



President of India inaugurates NAFCUB's 9th All India Conference; Deputy Governor Usha Thorat expresses solidarity with the sector

The 2-day 9th All India Conference of Urban Co-operative Banks and Credit Societies was inaugurated by H.E., President of India, Smt. Pratibha Patil at Siri Fort Auditorium, New Delhi on Nov 26, 2007. Hon'ble Chief Minister of Delhi, Smt. Shiela Dixit, Sh. H.K. Patil, Leader of the Opposition in Karnataka Legislative Assembly and Member, NAFCUB Board and Shri G.H. Amin, President NCUI were the Guests of Honour.

The most important highlight of the second day of the Conference was Deputy Governor, Reserve Bank of India, Smt. Usha Thorat's illuminating address at special Business Session and her more than an hour long interactive session with the delegates in which she answered their questions and gave the Regulator's viewpoint on various issues. This special session was inaugurated by Hon'ble Defence Minister Sh. A.K. Antony. The session was co-chaired by Sh. B.S. Vishwanathan, Chairman COBI & former President NCUI, and Shri B. Radhakrishnan, Member of Parliament.

The 1st Business Session on the first day was chaired by Sh. Pankaj Dwivedi, Principal Secretary, Cooperation and Agriculture Marketing, Govt. of Andhra Pradesh. The session had presentations from two eminent experts Dy. Y.C. Nanda, former Chairman NABARD & Chairman, Agriculture Finance Corporation and Mr. Dave Grace Vice President, WOCCU (World Council of Credit Unions). Dr. Nanda spoke on 'Financial Inclusion and Urban Cooperative Banks' and Mr. Grace, presented a global view on Income Tax on Cooperatives.

In her opening sentence, H.E. the President of India said, "I am happy to be associated with the inauguration of the 9th All India Conference of Urban Co-operative Banks and Credit Societies, especially as I have been associated with the working of NAFCUB. Paying homage

to Dr Sisodia, whose statue was unveiled by her, President Patil said, "He came on the scene when the Co-operative Movement was suffering a crisis. His passing away is a great loss to the movement."

The President said, "The strength of the cooperative movement is in its collectivity. Cooperative institutions, particularly small urban cooperative banks and credit societies find it difficult to face competition from bigger players in the field, as the latter have at their command resources, technology and managerial competence, far greater than what cooperative banks have. For the individual banks and

They may also consider mobile banking to reach out to their clientele."

Welcoming all the delegates to the city of Delhi, Smt. Shiela Dixit said cooperative movement has been very dear to all our leaders starting from Mahatma Gandhi. Pandit Jawahar Lal Nehru had a great vision for cooperatives. His conviction was that localised institutions like cooperatives could play a very important role in helping people, particularly the poor and middle classes. Cooperative Banking Sector, she said, had done yeoman service to those who do not have the courage to approach commercial banks. Coop. moment, however, she said, needed to modernise to ensure better



networking amongst themselves and aggregating their resources as well as their requirements so that they have the advantage of size while approaching the financial markets and dealing with larger entities. Such systems and structures exist in many countries, where a single strong apex body is providing the expertise and resources for the grassroots level banks to operate. The possibility of this could be examined in the Indian context. It is equally important to make use of new management systems and technological advancements to modernize the urban cooperative sector.

large gathering of coop credit institutions, reached a new high when Dy Governor, RBI, Smt. Usha Thorat said, "I want to assure you that RBI is deeply interested in UCBs because most of them are dealing with the needs of local communities" Madam Thorat said though UCBs' share in banking industry was only 5%, what was important was their reach and business model. They are very friendly small neighbourhood banks, she added. She said that statistics showed that UCBs were local banks meeting the needs of

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the local people. In Urban Cooperative Banking Sector, small is beautiful, the Dy Governor said. Beauty of the sector, she said is in its heterogeneity.

TAFcUBs, the Dy Governor said, has been one of the most innovative and challenging experience in the regulatory regime of RBI. The forum, she said, has proved to be very very important because of cross fertilisation of ideas and the national perspective it facilitated. NAFCUB's presentations, she said, contained very well researched, succinct and cogent ideas. She advised UCBs, to write about their problems either to NAFCUB or State Federations. The National Federation, she said, should consider developing a pool of trainers and RBI can take up training of these trainers, and development of software to facilitate quick dissemination.

On Income tax issue she said that UCBs normally do not do prudential or technical write off to derive maximum tax benefit. As regards credit societies she said RBI was considering bringing large societies into the payment system without having to convert into banks. Loans to directors, she said, was a live issue and would continue to be reviewed. As for Mahila banks, she said, there cannot be any differential treatment for them but if there are any regulatory norms which are restricting their growth then RBI is ready to review these with flexibility.

The way forward for UCBs she said, had to be focussed on Measures to raise capital; niche Market with focus on core competence, leveraging IT and human resources, revival schemes through innovative thinking and prudent write off & tax issues. Deputy Governor's presentation was followed by an interactive session for more than an hour in which she patiently answered delegates' questions and cleared their doubts.

Earlier Mr. B. Vijaykumar welcoming all the dignitaries and delegates said that co-operatives had become very important in the era of increasing globalisation because the resources mobilized by them were deployed in the local regions. He expressed disappointment at the govt's rigid attitude on the income tax issue but stressed that there was no point in being despondent and instead all the co-operatives should join hands to strength the movement.

Recalling the important role played by Madam President along with Dr. Sisodia in strengthening the movement, Sh. H.K. Patil, said that today India together with China were the most sought after countries but unfortunately even after 60 years of Independence, the rate of growth of the 'other India' was much lower. A large number of people in this category, he said were financially excluded and needed to be brought within the co-operative fold. Stressing that 'Small is beautiful', Mr Patil

said that Credit Cooperatives were not just money lending and profit making institutions but were schools of democracy. UCBs, he said, had not failed in competing with commercial banks despite RBI's restrictions and lack of support shown by govt. of India in imposing income tax. In the era of globalization, 90% of UCBs' lending Mr. Patil said was to small borrowers. RBI, he said, needed to be congratulated and complemented for creating a consultative forum like TAFcUB. The urban cooperative credit sector, he said, had an important role to play in the eradication of unemployment. Mr Patil said one among every 5 urban Indians and one out of every 4 persons in rural India could not afford medical treatment and cooperatives had focal role to play in this regard. He said the conference needed to discuss and deliberate on how to improve our collective strength which could help to protect our individual identity.

Dr. Nanda in his precise and comprehensive presentation defined financial inclusion as "providing banking services to those who have been bypassed by the system. Affordable cost and sustainability, Dr Nanda said, are important for financial inclusion to be successful. Financial Inclusion, he said, was inevitable in a market economy because of the stratification of the population and it is the responsibility of the Govt. to support financial inclusion. Referring to different models of financial inclusion adopted by developed countries like U.K., France and Germany he said in India nearly 70% of the urban poor were saving and 40% of these people were saving upto Rs. 1000 per month. But most of them were relying on informal system for keeping their deposits and also for borrowing except when they needed large amounts, Dr Nanda added. Dr Nanda suggested that UCBs should utilize RBI's initiative with respect to financial inclusion like relaxed KYC norms, no frill accounts, collateral free lending upto a certain limit and OTS settlement, to play an important role in financial inclusion.

Mr Dave Grace, in his informative presentation said that over two third of the countries did not tax their co-operatives, including countries like Ireland, U.K., U.S. and parts of China. He said it was disappointing to see that India was moving away from the tax exempt regime by imposing tax on financial co-operatives. Mr Grace said that exemption is granted to cooperatives because they are for public good and the Govt. chooses to recognise and lend support to them. Also, he said coops do not have the same mechanism for generating resources as commercial enterprises have. The plea that only large coops are being taxed, that is of ten given by Govt is unfounded because bigger coops are helping smaller ones, he argued.

He said surveys had shown that tax exempt firms benefitted four times more than the ones being taxed. In U.S. alone, tax exemption benefit was to the tune of 6 billion dollars, he informed.

Business Session II on the first day of the Conference was on "Roadmap for Technology Adoption for Urban Cooperative Banking Sector". The Session was chaired by Dr. Vasant Pawar, MLC and Vice President NAFCUB. Mr. V. Shekhar, DGM & Senior Faculty Member RBI, College of Agricultural Banking, Pune made a presentation on "Roadmap for Technology Adoption by Urban Cooperative Banking Sector". It was followed by presentations by sponsoring software companies.

The Technical Session after lunch on the first day included three parallel sessions for urban banks, credit societies and mahila banks.

The Session for Urban Banks included two presentations and a Panel Discussion. Sh. Mukund Chitale Chartered Accountant made a presentation on "Life after Session 80 (P)(4) Income Tax Act UCBs need to look ahead", with Mr. Anandrao Adsul, M.P. in the chair. The Second presentation on "Corporate Governance in UCBs" was made by Sh. R. Bhaskaran, CEO, Indian Institute of Banking and Finance. It was followed by a panel discussion with Mr. J.C. Sharma and Sh. M. Ghaisas, as panelists.

In the Session for Credit Societies MrT. Paranjyoti, Secretary, NCCT made a presentation on "Strengthening of Credit Societies by Adoption of Prudential Norms, Disclosure Norms, Deposit Insurance and Access to Payment System", with Sh. Manohar Maski, MLC in the chair. The Panelists for the Session included Sh. R.M. Thakkar, Sh. Vasant R. Shinde and Ms. Usha Kiran. The Second Panel Discussion on "MFI Bill, Micro Credit and SHGs Opportunity for Credit Societies" was chaired by Sh. P.S. Vellip, Former Minister of Cooperation, Goa and included a presentation by Sh. K. Bharathan, Additional, RCS, Tamil Nadu. Mr. A. Kankiah, Sh. R.S. Chandak and Dr. J.K. Godhani were the panelists.

The Session on Mahila Banks was presided over by Smt. Jayshree Vyas, M.D. Sewa Bank. The Session included three presentations by Smt. Gayathridevi Sriharsha, Sh. J. Mulani and Dr. Firoza Bano. The Topics discussed at the Session included: "Review of Mahila Banks' performance and issues affecting them"; "Developmental Role of Mahila Banks in Economic Empowerment of Women", and "Can Mahila Banks be viable with exclusive Mahila Membership?" The Panelists included Ms. Alka Shrivastava, Ms. Namita Choudhary, Ms. Bhagya Chandrashekar and Ms. Kirte Bordia.

The proceedings on the 1st day concluded with a cultural programme in which an international troupe performed a ballet.

The proceedings on the second day of the Conference began with parallel technical sessions for urban banks and credit societies. The session on "Urban

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Banks included a presentation by Sh. Bhale Rao, Special Commissioner, Land Administration, Govt. of A.P. and had Sh. G.S. Satyanarayana, Sh. S.K. Sharma, and Sh. B.D. Sharma as panelists. The Session for Credit Societies was chaired by Sh. Hanumantha Rao, Chairman, Citizen Credit Society, Hyderabad and had two presentations - one by Sh. C.K. Chatterjee, Director, NAFCUB on "Issues Concerning Credit Societies", and the other by Sh. R.S. Chandak, Chairman Buldhana Urban Cooperative Credit Society, Maharashtra.

The Panelists for the Session included Sh. P.K. Vats and Sh. S.S. Kanekar. In another parallel Panel Session, presentations were made by Representatives of Insurance and Mutual Fund Companies.

The special session in which Madam Thorat made her presentation was chaired by Shri. V. Radhakrishnan, Member of Parliament. In his presidential remarks he said cooperative movement is the most important and powerful movement in the country because coops are working for the development of the society. He said he had told Finance Minister pointblank that he was adopting high handed approach in taxing credit coops. The session included a presentation by Mr Ben Valk, RIAS, RABO Bank, Netherlands. Mr Valk said that as in India the history of cooperatives in his country was also more than 100 years old. He said cooperatives were created to compensate for imperfect competition in the market. More than 40 years ago, there were more than 1000 banks which were gradually merged, and the their number had consequently reduced, he said. He advised UCBs to maintain their local presence while merging to gain strength. Rabo bank, he said was only a brand name and there were about 100 small Rabo banks spread all over the country. He said UCBs could also improve their image by adopting a brand. He said standalone financial service providers had very few chances of survival and networking was important. Laying stress on viability, risk management and professionalisation, he said in his country disputes – operational and others – were settled by joint settlement and specific measures were in place to ensure their solvency. Urging UCBs to strive for self sufficiency and sustainability, Mr Valk said Coop banking can be developed through market related research. Apex level institutions he said could play an important role in strategy advisory, technical assistance improvement projects and training.

The business session that followed the special session, included presentation on 'Non-fund based income for UCBs and Credit Societies – Need to innovate' by Dr M.L. Abhyankar, chairman, Cosmos Bank,

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Draft Recommendations of 9th All India Conference of Urban Coop Banks & Credit Societies

Conference discussed and debated at its various sessions, the entire gamut of issues that concern the urban cooperative banks and credit societies. While detailed recommendations on operational issues and others will be drawn up in due course, broad draft recommendations are as under:

1. Income Tax

The Conference expressed extreme disappointment at the total intransigence of the Government to the requests of the Sector to review imposition of income tax on cooperative banks particularly in view of

the fact that over 60% of the countries all over the World do not tax their cooperatives. The Conference recommends that the efforts in this direction may be continued by NAFCUB, and at the same time, till the Central Government takes any step on this issue, cooperative banks should follow the existing provisions of tax laws.

2. Branch Licensing

The Conference recommends that branch licensing of all Grade-I banks be relaxed and rationalized immediately so that all the small urban cooperative banks are able to open new branches.

3. New Bank Registration

The Conference expressed its concern on the uneven distribution of urban

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Awards for Excellence

Cooperative Credit Institutions

The following Cooperative Credit Institutions have been awarded for their excellence, at the 9th All India Conference.

A. Urban Cooperative Banks

1. Tier-1 Urban Banks

Urban Cooperative Banks that have reported Zero Gross NPAs.

- i) Rajadhani Cooperative Banks Ltd., Hyderabad
 - ii) Malviya Urban Cooperative Bank Ltd., Jaipur
 - iii) Noble Cooperative Bank Ltd., Noida
 - iv) Seven Hills Co-op Urban Bank Ltd., Hyderabad
- Khattri Cooperative Bank, New Delhi with reported Gross NPAs of 0.50% has also been recognized for award for excellence.

2. Tier-II Urban Banks

- i) Cooperative Bank of Rajkot, One of the largest non-scheduled urban bank has been given the award, reported with Gross NPA of 0.13%.

3. Scheduled Urban Cooperative Banks

The following Scheduled Urban Cooperative Banks are recognized for awards.

- i) Saraswat Cooperative Bank Ltd., Mumbai Largest Urban Cooperative bank in the Country
 - ii) Cosmos Cooperative Bank Ltd., Pune Most active Scheduled Urban Cooperative Bank in mergers of weak Urban Cooperative Banks.
 - iii) Rajkot Nagarik Sahakari Bank Ltd., Rajkot Urban Bank with largest membership in the Country. Numbering about 2.5 lac. members.
 - iv) Kalapur Commercial Coop Bank Ltd., Ahmedabad Largest Urban Cooperative Bank in Gujarat, showing remarkable performance in recovery of deposits that were lost during difficult years of 2001-2003.
- ##### 4. Mahila Urban Banks
- i) Astha Mahila Nagarik Sahakari Bank Ltd., Bhopal The only Mahila Bank with ISO 9000 certification
 - ii) Mann Deshi Mahila Sahakari Bank Ltd., Mann For their excellent work in empowerment of women.
 - iii) Shri Mahila Sewa Sahakari Bank Ltd., Ahmedabad For their excellent work in empowerment of women

B. Credit Societies

- i) Buldana Urban Co-op Credit Society Ltd., Buldana, Maharashtra
- ii) C.D. Block Chachiot Cooperative Credit Society Ltd., Gohar, Himachal Pradesh
- iii) Electro Urban Co-operative Credit Society Ltd., Kolkata
- iv) Sahakari Karya Sanstha Shiksha Bhag M.P., Maryadit, Indore
- v) Citizen Co-op Society Ltd., Hyderabad

C. State Level Federations

Most active Federations

- i) Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore
- ii) Gujarat Urban Co-operative Banks Federation Ahmedabad.

Recommendations of 9th All ...contd. from P.3

cooperative banks in the Country and recommends that the National Federation with the help of State Federations should be in dialogue with RBI to evolve a bank registration policy to reduce uneven distribution.

4. State Cooperative Societies Act

Conference recommends that the National Federation along with RBI should persuade the State Governments to introduce a separate chapter for cooperative banks for better regulation.

5. Financial Inclusion

The Conference recommends that urban cooperative banks be encouraged by the Federations to become pro-active in financial inclusion by opening accounts of persons in the financially excluded category, in large numbers.

6. Relaxed Regulatory Norms for Tier-I Banks

The Conference recommends that RBI be convinced to evolve regulatory norms that are in tune with the clients/members of small urban banks.

7. Augmentation of Capital

The Conference recommends that more avenues for augmentation of capital be opened up for urban cooperative banks. Conference felt that except a few large ones, the majority of the urban banks are not in a position to access market and other avenues on their own, and therefore the issue of an apex organization like Cooperative Bank of India needs to be pursued with vigour to help the smaller banks.

8. Policy for attracting women & youth to urban cooperative credit sector

The Conference resolved to express gratitude and appreciation to the Hon'ble President of India's views on greater involvement of women and youth in cooperative credit sector. It recommends that NAFCUB and State Federations draft an acceptable policy for consideration of RBI in this direction.

9. Technology

The Conference recommends that the technology roadmap for small urban cooperative banks be worked out at the earliest in consultation with RBI as per the provisions of MoU.

10. MoU with States

The Conference recommends that the remaining major states of Tamil Nadu, U.P. & Kerala and others be impressed upon to sign MoUs with RBI for urban cooperative banks.

CREDIT SOCIETIES

1. The Conference recommends that measures be taken to equip the coopera-

Delhi CM on Imposition of Income Tax on Credit Coops

In her address to the 9th All India Conference, Smt. Sheila Dixit said that income tax imposed on credit cooperatives was an anomaly because co-operatives make collective efforts and cannot be equated with their commercial counterparts. The CM said that Smt. Sonia Gandhi and PM are committed to cooperative movement and expressed hope that with their help this anomaly would be removed.

tive credit societies to be big players in financial inclusion and micro finance.

2. The Conference recommends that steps be taken by NAFCUB to include select credit societies in the payment system.

3. Conference recommends that the deposits of credit societies be insured. Steps be taken in this direction for dialogue with Government.

4. Different income tax anomalies and issues were discussed by the Conference which recommended that NAFCUB take up each of these issues.

MAHILA BANKS

1. The Conference recommends that since male guarantors are quite common in case of women loanees, associate nominal membership should be permitted in mahila banks.

2. The Conference recommends that Government Department should keep their deposits with mahila banks and Government's schemes, particularly for women, should be implemented through these banks to help them step up their efforts for women empowerment and financial inclusion.

3. The Conference recommends that a legal recovery mechanism should be developed especially for mahila banks.

4. The Conference recommends that prudential norms should be further relaxed and made more flexible for mahila banks.

5. The Conference recommends that since mahila banks are dealing with women who work from morning to evening, they sometimes have to be contacted at odd hours and hence mobile banking should be permitted as a special case for mahila banks.

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Pune. It was followed by presentations by insurance service providers and mutual fund companies. In the Open House held

subsequently, members shared their views and discussed their problems. Some of the suggestions which came up during the discussions were that the sector should decide its future strategy keeping in view the Basel II norms. Mahila Banks suggested that NAFCUB should approach Rashtriya Mahila Kosh with the request for providing loans to Mahila banks at concessional rate of interest. It was also suggested that pensioners should be allowed to open accounts in urban cooperative banks. Credit societies wanted that small cooperative credit societies should be allowed to open account in UCBs. The highlight of the Open House was presentation by Sh. Jyotinder Mehta and one of his colleagues on the brand created by the Gujarat State Federation for the coops sector and the need for the sector to adopt a brand.

Mr. Rahman Khan, Deputy Chairman, Rajya Sabha was the chief guest at the valedictory session of the Conference. The Guests of honour at the Session were Sh. Chander Pal Singh, Chairman, KRIBHCO, Sh. Bijender Singh, newly elected Chairman of NAFFED & Chairman, NAFSCOB, Sh. Sita Ram Chauhan, Vice President NCUI, Sh. David Grace, Vice President WOCCU and Sh Bhagwati Prasad, Chief Executive, NCUI were the guests of honour at the valedictory session. Sh. H.K. Patil, leader of opposition, Karnataka Legislative Council, and Director, NAFCUB presided at the session. Delivering the valedictory address Mr Khan said that nobody could undermine the importance of Cooperative banking, keeping in view the sector's penetration and reach to the sections of the society whom the govt. was trying to bring within the fold of formal banking sector. He said as a member of the JPC which had probed the scam in a large urban cooperative bank, he had observed that many commercial banks had committed the same mistake as the concerned UCB, but only the latter's case got highlighted. He advised UCBs to be vigilant in the era of globalisation. Since banking, he said, was a risk based industry, there was a need for an apex level organisation. The income of UCBs, in his opinion, he said, should not be taxed. He said that there was a need to work together and present the issues properly and expressed hope that the sector would be able to convince the FM. He said the law has to emanate from society on the basis of the needs of the people and not in the parliament.

Resolution against the imposition of income tax on cooperative banks was also passed in the Conference.

Mr Jagdish Mehta, Vice President proposed a vote of thanks.

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