuttack	38	49.84	5.55	31.03.2012												
		Consolidated Bank	79	81.63	6.63			81.63	8.73	8.24	8.54	9.11	9.33	0	0	0	81.63	

Sr No	State	Name of CCB	No. Of branches	Total additional capital required by CCB to achieve 9% by 2016-17 (Model-I) before consolidation	CRAR (latest)	Ref. Date of Inspection	Total likely additional capital required to achieve 9% by 2016-17 after consolidation – Model I	CRAR as per Model II (Trend based)					As per Model II additional capital required to achieve 7% and 9%			Difference between additional capital as per Model I and Model II		
								2012-13	2013-14	2014-15	2015-16	2016-17	2014-15	2016-17	Total			
4	Odisha	Bolangir	21	24.03	5.18	31.03.2012												
		Bhavaipatan	17	9.49	5.7	31.03.2010												
		Consolidated Bank	38	33.52	5.31		33.52	0.91	4.53	6.86	8.87	9.44	2.00	0	2.00		31.52	
5	Rajasthan	Alwar	16	0	13.1	31.03.2010												
		Bharatpur	15	20.63	0.12	31.03.2011												
		Dausa	7	3.09	8.45	31.03.2010												
		Consolidated Bank	38	23.72	7.54		21.23	8.09	8.07	8.34	8.45	9.04	0	8.50	8.50		12.73	
6	Rajasthan	Pali	29	17.78	4.8	31.03.2011												
		Sirohi	12	0	12.33	31.03.2010												
		Jalore	12	0	8.89	31.03.2011												
		Consolidated Bank	53	17.78	7.52		0.63	6.01	6.15	7.02	7.2	9.02	8.00	36.00	44.00		-43.37	
7	West Bengal	Mugberia	10	19.66	4.19	31.03.2010												
		Tamluk Ghatal	17	19.62	5.18	31.03.2011												
		Consolidated Bank	27	39.29	4.73		39.29	6.14	6.19	7.06	7.12	9.07	7.00	23.00	30.00		9.29	
8	West Bengal	Murshidabad	14	19.02	4.02	31.03.2012												
		Nadia	17	16.23	5.55	31.03.2011												
		Consolidated Bank	31	35.24	4.84		35.24	7.14	7.08	7.08	7.06	9.06	5.00	30.00	35.00		0.24	

Sr No	State	Name of CCB	No. Of branches	Total additional capital required by CCB to achieve 9% by 2016-17 (Model-I) before consolidation	CRAR (latest)	Ref. Date of Inspection	Total likely additional capital required to achieve 9% by 2016-17 after consolidation – Model I	CRAR as per Model II (Trend based)					As per Model II additional capital required to achieve 7% and 9%			Difference between additional capital as per Model I and Model II		
								2012-13	2013-14	2014-15	2015-16	2016-17	2014-15	2016-17	Total			
9	West Bengal	Dakshin Dinajpur	7	0.05	6.61	31.03.2011												
		Raiganj	8	1.73	9.62	31.03.2010												
		Consolidated Bank	15	1.78	8.76		1.78	8.08	8.05	8.05	7.94	9.08	0	13.50	13.50			-11.72
10	Punjab	Faridkot	25	28.3	1.48	31.03.2011												
		Moga	48	20.29	6.27	31.03.2010												
		Consolidated Bank	73	48.59	4.09		48.59	4.78	4.14	7.04	7.42	9.08	35.00	25.00	60.00			-11.41
11	Rajasthan	Naguar	16	23.2	2.16	31.03.2010												
		Churu	10	2.83	9.03	31.03.2011												
		Hanumangarh	15	0.18	12.52	31.03.2010												
		Consolidated Bank	41	26.21	7.92		26.21	8.92	8.9	8.81	8.78	9.04	0	6.50	6.50			19.71
12	Bihar	Gopalganj	13	2.04	-0.48	31.03.2011												
		Siwan	11	0	23.54	31.03.2010												
		Consolidated Bank	24	2.04	6.63		0	15.88	14.86	13.67	12.53	9.68	0	0	0			0.00

Appendix I

Details of Committee Meetings and Interface, Meetings and Visits

A. Committee Meetings

Sr.No.	Date	Particulars	Venue
1	17 September 2012	First meeting of Committee	Mumbai
2	12 January 2013	Last Meeting of Committee	Mumbai

B. Interface, Meetings and Visits

Sr.No.	Date	Particulars	Venue
1	27 September 2012	Interface meet with eminent cooperators from West Bengal, Odisha, Bihar & Jharkhand and Principal Secretary, Cooperation Dept. of the concerned States	Kolkata
2	09 October 2012	Interface with President, CEO of NAFSCOB and Chairman / MD / CEOs of State and Central Cooperative Banks & PACS	Mumbai
3	10 October 2012	Meeting with delegates of AICBEF representing most of the States	Mahabalipuram, Tamil Nadu
4	10 October 2012	Meeting with Senior Govt. Officials, Govt. of Tamil Nadu	Mahabalipuram, Tamil Nadu
5	25 October 2012	Raigad DCCB visit and discussions with Chairman, BoDs, CEO and other Officers	Raigad, Maharashtra
6	25 October 2012	PACS visit in Raigad district	Raigad, Maharashtra

Appendix II

1st Meeting of Expert Committee on ST CCS
17 September 2012 at Board Room, NABARD HO, Mumbai

List of Participants

Sr. No.	Name of the Participant	Designation & Organisation
1	Dr. Prakash Bakshi	Chairman, NABARD and Chairman
2	Shri V. Ramakrishna Rao	ED, NABARD, Member
3	Shri Umesh Kumar	Joint Secretary, DFS, Gol (Absent)
4	Dr. Mona Sharma, IAS	Principal Secretary, Govt. of Odisha
5	Shri Y. Vijayender Reddy	President, APCOB, Hyderabad, Member
6	Dr. B. Yerram Raju	Director, Dev. & Research Services (P) Ltd., Hyderabad, Member
7	Dr. H. S. Shylendra	Professor, IRMA, Gujarat, Member
8	Shri C. D. Srinivasan	CGM, RBI, RPCD, CO, Mumbai, Member Secretary
Others		
9	Dr. R. M. Kummur	CGM, IDD, NABARD
10	Shri K. Venkateswara Rao	CGM, DoS, NABARD
11	Dr. U. S. Saha	GM, IDD, NABARD
12	Shri A. V. Joshi	AGM, IDD, NABARD
13	Smt. Vijayalakshmi. S.	AGM, IDD, NABARD
14	Smt. Y. Nagalatha Rani	AGM, IDD, NABARD
15	Shri Rajendar Perna	AM, IDD, NABARD
16	Shri Ramesh Kumbhare	AM, IDD, NABARD

Appendix II

2nd Meeting of Expert Committee on ST CCS
12 January 2013 at Board Room, NABARD HO, Mumbai

List of Participants

Sr. No.	Name of the Participant	Designation & Organisation
1	Dr. Prakash Bakshi	Chairman, NABARD and Chairman
2	Shri V. Ramakrishna Rao	ED, NABARD, Member
3	Shri Umesh Kumar	Joint Secretary, DFS, Gol (Absent)
4	Dr. Mona Sharma, IAS	Principal Secretary, Govt. of Odisha (Absent)
5	Shri Y. Vijayender Reddy	President, APCOB, Hyderabad, Member
6	Dr. B. Yerram Raju	Director, Dev. & Research Services (P) Ltd., Hyderabad, Member
7	Dr. H. S. Shylendra	Professor, IRMA, Gujarat, Member
8	Shri C. D. Srinivasan	CGM, RBI, RPCD, CO, Mumbai, Member Secretary
Others		
9	Dr. R. M. Kummur	CGM, IDD, NABARD
10	Shri K. Venkateswara Rao	CGM, DoS, NABARD
11	Dr. U. S. Saha	GM, IDD, NABARD
12	Shri A. K. Parhi	DGM, IDD, NABARD
13	Shri C. N. Prabhudeva	DGM, DoS, NABARD
14	Shri A. V. Joshi	AGM, IDD, NABARD
15	Smt. Vijayalakshmi. S.	AGM, IDD, NABARD
16	Shri J. Suresh	AGM, IDD, NABARD
17	Shri S. M. Sule	Mgr, IDD, NABARD
18	Shri Rajendar Perna	AM, IDD, NABARD
19	Shri Ramesh Kumbhare	AM, IDD, NABARD

Appendix III

Views/Suggestions of Members

I) Comments received from Shri. Y.Vijayender Reddy, President, APCOB

Role played by DCCBanks

The DCCBs have been in existence for more or less about a century in almost all parts of the country. They are closer to the members and their asset is the deeper understanding of rural farmers and their requirements. They have been fairly doing a good role all these years but only to a limited extent in the sense of financing largely small and marginal farmers . **good clients and big clients are going away from the system as their credit requirements are not met by them** due to many factors. This has been happening even after AWDRS 2008 and infusion of huge chunk of funds under STCCS revival package into the system.

- a. During the last 5 to 6 years, higher scales of finance are being recommended largely on account of huge increase in labour cost fertilizer cost and other input costs and higher credit limits are being sanctioned necessitating large flow of credit. Also, the state governments have been providing interest subsidies on crop loans. In Andhra Pradesh, 0% interest on crop loans is in operation. This has become an attraction for big farmers. This is putting pressure on resources and liquidity. On the other side, the NABARD has been providing refinance only to an extent of 45% of ground level disbursements, thereby balance 55% of resources have to be mobilized from public at a higher rate against the mandatory 7% on crop loans. The matured deposits have to be refunded on time and the state governments are not supportive in parking their funds in. Cooperative banks. These factors are resulting in resource constraint in DCCBanks.

Thus, **resource constraint is looming large on the DCCBanks in providing credit to the full extent of scales of finance.**

- b. Even after implementation of AWDRS 2008 and Vaidyanathan package, many of the DCCBanks are having accumulated losses (even now). **To clean up these losses, stringent recovery mechanism without political interference, new secured products and non-credit products, upgradation of staff skills through capacity building are to be given importance.** I would like to tell you till 2008, many of the DCCB have not filed I.T. **Returns** and they are not aware of the IT provisions. In case of DCCBs with accumulated

losses, **1/3rd of the working profit is taken out towards Income Tax.** Atleast in such cases, the Govt of India may consider to impose nominal penalties, so that they may be benefitted to the extent of accumulated losses.

c. True, in **some states, some DCCBs have not got RBI licenses.** In such cases, neighbouring DCCBs, State Coop Banks **may consider to take over these unlicensed DCCBs.** In any one state, there may be 3 or 4 DCCBs which are not given licenses. It does not mean that we should go for liquidation. **Liquidation is not a good solution or healthy practice in the present scenario.**

d. **Proactive measures**

- i. Core Banking Solution (CBS) for all tiers
- ii. Staff capacity building with focus on computer literacy
- iii. Face-lift of the branches
- iv. Responsive to the customers
- v. Minimum facilities in the branches for customers
- vi. Modernization of systems on par with commercial banks

Govt of India

- a)
 - i) To advise NABARD to raise their refinance to DCCBs in the Credit flow
 - ii) RBI to regulate strictly the KYC, AMLO and CRAR norms.
- b) The Govt of India has given **recapitalization financial packages**, more than once, to the RRBs and commercial banks to strengthen their financial position. **Why not to Cooperatives?** The Gol need to consider a package to the DCCBs to make them vibrant; whose outreach cannot be matched by any other institution especially to fulfil the goals set out by Gol under **“Financial Inclusion”**

State Governments

- i) State government to issue instructions to its machinery to park their funds in the cooperatives
- ii) To show positive discrimination to the DCCBs and PACS like routing the funds through cooperatives to the beneficiaries under various government schemes.
- iii) PACS may function from end to end i.e from seeding to harvesting and marketing. Also the Governments may consider to supply subsidized

agricultural implements through PACS. In nutshell, the PACS should be converted to act as ~~One~~ One Stop Shop+for all agriculture inputs.

Recruitment wherever required may be done in the DCCBs and NABARD may consider to create a cell/division to impart training on good practices and training to the CCS staff.

A. Brief Note on the Terms of Reference (ToR) of the Expert Committee on streamlining of Short Term Cooperative Credit Structure constituted by Reserve Bank of India. – Dr. Mona Sharma, IAS

- 1. To assess role played by State and District Central Cooperative banks in fulfilling the requirement of agriculture credit, the primary purpose for which they were set up.**

The Cooperative Movement in India as a State initiative started during the year 1904 with promulgation of the Cooperative Societies Act by the then British Government, Cooperative Credit Societies were organized with the only objective of providing credit to the farmer members at a reasonable rate of interest to emancipate from the clutches of money lenders. Subsequently, the Cooperative Credit Societies were federated into Central Cooperative banks (CCBs) after amendment of the Cooperative Societies Act during 1912 with the objective of mobilizing resources to cope with the credit requirement of the farmer members of the Cooperative Credit Societies.

Thereafter, at the State Level, State Cooperative banks (StCBs) were organized to mobilize resources to bridge the gap between the requirement of funds for agricultural credit and the resources available with the Central Cooperative banks. The other objective was the StCBs would work as balancing centers to address regional imbalances by accepting deposits from the funds surplus CCBs and lending the same to the fund starved CCBs.

The Cooperative Credit organizations were having monopoly over agricultural credit till the independence of the Country after which, the All India Rural Credit Survey Committee was appointed inter alia, to assess the role of the Cooperatives in dispensation of agricultural credit and to recommend suitable measures to revamp their working. The recommendations of the Committee was accepted by Government of India and States became partner of the Cooperative Institutions in respect of contribution of share capital and managerial assistance.

With the Government intervention, the core competencies of the Cooperative Credit Institutions improved to certain extent but it was observed by the All India Rural Credit Review Committee in 1966 that in spite of Government support, the Cooperative Credit Institutions could provide only 30% of the credit requirement of the farm families. After that a lot of experiments including nationalization of Banks, organization of exclusive financing units like Regional rural banks, introduction of

Lead Bank scheme were taken up to supplement the efforts of the cooperatives, by and large, to cater to the credit requirements in the rural areas.

Despite entry of Commercial banks and RRBs, the Cooperatives continued to provide significantly larger portion of agricultural credit for another two decades. Even until early 1990s, cooperatives provided almost 62% of the agricultural credit in the country. However, with introduction of Financial Sector Reforms during 1991 and through Government intervention the Commercial Banks have overtaken the cooperatives and increased their agricultural lending to 74% by 2010-11 and the share of cooperatives dwindled to around 16% during 2009-10 and meagre 10% in 2010-11.

However, in Odisha, ST CCS has continued to play a major role in disbursement of agricultural credit, especially for crop loan. After the implementation of the Vaidyanathan package and receipt of recapitalization assistance and additional interest subvention from the State Government, the Cooperative banks have been disbursing the 65-66% of the crop loan dispensation. The major role of Cooperative to provide for credit to maximum small & marginal farmers needs to reiteration.

Most of the interventions as per the Vaidyanathan package have been implemented including legal reform, receipt of recapitalization assistance but computerization of PACS has still not been done which is urgently required. The Regional Office, NABARD has advised the State Government not to finalize the tenders for computerization of PACS and the process has been halted/ delayed in the absence of tieing of funds for computerization of PACS which was to be provided by NABARD as a component of the revival package.

The performance of ST CCS in the State post VCR package implementation has been strengthened substantially with additional policy level support from State Government, especially the provision of additional interest subvention to the ST CCS to provide loan to the farmers @ 5% which further gets reduced to 2% on timely repayment with farmers Incentive Scheme of Government of India. In Odisha, the PACS have also been associated in a big way with procurement of paddy under Minimum Support Price (MSP) on behalf of the Odisha State Civil Supplies Corporation. The above intervention not only ensures that the farmer members get remunerative price for their produce (paddy being the major crop in Odisha) but the PACS also earn substantial amount as commission which is their net income as cost of paddy is provided by the Odisha State Civil Supplies Corporation to the PACS

through the CCBs in advance. The Tables below indicate the extent of credit disbursement and paddy procurement through the Cooperative Banks and PACS.

a) Crop loan dispensation :

(₹ in crore)

Year	Target as per annual credit plan			Achievement			Market share	
	Coop. Banks	Comm. Banks/ RRBs	Total	Coop. Banks	Comm. Banks/ RRBs	Total	Coop. Banks	Comm. Banks/ RRBs
2007-08	1622.91	1048.39	2671.30	1501.74	875.02	2376.76	63%	37%
2008-09	1873.41	1350.78	3224.19	1489.46	1267.33	2756.79	54%	46%
2009-10	2269.33	1912.83	4182.16	2682.17	1432.83	4115.00	65%	35%
2010-11	3315.42	2837.69	6152.51	3396.39	1877.52	5273.91	64%	36%
2011-12	4465.71	4235.12	8700.63	4415.89	2270.31	6686.20	66%	34%

b) Paddy procurement :

(Figure in M.T.)

	2009-10	2010-11	2011-12 (As on 16.07.12)
No. of PACS participated in paddy procurement	1215	1630	1858
Quantity of paddy procured (MT)	1611660	1840347	2871000
No. of farmers benefited	341445	390615	630629
Commission earned by PACS (Rs. in crores)	38.47	46.00	77.50

In addition to this, from the current year, the Odisha State Seeds Corporation also sold its seed to the farmers through Primary Agriculture Cooperative Societies which has ensured availability of quality seeds to the farmers throughout the State and the PACS have also earn profit in the process. Establishment of Mini Soil Testing Laboratories at PACS level with financial assistance under RKVY is in process and 33 such Mini Soil Testing Labs (minimum one per district) will be established shortly for which funds have already been provided by Agriculture Department under RKVY Scheme. More than 2000 Farmers Clubs have been formed at the PACS level and TOT for resource persons from each CCB is being organized at State headquarters in collaboration with NABARD. Steps have also been taken to establish minimum of one Agro Service Centre per Block either through progressive farmers or through PAS wherever feasible. PACS have also been encouraged to establish Common Service Centres being established at the G.P. level under e-governance initiative of Government.

In addition to meeting the agriculture related needs of the farmers, the PACS have also been advised to establish deposit counter for which detailed guidelines have

already been issued by the RCS. System strengthening for ensuring security of the money of depositors is very essential.

With all the above interventions, there is substantial improvement in the business transaction of the PACS and this is contributing greatly to increase their income and profit.

Another area which needs concerted effort to make the gains of revival package, more sustainable is regular capacity building of the different stakeholders including the Managing Committee, CEOs of the 3 tier of the ST CCS, Officials of Cooperation Department, the auditors and other stakeholders. In Odisha, we have registered Odisha Society for Cooperative Education, Research and Training (OSCERT) with the above objective. A brief note on the objective of the Society, its role and activities till date is being sent separately.

One major area of concern which continues in the ST CCS is the **imbalance in the CCB and PACS** level because of the .

- (a) accounting procedure prescribed and followed in ST CCS
- (b) excessive expenditure by the management of PACS over and above their income.

To address the problem at (b) above, all the steps enumerated earlier are contributing to increased business and enhanced income and profit leading to reduction in imbalances. But, issue at (a) above is still not getting addressed.

In my opinion, making the **PACS as the business correspondent of CCBs** is highly desirable and will contribute in a big way to reduce the imbalance at the CCB and PACS level. In addition to this, PACS can take up their activities like marketing of agriculture produce, paddy procurement, sale of seeds, other inputs and other commercially viable activities to increase their income and profitability.

Other important intervention urgently required is technological upgradation in the ST CCS for which CBS in OSCB and CCBs and its linkage with the PACS including their computerization is highly essential. In Odisha, OSCB has already finalized tender for introducing CBS and it is hoped that by March, 2013, OSCB and minimum 2 CCBs would have introduced CBS in all its Branches.

2. To identify Cooperative banks that may not be sustainable in the long run even if some of them have met the diluted licensing criteria for the time being.

In order to facilitate issue of licenses to the CCBs and StCBs, RBI has diluted the eligibility criteria as under :

- i) CRAR of 4%
- ii) Compliance of Section 11(1) of the banking Regulation Act, 1949 (AACs).
- iii) Non-default in maintenance of CRR and SLR.

Even with the diluted criteria, 42 CCBs did not qualify for the license within the stipulated deadline i.e. 31.03.2012 (all the CCBs in Odisha got the license). It is a fact that large number of CCBs may not be able to sustain their financial viability to cope with the statutory requirements in future unless they improve their performances. The following stipulations may be considered to improve the bottom line of the CCBs and StCBs to stay afloat in the competitive environment :

- i) The CRAR should improve to a level of 9% within a stipulated timeframe of 3 years.
- ii) Penalty may be imposed for non-maintenance of CRR and SLR.
- iii) The NPA level should be brought down to a level of 10% within a period of 3 years and to 5% within next two years i.e. within a period of 5 years.
- iv) All the CCBs and StCBs should be CBS compliant within a period of two years.
- v) Diversification of crop loans to term loans to achieve a ratio of 60:40 within a stipulated timeframe.
- vi) Recovery should improve to a level of at least 80% at the level of CCBs and 95% at the level of StCBs.
- vii) Dependency on the higher financing agencies should be reduced to a level of 50% over a period of 3 years by mobilizing adequate resources.
- viii) Internal checks and controls should be strengthened.
- ix) **Focused & Result oriented MOUs** at different level should be signed with **effective mechanism for review and monitoring**.
- x) The **Management Information System** should be strengthened.
- xi) The Human Resource Policy laid down by the Mitra Committee should be implemented in letter and spirit.
- xii) The capacity building processes should be strengthened.

3. To suggest appropriate mechanism for consolidation by way of amalgamation, merger, takeover, liquidation and delayering.

An exercise was done to find out viable PACS at the time of implementation of Vaidyanathan Committee Recommendations. The following revamping exercise may be considered:

- i) The PACS may become the Business Correspondents of the CCBs and as such the lowest tier of the ST CCS would be eliminated. In such cases, the PACS would continue to dispense various types of loans on behalf of the Central Cooperative banks and recover the same on commission basis. Commission of 0.50% for disbursement and 1.50% for recovery may be considered. The PACS may do all other business including distribution of inputs, seeds, procurement of food grains, functioning as Krushak Sahayak Kendras, Soil Testing Centers and all other business that is required for meeting the needs of the farm families in the rural areas. If this model is accepted, the imbalances between the CCBs and PACS would be completely reduced and a true and fair picture of the functioning of the CCBs would emerge. This will also reduce the cost of credit by eliminating one of the tiers.
- ii) The non-viable PACS should be liquidated/ amalgamated/ with the healthy PACS within a stipulated timeframe.
- iii) The weak DCCBs should also be amalgamated with the neighbouring CCBs. For identifying the CCBs, appropriate criteria need be evolved basing on the area of operation, past financial performances, potential available, compliance with statutory requirements.

4. To suggest pro-active measures that need to be taken in this direction by the Cooperative banks themselves, Government of India, State Governments, RBI and NABARD.

The following pro-active measures to be taken at different level for strengthening the ST CCS may be considered :

- i) **At the level of Cooperative banks :**
 - Coverage of all agricultural families as members of PACS to enlarge the business.
 - Issue of KCC to all agricultural families.
 - Diversification of loan portfolio to improve the yield on assets.

- Crop loans and investment credit should be at 60:40 within a stipulated timeframe.
- The PACS should be developed as One Stop Shop to provide all requirements of its members.
- Definite targets should be fixed for mobilization of deposits.
- The StCBs and CCBs should enter into MoU between themselves and the covenants be reviewed by themselves every quarter to initiate corrective measures as and when required to ensure achievement.
- The StCBs and CCBs should be CBS compliant and have connectivity with the PACS.
- Internal control system with proper MIS should be in place within a definite time frame.
- The Branches of the Banks should function as profit centers.
- All the StCBs and CCBs should come to the NPCI platform to provide access of the customers to all shared ATMs to take the head on competition from the commercial counterparts.
- Internal inspection and audit should be strengthened.

ii) At the level of Government of India :

- Financial assistance as envisaged in the Vaidyanathan Committee Recommendations may be released at the earliest including assistance for computerization of PACS.
- Interest subvention on crop loans may be provided in advance.
- The Central Government PSUs may invest their surplus funds with the State Cooperative Banks.

iii) At the level of State Government

- State Government may sign MoU with the StCB and DCCBs and monitor the covenants on a quarterly basis.
- Synergy may be established between the Agriculture and Cooperation Department to implement all programmes meant for the farmers through the PACS.
- Audit of the PACS may be completed within a period of 6 months from the date of closure of the accounts.
- Interest subvention on crop loans may be provided in advance to the ST CCS.
- Infrastructure development of the PACS may continue.

- Share capital contribution to the ST CCS upto the limit of 25% may be provided to strengthen the resource base.
- Surplus funds of the Government and the PSUs may be kept with the StCBs and CCBs.
- Board of Directors of the PACS, CCBs and StCBs should comply with the fit and proper criteria prescribed by Reserve bank of India.
- Human Resource Policy may be implemented in the CCBs and StCBs.
- Periodical review of the performances of all the three tiers be ensured.

iv) At the level of Reserve Bank of India :

- StCBs and CCBs may be allowed to mobilize Tier-II capital at par with Urban Cooperative Banks
- RBI may review the performance of the StCBs and CCBs on a quarterly basis.
- The Offsite Surveillance System be strengthened to capture early warning signals of the CCBs and StCBs.
- Similar norms for maintenance of SLR may be made applicable to the CCBs and StCBs at par with Commercial banks.
- RBI may consider payment of interest on CRR maintained by the Scheduled StCBs to augment their profitability.
- Due weightage may be given to the StCBs and CCBs while announcing the Monetary and Credit Policy.
- The PACS may be allowed to function as Business Correspondents of the CCBs.
- In the line of **supervisory action framework prescribed by the Reserve bank of India for the urban Cooperative Banks**, NABARD may introduce a similar framework to capture early warning signals of weakness of the StCBs and DCCBs.

When I suggested the above point to my officials, they suggested the following model which I am including in this write up though this is the area of expertise of NABARD.

Early warning signals	Self corrective action by the SCBs/ DCCBs	Supervisory Action by NABARD	Regulatory Action by the Reserve bank of India
CRAR falls below 7% or there is deterioration in asset quality/	i) Identification of reasons for deterioration ii) Initiation of corrective action	i) Review of the reasons identified for weakness ii) Review of the	No Action.

Early warning signals	Self corrective action by the SCBs/ DCCBs	Supervisory Action by NABARD	Regulatory Action by the Reserve bank of India
decline in profits/ liquidity constraints	including augmentation of capital, close monitoring of NPA, time bound recovery mechanism, curtailing expenses, mobilizing low cost deposits, etc. iii) Preparation of Time Bound Action Plan to reverse the deterioration. iv) Implementation of the Action Plan. v) Monitoring mechanism including immediate corrective action. vi) Review of the Action Plan by the Board of Directors on a monthly basis.	Action Plan formulated by the SCB/ DCCBs and providing guidance for the purpose. iii) Close watch on the monitoring mechanism and perceptible developments.	
Capital Adequacy falls below 4% Or Incurred loss for two consecutive years Or Gross NPA exceeds 10% of the advances Or Concentration of deposits where top 20 depositors exceeds 30% of the total deposits (any one or more than one of the above signals)	i) Identification of reasons for failure of the Action Plan ii) Review of corrective actions iii) Fresh Action Plan based on the previous experiences. iv) Review in the Board of Directors Meeting every month. v) Fixation of responsibilities on the erring staff.	i) Supervisory Action should be in the form of preemptive action aimed at arresting further deterioration. ii) Restriction on advances. iii) Restriction on premature withdrawal of deposits iv) Follow-up on inspection observations/ findings v) Strengthening of Offsite Surveillance.	i) If the CRAR falls below 4% but its net worth remains positive, NABARD may be advised to put restrictions on fresh non-agricultural advances. ii) If the net worth becomes negative imposition under Section 11(1) of the B R Act should be considered. iii) If the deposit erosion reaches a level of 10%, the Board of Directors should be issued notice to explain. iv) If deposit erosion reaches a level of 25%, moratorium under Section 35-A of B R Act may be imposed and the Registrar, Cooperative Societies may be asked to prepare an amalgamation/ merger plan.

v) At the level of NABARD :

- Refinance for crop loans may be increased to at least 75% till the ST CCS arrange resources to cope with the credit requirement of the farm families.
 - NABARD may help the CCBs and StCBs to formulate various policies for better performance.
 - NABARD may ensure the quality of Development Action Plans of StCBs and CCBs and Business Development Plans of the PACS. The progress may be monitored on a quarterly basis.
 - The Cooperative Development Fund may be broad-based to provide infrastructure and capacity building support to the ST CCS.
 - Master Circulars for each of the activities of the ST CCS may be issued in the line of Reserve Bank of India circulars to the Commercial Banks and Urban Cooperative Banks.
 - Inspection of the StCBs and CCBs may be taken up on annual basis and compliance on the findings be reviewed on a quarterly basis.
 - One Accounting Manual may be prepared for the StCBs and CCBs.
 - Monitoring mechanism of the performance of StCBs and CCBs may be strengthened.
 - NABARD may provide consultancy services to the ST CCS free of charge.
 - Capacity building measures of the ST CCS may be completely assisted from out of the Cooperative Development Fund.
 - Sensitisation of farmer members through print and electronic media may be assisted by NABARD.
-

Approaches to the Restructuring of the Short Term Cooperative Credit Structure by Dr. B. YERRAM RAJU

The need for cooperatives in wealth creation arises mainly due to the reason that a cooperative can create more value or surplus than the individual can. For instance, a farmer with a few buffaloes cannot process milk, produce butter, cheese and chocolates. However, a cooperative can, as proved by the white revolution inspired by AMUL. Conceptually, if a cooperative is well run, it will bring more benefits to its members rather than to the enterprise as in the private sector. On the other hand, the organization and management of a cooperative enterprise is complex. It is more complex in the case of rural cooperative credit structure as (1) this structure is part of the overall financial structure and has a contributory responsibility to the financial stability (2) it has to abide by the regulatory policy and procedures and (3) its capital structure demands continuing infusion of capital under Basel III.

Currently, the Cooperative legislation is biased towards PACS and the other two tiers. Different treatments are warranted for Thrift and credit societies; housing cooperatives; consumer cooperatives; dairy, fisheries and commodity cooperatives; weaversq cooperatives; and labour cooperatives distinct from the Agricultural Cooperative Credit Societies. 97th Amendment to the Constitution notified on Jan 13, 2012 and the attendant amendments to section 43B of Part IV and 243ZQ demand changes in governance rules of the Credit and other Cooperatives of various States by taking up suitable amendments to the existing legislation. Andhra Pradesh is peculiar in that it has merged short, medium and long term credit structures under one roof. So, the treatment to this State has to be different from the rest of country in terms of legal and other dispensations.

In regard to the rest of the country, ABC analysis of the States becomes imperative and this analysis has to be done at all the three tiers.

1. Apex Cooperative Banks . Banks with branches throughout the State; Banks with no branches excepting Head Office and one Branch; Banks which have controlling interests in the DCCBs; Banks that are fully owned and controlled by the State Government; Banks that are governed by the Vaidyanathan dispensation where less than 25% equity alone is held by the State Government with professional directors satisfying the NABARD and RBI norms.
2. *Similar analysis for the DCCBs in State controlled but with elected representatives; State owned and controlled with no elected representatives (for instance, Tamilnadu); States having only 25% or less equity with elected*

representatives on the Board but largely under the control of the State Government. All the DCCBs should be rated according to their performance and ranked on the basis of NPAs, Profits, Accumulated Loss and Audit Classification. This rating could be worked out by the NABARD based on the Audit Reports of DCCBs.

They should also be classified between those that received licenses and those that did not indicating their date of license to see whether they have performed better than the pre-licensing period.

Boards that have functional Risk Management, Audit and HR Committees properly represented by the professional directors should also be reviewed in terms of their effectiveness as part of this review and analysis.

3. PACS- that have elected representatives on Board with the regular conduct of elections on schedule; PACS where elected representatives are continuing with extension of the Boards by amendment to the State legislations notwithstanding the receipt of Vaidyanathan Reform Package along with full acceptance and partial implementation of the attendant legal and statutory reforms; PACS doing multiple lines of business and PACS doing only limited activities like agriculture and sale of agriculture inputs.

In a way a matrix has to be developed on the above categories indicating the status of States in the sector.

AP Specific Approach:

In Andhra Pradesh, three major areas have done well in the cooperative sector: thrift and credit cooperatives promoted by several agencies; milk by NDDDB and various entities functioning under the APMACS Act, 1995 and a few of the fishermen associations promoted by the South India Fishermen's Association. Despite the long history of rural credit cooperatives, these have defied almost every effort at reforming them. Even after implementing Vaidyanathan relief package aimed at bringing about making the PACS viable, the hope eludes us. New thinking and new approach is required for the simple reason that finance and discipline should also be an integral part of equity and growth. This approach seems to be finding its way in the policy arena with the RBI Governor announcing in the Annual Monetary Policy 2012-13, that a Working Group would be set up to look into the structural issues in the aftermath of licensing of District Central Cooperative Banks (DCCBs) and State Cooperative Banks (StCBs). Vaidyanathan Committee (2005). This should send out a strong

message that the state patronage to cooperative banks is a thing of the past. But habits die hard. There is no guarantee that the state governments would continue to look to them for implementing the government - sponsored anti-poverty programmes at a price decided by them. Organizations that provided the information and a platform for political careers for almost a century have to transform into economic entities, competing head-on for their legitimate space in the financial inclusion agenda. How do these institutions rebuild the lost trust? This is the most fundamental question on the reform agenda. The second most important question is: how do they tackle misgovernance and mismanagement. The third most important question: how do they disengage from the political agenda? This theme paper would address the issues relating to District Central Cooperative Banks and their constituent units.

Change Management:

Triggers of change in the Rural Cooperative Credit Structure (RCCS) originated with the reform agenda announced and agreed to, by the State Governments through an MoU signed by the later with the NABARD over a period of three years (2007-10) as a sequel to acceptance of the recommendations of Vaidyanathan Committee and National Monitoring and Implementation Committee has also been set up for a continuing review of such exercise. In the interregnum, Rakesh Mohan Committee on Indian Financial Stability desired that the cooperative banking that constituted nearly 15% of the financial institution space should be brought into the mainstream. The RBI, following this Committee's recommendations, decided that all the SCBs and DCCBs would be licensed by the RBI by 31st March 2012. After considering the NABARD's recommendations for issuance of licenses based on inspection/quick scrutiny, one out of 31 StCBs and 41 out of 371 DCCBs were found to be unable to meet the licensing criteria by end-March 2012. If the Rakesh Mohan Committee's recommendations were to be accepted in full, then the unlicensed banks should cease to function as banks. A decision in this regard is likely, shortly. While this being so, it would be worthwhile to place on record things that have happened during the last five years in the Cooperative Sector: a series of changes have been put on the track:

1. **Accounting Changes:** The RCCS was following single entry book keeping of accounts that led to inefficient accounting practices and continuing imbalances among the three-tiers of lending for decades, in spite of NABARD supervising over them since 1982. This Accounting System was put on the wheels of change with NABARD introducing Common Accounting System. NABARD has prepared manuals; initiated capacity building measures in all the tiers; insisted on

professional auditing of accounts annually instead of departmental audit with the exception of PACS that had the option of choosing their auditors from either the chartered accountants or the department auditors. One need not be surprised that the books of accounts of RCCS would be kept open for as much as two months after the closure of the financial year for payments to come into the primary borrower accounts to show better recovery performance and to pass on the benefits of interest subventions for prompt payment both from the Central Government and State Government.

2. **Technology Changes:** Computerisation of PACS and DCCBs has been initiated in all the States and NABARD could not freeze on issues of software and hardware supplies. The tendering and choice of technology issues are still at the doorsteps of NABARD.
3. **Legal and Regulatory Changes:** The Vaidyanathan Committee recommended mandatory legal changes that would facilitate functioning of the RCCS with least interference from the Registrar of Cooperative Societies. It was made incumbent on the State Governments to agree for smooth and independent conduct of elections and non-supersession of cooperatives by persons-in-charge to the RCCS. This condition is observed more in breach than in practice.
4. **Governance Changes:** Code of Governance and Board composition were also set for change with at least two independent professional directors to be appointed to the Boards of DCCBs and StCBs. The appointments have taken place but without serving the intended purpose. The CEOs of DCCBs and StCBs should all be professionally qualified persons and NABARD is expected to ensure this aspect. There have been compromises in this regard.
5. **Financial independence and Transparency:** The State Governments have been advised to restrict their equity support only up to 25% of the total capital and have been enjoined upon to have only one representative as its Director on the Board. Even here, it is observed in breach. Balance sheets of all the three-tiers were expected to be cleaned up with a cut-off date. One cannot say when this would happen or it would ever happen.

YET, THE GRANT ASSISTANCE PROMISED UNDER THE VAIDYANATHAN REFORM PACKAGE HAS BEEN RELEASED IN STAGES.

6. Elections to the RCCS are expected to be conducted in time and this is the condition precedent for the release of grant assistance under Vaidyanathan

Package. These elections have been postponed already three times with amendment to the AP State Cooperative Act, 1964 as amended in 2006.

- 7. Now it is reliably learnt that the State Government is contemplating to appoint persons-in-charge for all the DCCBs and StCB throwing professional management conditionality to the winds. It is not clear how a RBI-licensed financial cooperative entity can be allowed to have a person-in-charge at the helm of affairs. At least during the last two years elections have been postponed by amending the legislation.**
8. As Member driven and member . centric organisations as they are expected to be, should now think of ways in which they would respond to the change. So, the strategies must be to build up the internal strength of every cooperative with deposits and equity capital from member, strengthen the management with professional competence, expand business by and increasing membership and better utilization of services, and strengthen them with functional efficiency of the federations. But these strategies have a price to pay particularly for those in the financial sector, i.e., the cooperative rural banks and urban banks. Economic agenda is the basis for the revised approach.

Now that the RBI would be examining the issue of Structural Changes to the RCCS through a de-layering process, I thought it expedient to examine Andhra Pradesh that claims to be the leader in experimenting changes in cooperative structures, as a case in point.

In so far as Andhra Pradesh is concerned, while efforts have been put in for verifying the audits and crystallising imbalances between the PACS and DCCBs, not more than 14 out of 23 DCCBs have been able to conform to the financial discipline. None of the PACS, save exceptions have been able to clean up their accounts. No more than 500 PACS can claim computerisation of accounts and trained personnel to handle them in place. This is despite vigorous training introduced by StCB with its own resources. No DCCB can claim full computerisation although at least 10-12 DCCBs are aiming to get into even core banking solutions!! The only professional who is heading the AP State Cooperative Bank has filed his papers to quit by end-May 2012. With this, the semblance of professionalism would also find a temporary exit.

If the Short term credit structure in cooperative is alone attempted for restructuring by the RBI, it would be a half-baked reform exercise. The reform process has to go

whole-hog. The time is more ripe now than ever because of the multiple changes that are already being engineered on one side and the potential of the RCCS to significantly contribute to Financial Inclusion Agenda on the other, without having to compromise on the hoodwinking efforts in the inclusion agenda by the unwilling commercial banks. Having said that, let me examine the AP case in point.

Unlike Maharashtra state that did not go in for restructuring PACS on grounds of viability AP has substantially reduced the cooperative space in the villages. Three fourth of restructuring have reduced the number of PACS from more than 6000 in 1970s to 2948 (including ceded societies) in 2007, the year in which the state effectively embraced the vaidyanathan revival package. Such restructuring occurred without adequately addressing the major issue that hurt their viability viz., imbalances. When the state implemented the World Bank NCDC programme of office . cum-rural godowns many of the PACS could have their own office space. Some PACS continue to operate from leased spaces and very few with co-operator . donor support. The other issue that still haunts the PACS is the Secretary/Manager, as a functionary at the cutting edge of accountability and control. Is it possible to address these issues retaining the democratic content of PACS, at the future?

Co-operative legislation that permitted dual regulatory and functional structure is also in for one more change with the amendment to the constitution of India, now in the Parliament table. All the states have been enjoined upon to formulate a new co-operative Act on the lines of the model Bill under consideration of the parliament. This new formulation accords recognition to the co-operative societies as economic entities and not just social enterprises handing down equity on call with state patronage.

These circumstances call for a rethinking of the very structure of PACS in order to sub-serve the latent objectives. Although the issue of imbalances is currently engaging the attention of the regulator, the other issues are at the door . step of PACS themselves. An alternative that is worthy of consideration is transforming PACS into Branches of StCB, by eliminating the mid-tier DCCBs that has only satisfied political agenda of the State to extend the party patronage and no economic contribution to convert them as competing financial institutions in the rural credit sphere to the advantage of the farmers and a host of non-farm entities based over in villages. PACS are getting computerised and so are the DCCBs. DCCBs are also attempting to move into core . banking . solutions that would ease the payment and settlement solutions and enable better as well as competitive services to their

customers. Why not make all the DCCBs into branches of StCB and retain PACS as grassroots lending agencies and BCs of StCB branches?

PACS as of now, are managed by elected representatives ---- elected technically on non-political platform though in reality, political alignments do exist. Any transformation, in the larger interest of members, certainly calls for consensus on the way this has to be resolved.

Restructuring PACS:

Unlike commercial bank branches, the PACS can take up all banking and non-banking businesses: for example, they can buy and sell all agricultural inputs . this would help integration of credit for agriculture and supply of inputs; they can operate a consumer stores . PDS can integrate with this activity; they can operate and manage storage of all types of agriculture and horticulture products in their area of operation . this would help post-harvest operations for the farmers; they can collect deposits from their members and intermediate for credit; they can also lend thus for farm and non-farm activity. All this requires professional management and willingness and participation of all the members in a non-intrusive fashion. PACS can successfully cross-hold risks to the advantage of the members. There is enough leeway for the PACS to do multiple lines of business . input and credit distribution, marketing of produce, micro insurance, public distribution, retail gas distribution to the members etc. Lack of managerial capabilities and inadequacy of resources prevent introduction of these activities concurrently. Intrusion can be prevented only by the bye-laws approved by the General Body of the members, which would mean that cooperative advocacy of this nature requires heavy investment in capacity building. Should not NABARD engage in such an elaborative exercise on a mission mode?

RURAL COOPERATIVE CREDIT STRUCTURE in AP:

Andhra Pradesh is the only State in the country that integrated the short term and medium and long-term credit structure, and such integration effort resulted in as much advantage as disabilities and disadvantages in terms of rejigging businesses and re-orienting and aligning staff. This restructuring resulted in one apex cooperative bank . AP State Cooperative Bank (a Scheduled Bank) 22 District Central Cooperative Banks (of which, 13 received licenses under BR Act 1949 (AACs)) and 2748 Primary Agriculture Credit Cooperative Societies (PACS) apart from the Girijan Cooperative Corporation with 13 branches. Analysis does not include the coverage of GCC.

The spread of PACS in the State is highly imbalanced: five districts of East & West Godavari, Krishna, Guntur and Prakasam with a population of 218.96lakhs have 1318 out of 2748 Societies (47.67%). North Coastal Districts and Nellore District together have just 313 Societies serving a population of 122.95lakhs. Rayalaseema districts have 328 PACS serving a population of 151.84lakhs. Telangana Districts have 789 Societies and among them, Karimnagar, Khammam, Nalgonda, and Nizamabad have 60.5% of them. There is fat in some districts and grossly inadequate presence in other districts. This imbalance, without correction sooner than latter, is the source of problem and needs tackling.

S W O T Analysis of the Structure done by APCOB, a year ago, is comprehensive and is worthy to note:

Strengths:

- Having wide spread and deep penetration in the rural areas, CCS is the only institution which can effectively meet the growing requirements of basically agrarian state like AP. AP is the second largest producer of Food Grains in the country with 210 million tonnes and Second largest contributor to Food Procurement with 10 million tonnes
- Small loans and no exposure to large institutional loans excepting a small percentage of loans given to Coop Sugars etc.
- Loans spread over several lakhs of farmer members.
- Identification with the loanees . member owned institutions.
- Local participation in the Management.
- Share linkage to loans assures to a large extent Capital Adequacy Ratio.
- No liquidity problems seen till date.
- All institutions in the structure, though almost 100 year old, have survived without any external infusion of grants till Revival Package.

Weaknesses:

- Large exposure (>95%) to one sector . Agriculture: Concentration Risk
- Excessive dependence on external borrowings. CD Ratio normally > 100%.
- Resistance to change.
- Inability to raise low cost funds locally . in the rural areas.
- Excessive Staff leading to high cost of Management without corresponding increase in business volume.
- Delay in introduction of computerization.

- Large geographical areas to cater to.
- Average age of Staff > 50 years.
- NABARD standardized staffing norms and these have been adopted by the entire RCCS, which in turn led to frictions. These are in the process of resolution.

Opportunities:

- Steady growth in rural economy in the recent past with agriculture sector growing at more than 6%.
- Increase in banking needs in the rural areas. The Banking Sector in AP grew from ` 76,000 crores in March 2000 to ` 525,000 crores in March 2010.
- Vast Scope for low cost deposit mobilization and consequential reduction in Cost of Funds
- Scope for rural / cottage industry financing.
- Scope for selling insurance / Micro Finance products etc.
- Scope for financing Procurement, Storage and Marketing of Agricultural Produce.
- Scope for undertaking more fertilizer distribution (More than 60%) and other agri-inputs
- Scope to raise revenue through participation in Service Sector Ex: Payment of utility bills, collection of pensions, remittance of funds etc.

Threats:

- RBI's Permission to appoint Business Correspondents by Banks.
- This Threat can turn out into opportunity if the PACS itself becomes a business correspondent.
- Govt. of India's focus on villages with more than 2000 population through Financial Inclusion project.
- Rapid updation/leveraging of technology by new generation banking institutions.
- Migration of GOOD Farmers to competing banking institutions.
- Offer of wide range of products by competing banking institutions.
- In-adequacy of policy support by Government.
- Influence of external factors on loan recovery.
- Inadequate and ill-equipped staff and large scale retirements in the immediate future.

However, in a sea of largesse in the public sector and government during the last five years, it is difficult for oasis of neglect to continue. But the ability of PACS to address the issue, with only a few exceptions, does not just exist. There is as much need for recognition of the PACS as business enterprises with a degree of social commitment, as the need to recognize and correct the imbalance in pay structures. While taking on further commitments by the stakeholders, the Managements of PACS have to enter into an irrevocable undertaking regarding their responsibility for business development, following the staff recruitment norms and cleaning up the balance sheets of the PACS as directed by the NABARD, and taking prompt action on the frauds and misappropriations within agreed time schedules. Subject to these, the State Government as a one-time measure, under the supervision of a committee to be set up for the purpose at the District Level, can crystallize a grant assistance with some participation from the APCOB and NABARD. Since these staff would be the staff of the PACS and not of the Government, it must be made clear that the grant is flowing more out of compassion than out of eligibility and these are not normative. The norms would be as per the NABARD directive.

- a. Structural changes should start with the basic premise that the PACS are autonomous entities within the bounds of regulatory norms imposed by the NABARD/RBI and therefore, the recruitment norms, working conditions, pay scales etc., are out of bounds for the State Government to interfere unless the latter decide to bear the costs of such interventions either in full or to a large extent within the bounds of 25 percent equity contribution. If it were to inject capital for this purpose, it has to lay down such norms and working conditions as required by the NABARD/RBI. Even after such intervention, it must make clear that the staff of PACS are basically employees of PACS only and not of the Cooperative Department and their rights can be asserted only to the managements of the PACS.
- b. The locked up share capital of PACS in DCCBs at the time of merger of DCCBs with the StCB should be also released for the business development of PACS with adequate insurance mechanisms in favour of the shareholders.
- c. Unlike many rural enterprises, many PACS have their fixed assets, which, if revalued, can lead to developing revaluation reserves to act as collateral for loans to be obtained by them for restructuring.

- d. There should be MOU between the PACS-APCOB and the State Government on certain performance commitment and other conditions relating to recruitment of staff and regulatory compliance.
- e. Technology development: Training, Development for technology infusion should be the responsibility of the technology provider under strict monitoring of deliverables at PACS level. Accountability for implementation should be fixed at different administrative levels.
- f. Handholding of PACS should be the key responsibility area of the staff of cooperative department at the District level.
- g. Audit of PACS should be done by staff trained and tested for the purpose. It is suggested that out of the departmental auditors, if they be the compulsive choice for certain tactical reasons, a pool should be created who should be trained in the new accounting, audit and risk audit procedures after they qualify in a test for such purpose that should be conducted by the Institute of Chartered Accountants of India or another accrediting agency.
- h. Change Management Training should be at Mandal level once in a month and should be taken up by certain qualified trainers at the week-ends at the staff and directorsqlevels in two laps . one separately for both cadres and the other by integrating both.
- i. Several DCCBs have fixed assets of huge value in the Districts where they are operating in own premises and so are PACS in good numbers. The valuation of assets at the time of merger should be done professionally so that they get into the Balance sheet of merged APCOB. This large asset value base should help raise resources for restructuring the PACS and APCOB.
- j. At the District level, an administrative office of APCOB for monitoring the restructured package should be set up in the existing Head office of DCCB under the surveillance of NABARD.
- k. The staff of DCCB would be merged with the cadres of APCOB and this should not pose a problem as the cadre management of DCCB right now is as per APCOB cadre management. The recent recruitment to the DCCBs would be inducting new blood into the branch level and this would help invigorating the structure of APCOB.
- l. **Capacity Building** of the poor to manage the cooperatives.

There is no gainsaying the fact that any exercise of reforms has huge costs and somebody has to bear the burden of the costs. There are two proven ways: One, where at the end of reforms, since the entities involved in reforms would have realised the gains, would be asked to pay up the costs incurred. Second, the society takes the cost: meaning thereby that the Government . Centre and State can come forward for certain sharing arrangement and bear the initial costs for three years; this would bring to fore the moral suasion. There are huge assets in the Balance Sheet of the merged entity that could be collateralised for a soft loan from either the World Bank or ADB or another donor. It is important, however, that this reform agenda should not be left for the State Government to implement. It is desirable that a team of experts is formed as a monitoring body over the Reform Agent like Robo Bank, ICA or another donor organisation for a well-thought out period for the reform agenda to become culturally acceptable agenda among all the stakeholders. When the public sector banks, post-reform 1991, are still being recapitalised, I do not see any reason why the cooperatives with a more formidable inclusive agenda should not be provided such support at least for a decade.

**Aspects to be noted while formulating the final set of Recommendations discussed yesterday and duly incorporated in the document where applicable.
By Dr. Yerram Raju**

Legal Reforms to Cooperatives on the anvil:

The Constitution (97th Amendment) Act 2012 enacted by the Parliament envisaged that ~~the~~ State shall endeavour to promote voluntary formation, autonomous functioning, **democratic control and professional management of co-operative societies'** (43B of the Act)

Amendment proposed to Article 19(1) states that co-operatives and any restriction on them has to be within the framework of Article 19(4) and also to have a definition of co-operatives in the Constitution that will indicate that they are **promoted, owned, controlled and managed by their member-users. (This would mean that all the controls other than those by the Members would abrogate the Constitution itself.)**

In consonance with these provisions, the Committee provided only for democratic control and professional management.

Complimentary to this Amendment, Central Government enjoined upon the States to formulate a New Cooperative Act in line with the governance and other provisions incorporated under Part IXB 243Z of the 97th Amendment. These amendments would enable States to move to a Cooperative System that would turn the Cooperative Societies of various hues as economic entities devoid of State control and State partnership significantly. State Governments have to formulate New Cooperative Act before January 11, 2013 and wherever two Acts are in force, it is desirable to move to a single unified Act keeping separate mechanism to tackle any legacy issues of the old legislation.

243ZR provided for application of the Act to the multi-State Cooperative Societies in Toto.

When the Committee considered democratic control, the reference is to the elected boards to govern the affairs and professional CEOs as per the prescribed fit and proper criteria to constitute professional management.

Democratic Control:

Article 243ZK provides for regular conduct of elections to the cooperatives and their respective Boards once in five years regularly, in a manner that the elected Board assumes charge immediately after the term of the existing Board concludes and that too, by a **separate Authority or body to be specified by the State Government in their State Acts**. The procedure and guidelines for the conduct of elections should be also specified by the Legislature as part of that Law.

Our Committee is in consonance with the provision felt that a **State Election Authority to conduct elections to cooperatives** shall be set up by the States.

Article 243ZN deals with the conduct of General Body meetings.

It requires that the annual general body meeting of every cooperative society shall be convened within a period of six months of close of the financial year to transact the business as may be provided in such law.

243ZJ specifies the number and term of members of board and its office bearers, according to which, the number of directors shall not exceed 21 (Twenty one) and five years respectively and should provide reservation for one seat for scheduled castes or scheduled tribes and two seats for women. The tenure shall be five years.

The State Law should provide for cooption of two members of the Board in addition to twenty one and these two professional members shall have ~~%~~ experience in the field of banking, management, finance or specialization in any other field relating to the objects of the Society+. These professional directors do not have any voting rights.

It also provides for functional directors as members of the Board and such members shall be excluded for purpose of counting the total number of directors specified in the Act.

Supersession:

The committee in accordance with the Article 243ZL suggested supersession of the Boards or kept under suspension for a period not exceeding six months in case:-

~~%~~(1) persistent default; or

(2) of negligence in the performance of its duties; or

(3) the board has committed any act prejudicial to the interests of the cooperative society or its members; or

(4) there is stalemate in the constitution or functions of the Board; or

(5) the authority or body as provided by the Legislature of a State, by law under clause (2) of article 243ZK, has failed to conduct elections in accordance with the provisions of the State Act

Provided also that in case of a cooperative society carrying on the business of banking, the provisions of the Banking Regulation Act 1949 shall also apply:

Provided further that the board of any such cooperative society shall not be superseded or kept under suspension where there is no government shareholding or loan or financial assistance or any guarantee by the government:

Provided also that in case of a cooperative society, other than Multi-State Cooperative Society, carrying on business of banking, the provisions of this clause shall have the effect as if for the words “six months” the words “one year” had been substituted.

No Voting Rights for Inactive Members:

The Committee took into consideration while making this recommendation provisions of the Article 243ZO(2) dealing with Right of a Member to get Information that requires the State Legislature to make provisions to ensure the participation of members in the management of the cooperative society providing minimum requirement of attending meetings by the members and **utilizing the minimum level of services as may be provided in such Act.**

Audit:

Article 243ZM deals with the Audit of Accounts of Cooperative Societies:

The Legislature of a State may, by Law, make provisions with respect to maintenance of accounts by the cooperative societies and the auditing of such accounts at least once in each financial year. Section 2 deals with the minimum qualifications and experience of auditors for eligibility to enroll as qualified auditors in the panel to be prepared by the State Government. The Accounts shall be audited within six months of the closure of the financial year to which such accounts relate.

The Audit Report of Apex Society is required to be placed before the State Legislature. (This provision would require that the State Cooperative Banks should place their Audit Reports before their respective Legislatures. It is necessary that the Banking Regulation Act 1949 should be amended to prevent

unnecessary delays on flimsy grounds for the legislature to pass their accounts. (The Committee's recommendations should necessarily take care of this aspect)

Article 243Z (a) to (e) defines Offences and Penalties and these cover the internal systems that the Committee prescribes.

In addition to the above, as mentioned during the discussions yesterday (12th Jan 2013) that some aspects relating to PACS should find a place in the Report in addition to reiterating the recommendations of Rakesh Mohan Committee Report dealt with reproduced below.

The Committee on Financial Sector Assessment (Rakesh Mohan) recognized the potential conflict of interest between the supervisory and development functions of NABARD. The Sardesai Committee also felt that by virtue of their scheduled status it would be more appropriate for these entities to be supervised by the Reserve Bank.¹ CFSA called for segregation of the role of NABARD as a development financial institution (DFI) and as a regulator/supervisor of rural financial institutions appropriately. It has also suggested the formation of a Board of Supervision with members drawn from the NABARD Board as also with regulatory/supervisory experience. Such a Board has since been set up by the NABARD.

PACS VIABILITY:

The Co-operative Societies extend various services that include finance to its members and member organizations. *When the Primary Agricultural Cooperative Societies (PACS) were originally contemplated, it was expected that they would be set up for every four villages with a membership of 3000. With the elapse of time, threatened with viability of the Society, the reach became constricted and the number of PACS shrunk.*

Introducing technology in PACS cannot afford delay any longer and it shall be done on war footing so that their connectivity to the rest of the lending system would enable effacing information asymmetry and becoming part of the overall payment and settlement systems. This would in turn rebuild trust in the system at the grassroots.

PACS ability to mobilize deposits and raise members share capital can be significantly improves if the deposits secured by PACS could be insured by the

1 Committee on Financial Sector Assessment (CFSA): RBI (2008), p153

Deposit insurance and Credit Guarantee Corporation of India on the same lines as for the commercial bank deposits with usual caveats like the PACS following KYC norms and additional leverage of PACS as a consequence in lending for non-farm activities allowed. Once the PACS become BCs as recommended by the Committee, the deposits become the Liabilities of the licensed DCCB branches/StCB branches. They automatically get the insurance cover which, in turn leads to trust in the cooperative societies simultaneous with the implementation of the other recommendations of the Committee and the legal strength in governance and management that the Societies secure in the days to come.

PACS, unlike the branch of a commercial bank or Gramin bank, have the advantage of doing non-banking business and could also be one-stop shop for the farmer, where inputs, credit, storage and marketing of produce could all be accessed, of course, by paying reasonable costs appropriate for such non-credit services. PACS in turn carry the advantage of cross-holding of risks more efficiently and effectively. They, therefore, have the potential for being the most effective instruments of Financial Inclusion, the most important agenda of the present Government and the RBI if they can be brought back to health as economic entities with the respective Boards of PACS enabled to take advantage of the present autonomy (of course within the guidelines of the RBI) and gradual professionalization.

Recommendations should fall under a log frame: Nature of Recommendation: Action points: Legal; Regulatory; Supervisory; Procedural; Timelines; Action Agents.

Comments/ views of Prof H S Shylendra, Member of Committee

- 1) Though there are five objectives but the essential task of the committee apparently seems to be clear. It has to go into the issue of the viability of cooperative banks and explore ways of addressing the same. I feel the historically determined structural constraints (multi tier nature being one of them) of cooperatives would need considerable attention of the committee. The focus of the cooperatives in terms of purpose and tenure of loans (agri and short-term), inadequate focus on savings, competition from CBs/RRBs are some of the other structural aspects having bearing on their working. We may have to look at how far these structural constraints may be eased or tweaked to enable the coops to thrive.
- 2) We would need some good evidence/data about how the Vaidyanathan committee package has worked for these cooperatives. This can help in terms of arriving at alternative future strategies for reviving the cooperatives.
- 3) Cooperatives are still in the strong grip of the state governments. We need to have a clear feel of how the state governments would like to approach this specific problem. The emerging experience of the self-reliant or MACS acts could be a useful input to explore anything new on the legal front. The states have to be taken board in a more proactive and participatory way in resolving the challenge.
- 4) Another stakeholders at primary level whom we have to hear are the PACS/FSS. Many of the committees in the past have not adequately taken the views or interests of these primary institutions' into account while restructuring the coops. For ex. when many states attempted reorganising PACS through merger of smaller units, the local feel/factor was ignored.
- 5) We can think of organising regional level workshop/seminars involving major stakeholders so that we can get a clear feel of the prevailing views and challenges.

Comments from Prof. H.S.Shylendra

I Study:

1) We need to clearly understand what should be our focus given our TOR: is it viability/prudential aspects/licence problem, or margin or layer/structural problem or governance problem, or all which requiring measures as per the ToR 3. Some clarity on this would help us approach the things in better way. Some of the readings given on first day provided some good insights.

2) We may have to also look at some of the legal changes made by states recently esp after VC package and scope available or given to autonomy / restructuring of Co-ops.

3) What factors are enabling those which are satisfying CRAR (>9%)

4) Functions/services of 3-tiers and effects of delayering or mergers on the functions. Alternatives for taking care of those functions/services

5) Clear analysis of the margins existing today and ramifications of delayering/ mergers for margins. Alternatives for reducing margins. Some of earlier reports/ studies on the issue of delayering/ mergers need to looked at.

6) What alternatives /options are there in current scenario to attain the goals even without resorting to merger or delayering (especially ICT, BC, alternatives sources etc). Useful know the views of the coops themselves. We can possibly carry our some case studies of selected states and also take the help of DDMs to seek coops views on some of the above issues. With out some clear insights it would be challenging to address the ToR 3.

Study Conducted by Prof. H S Shylendra

The STCCS in Gujarat: Working of Gujarat State Cooperative Bank (GSCB) and DCCBs

(A Note prepared for the Expert Committee Based on the Quick Assessment of the Working of STCCS in Gujarat)

The study was carried out keeping the ToR of the RBI Expert Committee on STCCS in view. The aim was to understand relevant issues based on the working of GSCB and a selected DCCB. The study relied mainly on interactions with the top management of the GSCB, and the DCCB and perusal of documents like annual reports and the note of NABARD (circulated for members of the Expert Committee)

Gujarat State Cooperative Bank (GSCB)

GSCB is the apex bank of the STCC structure in Gujarat. The governance and management of GSCB is vested in Board of Directors comprising 27 members that include the Chairman and Vice-Chairman (16 members representing DCCBs, 2 members each from Urban Cooperative Banks, Industrial and other cooperative banks, nominated members, one each from GSCARDB, State Marketing Federation, State Government nominees, CGM, NABARD, RCS, professional directors and the Managing Director). The Board of GSCB has representatives from diverse stakeholders. The representatives from the co-operative banks have been elected uncontested. The Board is trying to be both autonomous and professional in its working. The Board gives considerable attention to the concerns of PACS and farmers. It tries to take non-partisan attitude across DCCBs so as to protect the interest of the co-operatives.

The Bank has two professionals on the board as per the fit & proper criteria prescribed by the RBI. The Board is assisted by various committees and some of the important committees are: Audit Committee, Investment Committee, and Executive Committee. All the committees meet regularly as per the periodicity prescribed and the decisions made thereof were ratified by the Board. As per the top management, the process of decision making and the process of its implementation are very transparent and inclusive. GSCB has been trying to provide leadership to the short-term cooperative structure in the state by way of capacity building, supervision, meeting credit needs, technology development, and clearing house operations. Besides, there is thrust being given to compliance with licensing norms by weak DCCBs and GSCB has an exclusive mechanism in place for improving the CRAR on

a sustainable basis. A special officer has been appointed for the purpose which is noteworthy. As per GSCB's top management, farmers' interest is of paramount importance for the Board and it adopts a non-discriminatory approach while extending financial support/grant to any of the unlicensed banks for compliance. Board also does not interfere in day-to-day management.

Deposit Mobilization: GSCB is mobilizing deposits from DCCBs, UCBs and individuals. The deposits from individuals are mainly from the HO branch. Majority of GSCB's deposits are institutional in nature but the share of institutions is declining in recent years. Though there is some SLR linked obligations or component in the deposits of DCCB, there is no compulsion for DCCBs to deposit their funds. In fact, GSCB is giving higher rate of interest which is even better than what is offered by banks like SBI. The step is to support DCCBs in terms of their returns on investment. In the recent years there is a spurt in the deposits of GSCB though in the last year there was decline.

GSCB does not have branches except the HO branch. It does not want to pose any competition to the lower tiers, particularly DCCBs. As DCCBs are keen to enhance lending due to increase in demand at grassroots level, larger would be the stress on deposits of GSCB. Bulk of the deposits are of long term nature (97 % percent) resulting in high cost of funds for the bank. Absence of branches has affected mobilization of low cost deposits. GSCB has so far not extended its branch network though emerging situation demands a new approach. The GSCB has plans to open more branches to tap into cheaper deposits to remain competitive and viable and step up selectively retail banking operations. The branch banking may remain confined to Ahmedabad city only. The branches may help mobilize low cost deposits which may be used to support demands of the three cost structure reducing the reliance on borrowings. This will help GSCB to improve its margins further.

Investment: The deposits are reinvested and also deployed for lending. Bulk of the deposits (nearly 80 percent) gets deployed as investment largely with government securities and nationalized banks. GSCB has both a clear policy and committee in place. The committee is a fully professional body. With banks it is able to negotiate and get better returns. As such there is no restriction on the type of investment. GSCB also does not face difficulty in fund management (asset-liability management) due to its SAO operations which require short-term funds. GSCB has an Investment Committee and a department for managing funds flow. The investment committee is purely a professional body.

Despite mobilizing considerable deposits the GSCB is unable to deploy them towards meeting the needs of its primary clients (DCCBs/PACS) resulting in a sort of disintermediation.

Refinance and Lending: Bank's refinance product has been in tune with NABARD norms. The refinance was availed on behalf of DCCBs as per NABARD guidelines (₹ 207511 lakh sanctioned to eligible DCCBs during 2011-12,). Audit rating and NPA are the key criteria for availing refinance. It was indicated that the GSCB was drawing NABARD refinance to the maximum and the GSCBs share of ground level credit (GLC) was 40%. Not all the DCCBs were availing refinance to the full. Uptake for NABARD refinance has increased of late, primarily due to increase in ground level demand, increase in input cost, fresh finance as a result of implementation of ADWDR etc. This has improved the overall C-D ratio for the GSCB. Some targets fixed for refinance availment by DCCBs. Targets are fixed to ensure credit flow especially with those having lower C-D ratio. Four DCCBs are self-reliant and do not avail refinance. GSCB did propose to NABARD to relax its norms for a couple of DCCBs.

GSCB is giving loans to institutions and individuals (through its branch). Loans to major units are sanctioned through DCCBs. GSCB has devised new loaning products keeping the farmers/stakeholders interest in view. Besides, it shares with member DCCBs remunerative loaning products launched by it, through consortium arrangement. It is felt, that normally DCCBs/ PACS are happy and comfortable with refinance procedure. GSCB has a general agreement with NABARD for immediate release of refinance. For DCCB/PACS it is a kind of reimbursement of the advances. Hence, there is as such no delay in refinancing. However, some procedural delay may occur at PACS level.

Issues of Viability: While GSCB's bottom line has always been healthy, except once during 2008-09, when the profitability was affected (reported loss of ₹.5266 lakh) on account of additional provisioning for loans given to Panchmahal DCCB which had slipped to higher brackets of classification as per IRAC. The interest dues amounting to ₹ 4900/- lakhs were yet to be recovered from Panchmahal DCCB. The bank was also working on a very thin margin that is equal to provision required under standard asset. The Bank had a CRAR of 7.4% as of 2011.

Scope for delayering: Whether the 3-tier system adds to the cost in dispensing credit? Is there a case for eliminating at least one tier? According to the GSCB, this

may not be true as the primary level structure has to be as proximate as possible to its members and therefore there are different levels of jurisdictions. There are restrictions on resource mobilization at the lower tier and hence the lower units have to be federated at the middle level and further up at apex level. GSCB in fact is making efforts for improving the margins of lower tiers. The interest subvention scheme of GoI has improved the margins. Besides, GSCB has played an important role in getting the 2% additional interest subvention from Government of Gujarat. Refinance being concessional no subvention is allowed, however, the subvention is substantial where the owned funds of the cooperatives are involved. This has also helped in improved recovery position.

GSCB had been providing variety of services to DCCBs. Besides lending, GSCB is involved in providing managerial and capacity building support to DCCBs. In the context of expected role of a higher tier in terms of effective support to all the tiers, at GSCB level the view is that the 3-tier structure must continue in Gujarat. The old structure has worked well insofar as providing the expected leadership to the lower tiers with no extra cost burden on any one tier. On recovery scenario, both NABARD and GSCB were better placed because of assured recovery from lower tiers. PACS/DCCBs play a useful role in loan recovery as they have good local contact and relations. Any attempt to delay might impact adversely as the apex level tier was not having required proximity and outreach with the communities. The lower tiers catered well the farmers at the grassroots level. GSCB hold the view that apparently the old structure has been beneficial to PACS in Gujarat. One may need to examine the implications of changing the existing structure as it may adversely affect the working. Moreover, the three-tier / federal structure is not unique to credit co-operatives. Even other services have such structure.

Coming to the question of giving choice to the farmers/PACS in terms of newer/alternative mechanisms, the view is that the Service Area Approach should have been implemented effectively. There is need to improve the conditions and capability of farmers before they can make any choice. Co-operatives are the better solution in this regard. The GSCB officials view that they must make efforts for capacity building of farmers, identification of weak links among the structure and make efforts to strengthen them. About the possibility of PACS working as branches of DCCBs, to GSCB this may complicate the issues as the structures are regulated by different agencies. Moreover, different areas have different needs, any uniform strategy of changing the structure may not work. Either elimination of PACS or converting them as branch of DCCB may go against the autonomy of PACS. It may

harm the interest of the farmers. The commercial banks cannot reach the farmers easily unlike co-operatives. Unlike commercial banks, PACS or DCCBs did not resort to VRS. Any reform has to look at the interest of the co-operatives and their members. Co-operatives must be allowed to survive and not die. The risk of eliminating them is high. But the co-operatives have to develop flexibility and reliability in increasing their outreach and providing better services.

The GSCB itself is working towards strengthening the structure. There is a Cell for upgradation of weak banks. GSCB has been developing CBS with DCCBs. 14 DCCBs are currently under CBS development. Further, GSCB is keen to support the efforts of DCCBs for developing the PACS. GSCB has strategy to strengthen PACS on several lines: Make them professional; Improve margins; Diversification of activities; Focus on savings; and Training staff of PACs / DCCBs. GSCB is organizing Education Workshops and specialized trainings including on computerization/MIS. There are ToTs for DCCBs which in turn train PACS.

Impact of Vaidyanathan Committee(VC) I Package: GSCB views that after VC-1 PACS have their improved viability and financial discipline. The reforms package seems to have helped by and large as the PACS have become good business centers. Besides, the HRD component has been helped in terms of improved awareness among staff and members of PACS. CAS has improved book keeping and accounting besides help attain uniformity among PACS across the state. However, there is still scope for training of secretaries and improving professionalism in Board. Besides, inclusion of all segments (SF/ MF) of farming community has resulted in financial inclusion. Farmers who had deserted PACS have started returning. GSCB feels that RBI may consider relaxing the requirement of CRAR and the stringent NPA norms at least in case of loans of small and marginal farmers. Efforts be made for continuance of capacity building efforts by higher tiers. The VC package conditions are being met by the state through change in laws. The constitutional amendment related rules are being framed to ensure autonomy for co-operatives. The State Government has been given the time limit up to February 2013 for the purpose.

The Working of DCCBs: The Case of The Kheda District Central Cooperative Bank (KDCCB), Nadiad.

There are 18 DCCBs in Gujarat with a network of 1185 braches. All the DCCBs are now licensed having met the minimum norms. The state government helped in the case of four DCCBs which had difficulty in meeting the norms. Others have made

efforts on their own in meeting the norms. The DCCBs mobilize deposits from the public besides from the PACS. The branch network and deposits have been helpful for the DCCBs in diversifying their business though lending to PACS remains as a major activity. The DCCBs also park their deposits with GSCB and in government securities by way SLR investments.

The KDCCB was established in 1949 and currently works with 448 PACS (as against the total of 710 PACS) which are affiliated to it. It has 75 branches of its own in Kheda and Nadia districts. As of March 2012, the KDCCB had total deposits of Rs. 679.50 crores and total advances of ₹ 342.47 crores with a CD ratio of 50.4 percent. The investment of the DCCB stood at ₹ 433.89 crore in SLR and non-SLR instruments.

The DCCB has gone through licensing problem recently and could come out of it by way of sustained efforts including reducing its NPA levels to below 5 per cent. The bank reported a profit of ₹ 293.31 lakh during 2011-12. The bank has been able to wipe out its accumulated losses out of its own profits. A main reason for the problem was loans going bad in the case of sugar factory and chicory units. The failure of urban cooperative bank also created its own negative effect. Even the loans of PACS had gone bad and sticky. The DCCB came up with its own strategy. It had to revive loaning to PACS and bring down its NPA. The loan waiver scheme (ADWDR) and VC 1 package also came to the rescue. The DCCB released about ₹ 36 crores under VC 1. The present goal is to further enhance its lending and viability and reach a CD ratio of 60 per cent.

Loans: The DCCB fixes limits for the PACS taking into scale of finance and member level demand for credit. Generally, at the member level, the demand fixed is 25 per cent above the scale of finance. However, given the subvention scheme, a maximum limit of ₹ 3 lakh is being given for an individual farmer. The PACS can sanction more than ₹ 3 lakh loan out of own funds (a very few PACS have fixed such higher limits of above ₹ 3 lakh). The DCCB sanctions loans for SAO and allied purposes. The PACS have to mobilize own funds of certain level in the case of SAO/allied loans. Through its own branches, DCCB sanctions several types of non-farm loans. These include loans for trading, gold loans, vehicle loans, project loans and staff housing loans. The DCCB issue total loans of ₹ 398.32 crores during 2011-12 of which agricultural loans (ST/MT) accounted for about 39.4 %. The outstanding loan was of the order of ₹ 342.47 crores as of March 2012 of showing an increase of nearly 27 % over the previous year.

Refinance Issues: The NABARD refinance accounts for only small share of the DCCB's lending. The share however varies across years in the range of 25-30 per cent of the total loans issues. The Borrowings accounted for about 10 per cent. Given that there is subvention from both central and state governments, the NABARD refinance available at 5.5% is not found to be affordable/attractive. For DCCB, the own funds cost about 6 per cent. The DCCB itself is giving an incentive of 0.5 per cent for better recovery by PACS. The ultimate borrower gets loan at 4 per cent.

Deposits: The DCCB accepts deposits from co-operatives-PACS and DCS, and individuals. There are no conditions now imposed for co-operatives to keep their money with DCCB. The DCCB has been able to significantly increase its deposit base. This is attributed by DCCB to the confidence and trust that it was able to generate among the general public. The local relations and effort of staff have helped in this regard significantly. The DCCB did face certain difficulties during the phase of bad loans. The DCCB now conducts campaigns for deposit mobilization besides fixing certain targets. It offers deposit rates comparable to that of commercial banks. It is accepting all major types of deposits in its branches. It has secured RBI's permission for accepting NRI deposits. The CBS under implementation and facilities like RTGS help in providing better deposit services.

Outreach: There is a big gap in the number of total PACS(710) and number affiliated to DCCB(448). At the PACS level also the actual coverage of farmers in the district is low as compared to total membership/farmers, despite some increase seen in the recent years. The DCCB attributes this to various reasons. The belt has considerable NRI population. The better-off are not that keen to come to the co-operatives. At the same time, the initial problem faced in getting subvention for the co-operatives forced many farmers (10-15%) to migrate to commercial banks. The weak deposit base of co-operatives constrained in expanding the coverage. DCCBs have to also maintain prudential norms making them more conservative. The DCCB is keen to take up microfinance to increase its coverage of the poor.

Prospects of three-tier Co-operative Structure: About the possibility of converting PACS as BCs/branches the concern at the DCCB level is that such a step has the potential to convert PACS as mere agents. The autonomy and independence of PACS may get affected. In a sense, the PACS act as 'BCs' of DCCB. The VC1 package has apparently helped the co-operatives. The number of viable cooperatives have increased recently. The PACS are autonomous and have their own operations. PACS provide variety of other services besides helping in recovery. As such DCCB has no control over PACS. There is an imbalance/deficit in the current

fund flow in the three-tier system which is actually absorbed by DCCB. DCCBs may need more control over PACS as SCB does not look at such deficits. Ideally, the merger of loan business of PACS with that of DCCB may help resolve the imbalance. At a broader level, co-operatives are subject to excessive control by RCS / Apex bank. They need more autonomy. Ideally, having only one regulator would help the co-operatives greatly.

Major Insights/Implications

The following insights emerge for the study:

The three tiers historically have been playing certain assigned role and have developed their own specialization and strengths. The different layers at the same time complement each other so as to enhance the effectiveness of the structure.

The view within the system is that any structural level change is likely to affect these role and the strengths to the disadvantage of the farming community. The apparent reason/ perception is that the ground level institutions have a key role in the ultimate goal of financial institution. Delaying as being suggested might affect the cooperative autonomy and independence. Hence there is a strong view (even resistance) apparently for changing the existing structure. This would need careful analysis and approach before one can clearly arrive at a conclusion.

There are also certain changes visible in the working of the structure with growing trend towards self-reliance of funds especially through deposit mobilization. The relative importance of NABARD refinance has reduced especially at SCB/DCCB level. The local deposits have also increased the local stakes. But the infusion of deposits funds, given the composition (FD dominance) has resulted in high cost of operations, the inability to mobilize CASA deposits by the coops being key major reason. The problem has been to an extent been mitigated by subvention scheme.

In the light of low off-take of loan funds from lower tier, the higher tier institutions are looking towards investment route for fund deployment resulting in some sort of disintermediation.

The VC package seems to have contributed in enhancing the viability at the lower tier. There are efforts to capitalize on the increased viability. However, the gap in ground level outreach of cooperatives still remains large. The challenge is to bridge this gap by innovative ways and diversification. There is appreciation of this challenge within the structure but would need much more concrete action.

--0--