Corporate Governance and Management in Sindhudurg District Central Cooperative Bank Ltd., Sindhudurg

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Chief Executive Officer,
Sindhudurg District Central Cooperative Bank Ltd.

Establishment - The Former Ratnagiri district was very large in size and hence for the sake of convenience as on 1st April 1981 it has been divided into two district viz. Ratnagiri and Sindhudurg. Accordingly as on 1st July, 1983 the old Ratnagiri District central co-operative Bank Ltd was also get bifurcated and separate Sindhudurg District Central Co-operative bank came into existence for newly formed Sindhudurg District.

Area of operation – Being a District Central Co-operative bank, the area of operation of bank is entire Sindhudurg District.

Branch Network- Bank has network of 98 branches spread across the entire district. Head office is situated at Sindhudurg Nagar, district head quarter.

Affiliated Societies- Bank is working as the federal body of all co-operatives in the district. Various 1044 co-operative societies including 226 PACs are affiliated to the Banks. There are 246 Individual members consisting various institutions registered under Charitable Trust Act and other acts.

Management Appraisal – The Management of the Bank is vested in a Board of Directors consisting 19 members. The Board of Directors is elected for a period of 5 years from 22-05-2015 to 21/05/2020. The Board represents the dignitaries from social, political, agricultural and socioeconomic field. The Bank has formed Executive committee, Audit committee, I.T. Committee, Industrial & cottage Karagir (Loan) Committee etc as subcommittees to assist the Board of Director in discharging various functions suitably. The Bank had not co-opted professional directors separately, as one of the Directors is a law graduate and another director is having adequate experience in banking and economics.
**Duties, role and responsibilities of Board of Director** - The duties, role and responsibilities of the Board of Director are assigned as per the provisions of byelaws of bank. Some of them are as follows-

1) Admission of members, allotment of additional shares to members.
2) To take decision about raising funds by means of deposits, borrowing etc.
3) Sanctioning loans and advances
4) Refinement in various policies/administrative issues
5) To take review and to make arrangement for implementing various circulars/ directives etc. issued by RBI/NABARD/RCS/SCBs etc.
6) Maintenance of CRR/SLR, Investment review, adherence to various provisions of applicable Act.
7) Reviews of recovery performance of bank.
8) Review of Audit Reports, Inspection findings of various Audits & Inspection
9) To do all necessary things to run the banks business smoothly and suitably.

**BOD Meetings, Attendance, Minutes etc.** - As per the byelaws of the Bank, the periodicity of the Board of Directors meeting is once in a month. The bank is regular in convening the meeting. All the directors are regularly attends the meetings and take kin participation in the business of meeting. The Administration Department of Head office records the minute of meeting with the help of other department. Bank is very prompt in recording the minute.

**Organisational Structure** -

**At Head office level** -

1) **Chief Executive Officer** - Day-to-day administration of the Banks is managed by the Chief Executive Officer. He work as a mediator between Management (Board of Directors) and administration.
2) **Deputy Chief Executive Officer** – The deputy Chief Executive Officer assists to the Chief Executive officer in day-to-day affairs of the Bank.

3) **Managers** – The Chief Executive Officer & the Deputy Chief Executive Officer are assisted by 6 Managers working as Head of the respective Department. There are 6 various departments to look after the day-to-day business. viz Administration Dept, Accounts Dept, Loan Dept, Recovery Dept, Audit (Inspection) Dept,. I.T. (Computer) Dept.

4) **Deputy Managers** – The Managers are assisted by Deputy Managers who helps the Managers in their daily workings.

5) **Assistant Manager** - The Deputy Managers are assisted by Assistant Managers who helps the Deputy Managers in their daily workings.

6) **Subordinated Staff**- There are Banking Officers & Junior Banking officer and clerks working as subordinated staffs.

   **Branch Level Staff** – At branch level respective Branch Manager is head of the branch. He looks after the day-to-day workings of the branch. He is assisted by Accountants and Sub-Accountants. The officers at branch level look after the deposit mobilization, scrutiny of loans proposals, disbursement of loan etc. with the help of other clerical staff.

   **Field & Recovery Staff** – The scrutiny and credit appraisal of society loans and other large loans, recovery of crucial loans and NPAs, Inspections of borrower societies is done by Field & recovery officer called as Inspectors.

   **Total staff strength** - The total number of staff of the bank as on 31-03-2016 was 639.

   **Profitability for last 5 years** –

   The comparative position of profitability for last 5 years is as follows-

   (Rs in Lacs)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Income</td>
<td>9376.51</td>
<td>10924.06</td>
<td>12591.97</td>
<td>13809.98</td>
<td>14912.11</td>
<td>16159.07</td>
</tr>
</tbody>
</table>
### Total Expenditure (Excl. Provisions)

<table>
<thead>
<tr>
<th></th>
<th>31-03-2016</th>
<th>31-03-2017</th>
<th>31-03-2018</th>
<th>31-03-2019</th>
<th>31-03-2020</th>
<th>31-03-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Total Expenditure (Excl. Provisions)</td>
<td>8413.13</td>
<td>9909.60</td>
<td>11170.10</td>
<td>12874.37</td>
<td>13619.44</td>
</tr>
<tr>
<td>3</td>
<td>Gross Profit</td>
<td>963.38</td>
<td>1014.46</td>
<td>1421.87</td>
<td>935.61</td>
<td>1292.67</td>
</tr>
<tr>
<td>4</td>
<td>Provisions made</td>
<td>413.38</td>
<td>414.46</td>
<td>816.87</td>
<td>325.61</td>
<td>642.67</td>
</tr>
<tr>
<td>5</td>
<td>Net Profit</td>
<td>550.00</td>
<td>600.00</td>
<td>605.00</td>
<td>610.00</td>
<td>650.00</td>
</tr>
</tbody>
</table>

### Financial Position as on 31-03-2016

(Rs in Lacs)

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Particulars</th>
<th>Amount (31-03-2016)</th>
<th>Amount (31-03-2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Share Capital</td>
<td>3384.48</td>
<td>3647.59</td>
</tr>
<tr>
<td>2</td>
<td>Reserves &amp; Surplus</td>
<td>7767.06</td>
<td>8587.03</td>
</tr>
<tr>
<td>3</td>
<td>Deposits</td>
<td>134783.81</td>
<td>150107.59</td>
</tr>
<tr>
<td>4</td>
<td>Loans &amp; Advances</td>
<td>102006.75</td>
<td>106229.88</td>
</tr>
<tr>
<td>5</td>
<td>Investments</td>
<td>50959.63</td>
<td>59926.40</td>
</tr>
<tr>
<td>6</td>
<td>CRAR</td>
<td>9.05%</td>
<td>11.31%</td>
</tr>
<tr>
<td>7</td>
<td>Gross NPA %</td>
<td>3.16%</td>
<td>3.08%</td>
</tr>
<tr>
<td>8</td>
<td>Net NPA %</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>9</td>
<td>Recovery %</td>
<td>83.49%</td>
<td>90.76%</td>
</tr>
<tr>
<td>9</td>
<td>Statutory Audit Class</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>10</td>
<td>NABARD Rating</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

**Important Milestones achieved by the Bank in the past 10 Years –**

The bank had made a remarkable progress in financial as well as technology sector.

Some milestones achieved by our bank in the past 10 years are as follows –

1) **Business Diversification** –
1.1) Most of the DCCBs are engaged in financing on ‘On lending’ basis i.e. loan grants to PACs/ other co-op. societies to lend their members. But our bank has diversified its loans portfolio and entered into retail banking granting direct loans to individuals. At present out of the total loans near about 60% loans are granted to individuals.

1.2) Bank is investing its surplus fund in different types of investments. Bank is trading in Govt. Securities of GoI and State Development Loans since 2012 and earning profit from trading. In F.Y. 2016-17, bank has earned profit of Rs.437.93 Lakhs from G.Sec trading. Bank has also investing in Treasury Bills, Cash Management Bills, Call money, Mutual funds etc and diversified its investment Portfolio.

1.3) Bank’s selected 31 branches are working as PAN Service centre.

1.4) Bank is providing Safe Deposit Locker facility through various 23 branches.

2) Bank has implemented its CBS Project rapidly and completed it in 2012. Sindhudurg DCCB is the first DCC Bank in India having own ISR data center situated at Head Office Sindhudurg nagari. 31 March 2013 was the first year in which annual closing was fully completed on CBS. Since bank has migrated to CBS, bank has implemented new concepts of banking like ABB, IBT, NEFT/RTGS, ATM Centers etc. Bank has initiated actions for new concepts of modern banking since Nov.2015 like e-banking, POS, IMPS. Till to date bank has successfully achieved following goals-

a) Sindhurg Bank Mobile App

b) IMPS fund transfer (P2A)

c) RTGS/NEFT fund transfer

d) EMV-RuPay ATM cum DEBIT CARD

e) EMV- Kisan Credit Card

f) POS-Issuer service
g) Miss call alert service for balance enquiry

h) DBTL/APB and other subsidy transfer

i) BNA – For cash deposit

j) Mobile ATM Van

k) IRCTC Railway ticket booking & Mobile, DTH Recharge through Paypoint service

3) Bank has availed **Direct Membership** (‘A’ Class) for RTGS/NEFT under Centralised payment system of RESERVE BANK OF INDIA, in the year 2016.

4) Sindhudrg DCCB is the first DCCB who is empanelled with UIDAI to provide **Aadhar enrolment Facility** to people. Bank has enrolled near about 2.5 Lacs Aadhar enrollment through its own Aadhaar centers.

5) Bank has its own website namely [www.sindhdurgdec.com](http://www.sindhdurgdec.com) and also a webmail service namely [@sindhudurgdec.com](mailto:@sindhudurgdec.com).

6) Bank has 38 own **ATM centers** throughout the district.

7) Recently bank has received **CCIL membership** for the Security Segment.

8) Bank has formed 2 **Financial Literacy Centers** located at Deogad and Kudal with NABARD assistance.

9) In order to computerisation of PACs bank has granted **interest free loan to PACs** from its own fund and assisted to the PACs to get computerised. Necessary Technical aid also provided to PACs wherever required.

10) **Bank’s own Training Centre** – Our bank has its own Training Centre at Kudal by name SINDHUBANK TRAINING CENTRE. Bank has conducting various training programmes for its employees & customers as well as for other cooperative societies staff and co-operative workers. Bank regularly deputing its staff for various training programmes organised by NABARD, RBI, VMNICOM etc. time to time.
11) **Implementation of UPNRM Project** – The Umbrella Programme on Natural Resource Management (UPNRM) is a joint project implemented in India through NABARD with the collaboration of German Government. First time in India this project has been implemented through Sindhudurg District Central Co-op. Bank & Bhagirath Prathistan (NGO) with assistance of NABARD. Bank was submitted a project of Rs. 200.00 Lacs to NABARD. NABARD has sanctioned a Loan of Rs.186.60 Lacs and grant assistance of Rs. 13.39 Lacs. From this sanctioned loan, loans has been granted to the people for Poultry farm, Dairy Development, Biogas construction, Banana cultivation, and for angleworm. The social benefits of this project were as under-

a) Bio-gas results in savings of wood fuel and helps in stopping forest cutting.
b) Proper disposal of manure, cow-dung.
c) Bio gas results in good quality natural fertilizers.
d) Increase in use of organic fertilizers instead of chemical fertilizers. This results in improving quality of soil.
e) Decrease in forest cutting.
f) Women save 3 hour of working result in productivity.
g) Smoke-less kitchens has decreased in lung diseases.

The German Government representatives and NABARD at national level awarded our bank for successfully implementation of UPNRM Project.

**Deposit & Loan schemes of the Bank** – For fulfilment of the need of customers, bank has implementing various Deposit & Loan schemes. Some of the important schemes are as follows –

a) **Deposit Schemes** -

<table>
<thead>
<tr>
<th>Dhanvardhini Deposit scheme (MMD)</th>
<th>‘Super Saving’ Deposit Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Deposit Scheme</td>
<td>‘Suvarna Thev’ Deposit Scheme</td>
</tr>
<tr>
<td>‘Hariyali’ Damdupat Deposit Scheme</td>
<td>‘Dnyanada’ &amp; “Vidyadhan’ Deposit scheme specially for student</td>
</tr>
<tr>
<td>‘Sadaphuli’ Monthly Deposit Scheme</td>
<td>Regular ‘Saving Account’, ‘Current Account’</td>
</tr>
<tr>
<td>‘DISHA” Daily Deposit Scheme</td>
<td>‘Recurring’ &amp; ‘Small Saving’ Schemes</td>
</tr>
</tbody>
</table>

b) **Loan Schemes**-

| Short Term Crop Loan | ‘Sindhu’ Pension Loan Scheme |
| Medium Term Loan | ‘Sindhu Gharkul’ House Loan Scheme |
| Long Term Loan | Personal Loan Scheme |
| Special Loan For Sugar Cane | Sindhu Samruddhi’ Loan Scheme |
| ‘Sindhu’ Salary Loan Scheme | ‘Computer-Tab’ Loan |
| Vehicle Loan | Gold Loan |
| ‘Baliraja” Education loan for farmer’s | ‘Dnyan Sadhana’ Education Loan |
| “Sindhu Niwas Nyahari’ Tourism Loan | S.H.G. Loans |
| Govt. sponsored Loan schemes | Cash Credit Loans |

**Awards Received to the Bank**-

1) ‘Vainkunth Mehata Best Performance’ 1st rank Award from DCCBs for Year 2004-05
2) ‘Vainkunth Mehata Best Performance’ 2nd rank Award from DCCBs for Year 2005-06
3) ‘Vikas Ratna’ award from All India Business Association, New Delhi for year 2009
5) BANCO award for year 2013 & 2016
6) ‘Best Implementation of SGSY Scheme’award from Maharashtra State Govt.2010-11.
7) ‘Sahakar Nishtha” award from Maharashtra State Govt. for Year 2014.

Various Policies –

For the smooth conduction of bank’s day to day transaction various policies has been prepared and implemented in bank’s working. Some of these are as follows –

a) **Deposit Policy**- Describing various deposit schemes, rules of the schemes, interest calculation method, Intervals of interest payment, pre-matured closing, loan/advances against deposit etc.

b) **Loan Policy** – Describing various loan schemes, loan purpose, scale of finance, eligibility criteria, required security, documentation, rate of interest, terms & conditions, disbursement procedure etc.

c) **Investment policy**- Describing various eligible investment avenues, Investment limits, rights to invest surplus fund, Adherence to RBI/NABARD directions, compliance of statutory obligations, reporting, stoppage of loss limit, valuation of securities, accounting, internal control, audit etc.

d) **Information & Technology Policy**- Describing I.T. organisation, Roles & responsibilities of BOD, IT Steering Committee, I.T. security & executive committee, scope of technical consultant/Expert in I.T. Security, I.T Dept. organisation, I.T. Development, purchase of hardware & software, license policy etc.

e) **Information Security Policy**- It includes principals of Information Security policy, Information Security Policy Governance, organisation structure, Role & responsibilities of I.T Security team, classification & ownership of Information asset etc.

f) **Staff Recruitment Policy, Staff Promotion Policy, Staff Transfer Policy, Staff Training Policy** – Bank has formulated various policy regarding HRD like Staff Recruitment Policy, Staff promotion policy, Staff transfer Policy, Training Policy and
Staff Accountability Policy. Staff rules are framed. The Personnel Management is conducted according to the policy.

g) **Internal Audit Policy** - It comprises Organisation structure of Internal Audit Department, Periodicity of Internal Audit, Scope of Internal Audit, Scrutiny of Balance Sheet, Asset Management, Revenue Audit, Record verification, Loan document verification, compliance of circulars, bank policies, bye-laws of bank etc.

h) **OTS Policy** – One Time Settlement Policy is formed according to the NABARD guidelines for the recovery of old dues of loan. OTS is sanctioned with the prior approval of BOD meeting according to the OTS policy.

Apart from above policy there are various policy like Gold Loan Policy, K.Y.C. Policy, Solvency Certificate issuance Policy, TPM Policy, Death Claim Sanction Policy, Demand Draft Policy, Complaint Redressal Policy etc.

**CBS User Manual** – Bank has prepared User Manual for operations in CBS Environment. This Manual is provided to every branch. It is helpful to the staff while doing his day to day working.

**Management Information System** – CBS is a backbone of Management Information System. In the CBS environment all the information/data is easily available at data center. Therefore it need not necessary to call any information from branch level. At our head office, MIS Department is look after sending various returns and statements to RBI, NABARD, Co-operative Dept., MSC Bank and other offices. The raw data is available from CBS system from our I.T. Department. Analysing this data MIS department prepared prescribed returns and statements.

**Internal control, Internal Audit, Statutory Audit etc.** - Internal control system is established in all branches and Head office. In CBS system inputter make an entry and the authoriser authorised the transaction. Thus there is Checker Maker system which is mandatory to follow while doing any transaction. Our bank has separate Internal Audit and Inspection department. This department carried out the work of internal audit & look after compliance of NABARD
Inspection, and other audits Reports. Internal Inspecting officer has been assigned to do the internal inspection periodically of bank working. For the inspection of Gold loan, Inspecting officer having experience in gold verification are appointed. Hence gold loan risk due to fake ornaments is minimized. Quarterly Internal audit at head office level is carried out by Chartered Accountant appointed by the bank. In CBS environment, Bank has also conducting branches online audit (Concurrent) on day to day basis. Bank has set up Vigilance cell at head office. Vigilance officer give surprise visit to the branches. He reports his observations directly to C.E.O. Thus the vigilance cell is working effectively.

Statutory Audit is carried out by the Chartered Accountants panel empanelled by the Govt/ NABARD every year. Bank is prompt in submitting compliance report of the audit. The observations pointed out in report are complied positively. The compliance report is first approved by the Audit Committee Meeting and then approved by BOD meeting. The NABARD inspection is carried out once in two year. Bank is regular in forwarding the compliance.

Themes and Areas of the National Seminar on Best Practices in STCCS –

Best Practices in CRAR improvement and share capital Mobilization-

RBI has prescribed the minimum level of CRAR to be achieved by DCCBs vide its circular No. RPCD.RCB.BC.73/07.51.012/2013-14 (Circular no. RBI/2013-14/433) dated 7-01-2014. As per the directions of RBI, DCCBS has to achieve and maintain continuously minimum CRAR OF 9% in phased manner i.e. as on 31/03/2015-7% & as on 31/03/2017-9%. Our Bank’s CRAR percentage for last 3 years was as under-

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Financial Year</th>
<th>% age of CRAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2014-15</td>
<td>9.21%</td>
</tr>
<tr>
<td>2</td>
<td>2015-16</td>
<td>9.05%</td>
</tr>
<tr>
<td>3</td>
<td>2016-17</td>
<td>11.31%</td>
</tr>
</tbody>
</table>
The major component of Tier I Capital of DCCBs’s Capital Fund is Share Capital. The increase of share capital of DCCBs is highly depend upon share linking to the loan of Co-operative societies. At present, DCCBs issuing loans to individuals on large scale, but could not raise share capital from them giving linkage to their loan. In respect of our Bank, there is limited scope to disburse loans to co-operative societies and hence near about 60% loans are granted to Individuals and others. Therefore there are limitation to increase in share capital.

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total outstanding Loans &amp; Advances</th>
<th>Out of col. 2 Societies loans having Share Linkage</th>
<th>Out of col. 2 Individual &amp; other loans having NO Share linkage</th>
<th>% of Individual &amp; other Loan to total Loan outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>87820.69</td>
<td>37218.28</td>
<td>50602.41</td>
<td>57.62%</td>
</tr>
<tr>
<td>2015-16</td>
<td>102006.75</td>
<td>42563.17</td>
<td>59443.58</td>
<td>58.27%</td>
</tr>
<tr>
<td>2016-17</td>
<td>106229.88</td>
<td>41212.58</td>
<td>65017.30</td>
<td>61.20%</td>
</tr>
</tbody>
</table>
Measures taken by our Bank to Increase % of CRAR

1) Bank had taken special efforts to increase coverage of members. The Co-operative Societies those till not become member of bank, are insisted to become member. Bank appealed the members to contribute in share capital of Bank. Thus bank’s share capital has been increased by Rs.183.88 Lakhs in 2014-15, by Rs.245.85 Lakhs in 2015-16 and by Rs.263.11 Lakhs in 2016-17.

2) In order to reduce the risk weightage, bank has diversified the Investment portfolio in such a manner that risk weight of Investment will be minimized. Bank has invested in Central Govt. Securities and treasury bills.

3) To facilitate raising of capital funds (Tier I and Tier II) for complying with the prescribed CRAR, RBI vide its letter dated 07/01/2014 had permitted to issue Long Term (Subordinated) Deposits (LTD) and Innovative Perpetual Debt Instruments (IPDI) with prior permission of RBI. Accordingly in order to increase the CRAR our bank took decision to raised LTDs of Rs. 20.00 Crore. Bank submitted a detail proposal of LTD and send it for sanction to RBI and RCS. After receiving sanction from RBI and RCS, bank has raised LTDs of Rs.20.00 Crore during F.Y. 2016-17.

Thus due to the various efforts taken by the bank, we achieved 11.31% CRAR as on 31/03/2017.

THANK YOU

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