

## Short Term Co-operative Credit Structure in Orissa

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The Orissa State Co-operative Bank (OSCB) has once again excelled in its performance during the year 2003-04 in all parameters and the details of the achievement is as follows.

### Financial results of 2003-2004 :

The bank continued to excel in all spheres of activities, which may be perused from the table given below.

(Rs. In Lakhs)

Sl.	Particulars	2001-02	2002-03	2003-04 (unaudited)	Percentage of growth over previous year
1.	Share capital	3752.28	4382.07	498.32	13%
2.	Reserve Fund	109864.84	11435.01	12262.17	7%
3.	Own Fund	14645.22	15817.08	17220.49	9%
4.	Deposits	87482.18	88612.49	102601.38	16%
5.	Borrowings	52299.05	58580.78	75573.56	29%
6.	Working Fund	166996.06	178796.47	212573.28	19%
7.	Loans outstanding	91093.76	100905.81	109908.07	
8.	Per employee business	719.24	827.59	936.18	13%
9.	Per employee business	729.24	827.59	936.18	13%
10.	Net profit	749.53	1037.05	1372.00	32%
				(Provisional)	
11.	Dividend	10%	10%	10%	

### Implementation of Kishan Credit Card Scheme :

The bank has continued its endeavor to popularize the Kisan Credit Card Scheme introduced with effect from Rabi 1998 to empower the farmer members to access timely and adequate credit from

the branches of DCCBs by issuing cheques. The bank has already issued 18,21,053 KCC as on 31.03.04 against target of 18,00,000.

### **Orissa State Co-operative Bank Excels in all Spheres of Activities**

The Bank has continued to have its lion's share in dispensation of crop loans. During the year 2003-2004, the bank has disbursed record crop loans amounting to Rs.426.36 crore in Khariff and Rs.316.13 crore in Rabi aggregating to Rs.742.46 crore recording a healthy growth of 21% over the previous year disbursement of Rs.615.54 crore. 70% of the total crop loan financed in the State has come from the Short Term Co-operative Credit Structure. The bank has a plan to disburse Rs.500 crore for Khariff and Rs.350 crore in Rabi aggregating to Rs.850 crore for financing Seasonal Agricultural Operations. There has been phenomenal increase in per capita disbursement of crop loan from Rs.18,832/- in 1991-92 to Rs.8,513 in 2003-04.

### **Kalinga Kissan Gold Card and Silver Card Scheme :**

The unique and innovative "Kalinga Kissan Gold Card Scheme" designed and launched by the Bank to recognize and reward the good repayment habits of KCC holders of PACS / LAMPS / FSS and provide them a package of facilities has been highly acclaimed by the farming community and the policy makers of the country. So far, the bank has facilitated issue of 71, 330 cards as on 31.3.2004 in the State.

The Kalinga Kissan Silver Card Scheme was designed by the Bank and launched on 20.11 2002 to motivate the farmer members having one year default free status to continue with the habit of repayment in the subsequent

years. The scheme envisages the facility of 2% less interest on loans and eligibility to get Kalinga Kissan Gold Card by timely repayment during the second year. 1,19,275 farmer members have availed the benefits under the scheme and the figure is likely to touch 1,50,000 by 31.03.2005.

The Kalinga Kissan Gold Card and Silver Card schemes have helped in creating a conducive recovery atmosphere in the State for which, the short term Co-operative credit structure has successfully broken the jinx of languishing of recovery at 45 to 50 per cent at grass root level. During the year 2003-04, the member level recovery was 69 per cent as against the last year achievement of 55 per cent

### **Introduction of anywhere banking :**

Orissa State Co-operative Bank has become the first State Co-operative Bank in the country to introduce anytime and anywhere banking by connecting all its branches, extension counters and ATMs through BSNL lease line with ISDN backup. With introduction of this state of the art facility with effect from 31.01.2004, the customers of the branches of the bank have become the bank customers and can transact their business in any of the units of the bank.

### **Up-gradation of Extension Counters as full-fledged branches :**

During the year 2003-04, Reserve Bank of India has granted license to the bank to convert the Alaka Extension Counter as Ashok Nagar Branch and CDA Extension Counter as Link Road Branch.

### **The campaign "Co-operatives at your door step":**

For the first time in the history of Co-operative movement in the State, the OSCB

with the help of DCCB and PACS organized a statewide campaign to establish direct relationship of the PACS with the existing and prospective members with the objective of strengthening the short-term Co-operative credit structure of the State. The campaign was carried out in all the villages of the state from 01.08.2003 to 15.09.2003 with the following objectives:

- ◆ Creation of awareness among the farming community about the function of PACS and various services offered.
- ◆ Persuasion of the non-members to become members of the PACS, Collection of applications, initial shares capital and entrance fee from the interested farmers on the spot.
- ◆ Convincing the passive members to utilize the services of the PACS. Distribution of Kisan Credit Cards to the interested members.
- ◆ Ascertaining the reasons for non-utilization of the Kisan Credit Card by the passive members of the PACS and persuading them to avail the facilities. In case of default, persuasion to clear the default and to initiate steps to issue cheque book on clearance of default.
- ◆ Convincing the existing KCC holders to remain default free to avail the KKGC and KKSC to get the benefits envisaged in the schemes.
- ◆ Enrolling more number of depositors under the Mini Bank scheme and opening the new account on the spot.
- ◆ Besides, a survey on the status of all individual households in the villages was carried on by the PACS employees to ascertain the reasons of the wide gap between the

membership of the PACS and the actual users of the services. The data generated in the survey is under compilation, which would facilitate management decisions to strengthen the short-term Co-operative credit structure.

The campaign has helped in creating mass awareness throughout the State regarding the functioning of the PACS and achieved the following quantitative results :

No. of agricultural family in the State	50.04 lakh
No. of agricultural families contacted during the campaign	46.15 lakh
No. of agricultural families evinced interest to become members	6,14,857
New member enrolled	1,11,632
New KCC issued	3,06,457
Fresh loans issued to newly enrolled members	Rs.55.67 cr.
No. of members repaid their dues and became default free	31,452
Amount recovered	Rs.24.38 cr.
New deposits mobilized	Rs.8.31 cr.
Credit gap identified	Rs.1612.36 cr.

### **Computerization of affiliated DCCBs and PACS**

As the apex bank of the State, it has taken a lead role to facilitate the DCCBs to make an inroad into the sphere of information technology to automate their retail outlets and the operations of the head offices. A software has been developed and provided free of cost to the implementing DCCBs. At present, Angul, Banki, Balasore, Berhampur, Boudh, Cuttack, Keonjhar, Mayurbhanj, Koraput, Samabalpur, Bolangir, Khurda and Sundargarh DCCBs are providing online customer service across their counters in the Main Branch. Other branches of the DCCBs are also taken up for computerization in a phased manner. It is expected that the Head office and Main Branch

of all the District Central Co-operative Banks will be fully computerized by 31.12.2004. On completion of automation, the bank offices of the DCCBs shall be connected with the OSCB to provide instant real time information for facilitating market driven decisions to consolidate the structure.

Computerization of the bank and the affiliated DCCBs has solved the manpower problem in a big way. There has been no recruitment in these banks during the last 10 years and there are large-scale vacancies in all the banks including OSCB. It was becoming extremely difficult to manage the operations with the existing manpower. The customer services were getting affected due to manual maintenance of accounts at a time when the commercial banks and the private banks were threatening to lure the existing clientele with improved automated customer service. Timely adoption of IT enabled services has helped the banks to take on the competition successfully.

The bank has developed a software for the computerization of PACS by its Management Information Systems department. 60 numbers of PACS will be automated. OSCB is providing assistance @ Rs.50,000/- for purchase of computer and other accessories for the purpose.

### **Treasury Management Cell (TMC)**

The Bank is the third State Co-operative Bank in the country to have established a Treasury Management Cell (TMC) during May 2001 with the objective of deployment of its surplus resources in profitable avenues and trading in Government and other securities in the money market. The bank has installed Reuters Business Watch facility to get online data from the securities market.

The TMC is managing a portfolio of Rs.832.88 crore, which is subject to variation

on a day-to-day basis. The portfolio includes SLR investment of Rs.267.33 crore and non SLR investment of Rs.565.55 crores. The TMC has made a trading profit of Rs.18.53 crore during the year 2002-2003. The cumulative profit during the three years of operation of the TMC amounts to Rs.38.95 crores. In the era of financial liberalization and consequent fall in interest rates, the G-Sec market holds the key for profitability in the bank. The OSCB aims at increasing investment in this portfolio to deploy all its surplus resources in profitable avenues.

### **Turn around in the functioning of the DCCBs :**

With the concerted endeavour of the OSCB to consolidate the functioning of the affiliated Central Co-operative Banks and continuous monitoring with initiation of timely corrective action, two Central Co-operative Banks namely Cuttack and Banki improved their performances during the year and complied with the provisions of the Section 11 (1) of the Banking Regulation Act, 1949 (AACS). As on 31.03.2004, 12 out of 17 DCCBs have complied the statutory provisions. The remaining banks are expected to turn around their performances by 31.03.2005.

### **Reduction of rate of interest on various loans :**

1. Reduction in rate of interest on various loans at ultimate borrower level as under.

- \* Crop loans -from 16-17% to 12%
- \* Loans for Weavers Societies -from 14-16% to 12%
- \* Schematic loans -from 14-15% to 12%
- \* The bank has also enhanced the interest incentive from 1% to 2% in case of Kalinga

Kissan Gold Card and Silver Card holders. As a result of this initiative, the good borrowers of the PACS will get production credit at the interest rate of 10% per annum.

### **Introduction of Corporate Government :**

Orissa State Co-operative Bank is the first bank in the Co-operative sector in the country to introduce sound practices of corporate governance to ensure transparency in its functioning. During the last three years, the following initiatives have been taken to follow good corporate practices by addressing a range of issues such as, protection of shareholders rights, enhancing shareholders value, disclosure requirements, integrity of accounting practices and strengthening the control system.

The employees of the bank can now expose any wrongdoing of the top management of the bank without any fear of reprisal. The Board of Management of the bank in its meeting held on 30.06.2003 has accepted the system for protection of whistleblowers adopted in USA and in Indian Companies like Wipro and Infosys. This facility would give protection to the staff, who expose irregularities, corruption, mal-practices etc. by the top management of the bank. Under this system, where any staff of the bank discovers information, which he believes shows serious malpractice, impropriety, abuse or wrongdoing, then the information should be disclosed without fear of reprisal. Following the spirit of the Sarbances Oxely Act of the USA, which envisages protection for whistleblowers (staff who expose corruption), a similar policy has been adopted to enable the employees to raise concern about any irregularities and impropriety at an early state and in the right way without fear of victimization, subsequent

discrimination or disadvantage, OSCB has become the first bank in the country and possibly the world to have adopted such a policy. Employees are normally the first to realize that there is something seriously wrong with the Bank. Hence a policy which affords protection to the employees, who expose irregularities, corruption, malpractice etc. will go a long way in ensuring transparent management, setting standards, which the DCCBs shall be encouraged to emulate.

### **Corporate Agency for Insurance Business:**

The bank has entered into an agreement with TATA-AIG Insurance Company to act as corporate agent to sell the insurance products. The commission agreed upon would range from 40% to 52% in case of life products and 15% to 18% in case of non-life products. This would help in increasing the profitability of the bank.

### **Action Plan for 2004-2005 :**

- ♦ Deposits to grow from Rs.1,026 cr. to Rs.1,150 cr.
- ♦ Aggregate loans and advances to increase from Rs.1099 cr. to Rs.1343 Crores.
- ♦ Crop loans of Rs.500 Cr. in Kharif and Rs.350 cr. in Rabi aggregating to Rs.850 cr. will be disbursed.
- ♦ The cumulative issue of KCC will increase from 18.21 lakhs to 23.00 lakhs.
- ♦ Issue of KKGC will increase from 71,000 to 1,00,000.
- ♦ Issue of KKSC will increase from 1.19 lakhs to 1.50 lakhs.
- ♦ Investment to grow from Rs.832 cr. to Rs.1000 cr.
- ♦ Working Fund to increase from Rs.2125 cr. to Rs.2446 cr.

- ♦ There new branches to be opened at Rourkela, Rasulgarh at Bhubaneswar and Bidanasi at Cuttack. Besides the Kalinga Hospital Extension Counter will be upgraded as a full-fledged branch.
- ♦ The remaining District Central Coop. Banks will be taken up for computerization.
- ♦ 140 PACS will be computerized.
- ♦ Subsidy of Rs.60 lakhs will be provided for the Kalinga Kissan Gold Card and Silver Card Scheme.
- ♦ Recovery at PACS level will increase from 69% to 75%.
- ♦ Developmental and infrastructure assistance aggregating to Rs.388 lakhs will be provided to the DCCBs and PACS.

### **SRI THAKUR TAKES OATH AS THE GOVERNOR OF ORISSA**

Hon'ble Chief Justice of Orissa High Court Mr.Sujit Burman Roy administered the oath of office and secrecy to Sri Rameswar Thakur as the Governor of Orissa in a function organized at Abhisek Hall of Raj Bhawan, Bhubaneswar on 17.11.2004 at 4.30 PM. Sri Naveen Patnaik, Hon'ble Chief Minister of Orissa and other dignitaries were present at the function. Dr.Subas Pani, Chief Secretary of Orissa with permission of the Governor-designate read out the letter of appointment issued from Rashtrapati Bhawan, New Delhi.

