|| BINA SANSKAR - NAHI SAHAKAR || || BINA SAHAKAR - NAHI UDDHAR ||

SAHAKAR BHARATI

Registration No. BOM-32/1979GBBSD under Societies Registration Act, 1860 &
Registration No F-5299 Mumbai under Mumbai Public Trust order Act 1950
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Note on Issues relating to CoOp Sector for Consideration at the ensuing Budget for the year 2022-23

1. Urban CoOp Banks -

A. Licences for opening new UCBs have not been issued for more than 2 decades. At the same time, Licenses have been issued by RBI to a variety of new Banks. Considering the continental size of the Country, the present number of UCBs is small and several States and Districts do not have even a single UCB.
Considering the Credit needs of the Country, the present number of UCBs is too small when compared with the number of CoOp Banks in Austria (570), Finland (220), France (2500), & US (8400).

B. The Banking Regulation Act prohibits both, Scheduled & Non Scheduled UCBs from extending Financial Assistance to other Primary CoOp Soc. Hence, the need to amend Banking Regulation Act to permit all Financially Sound & Well Managed Urban CoOp Banks to finance Primary CoOp Societies engaged in Agro-Processing activities relating to Cotton, Fruits & Vegetables, Fisheries, Sugar, Cattlefeed, etc. This will give boost to employment & income earning opportunities in rural areas & value addition to Agri produce.
UCBs also need to support Housing CoOperative Societies for construction of new tenements, self-development etc,

C. There are many UCBs which are eligible to be conferred Scheduled status. Unfortunately, this aspect has remained pending/unattended for several years and RBI needs to be advised to take quick corrective action.

D. Allow all UCBs to identify and classify their Defaulters as Willful Defaulters as per RBI norms. Presently, only Scheduled UCBs are allowed to classify defaulters as Willful Defaulters. This anomaly needs to be corrected at the earliest.

E. All Urban CoOp Banks be permitted to sell their Stressed Assets to Asset Reconstruction Companies (ARCs) and suitable guidelines be issued by the RBI.

F. Credit Guarantee Fund Scheme – Under this Scheme, PSU Banks, Private Sector Banks, Foreign Banks, RRBs and even Small Finance Banks are eligible lending Institutions and they get cover under the Guarantee Scheme for credit facilities extended without collateral security. All UCBs should also be made eligible under this Scheme as its area of focus has always been MSMEs.

G. Sukanya Samridhi Account - All Financially Sound and Well Managed UCBs be permitted to open Sukanya Samridhi Account.

H. Considering the vast reach of the UCBs, amongst the unorganised sector, small and micro enterprises, it is necessary that Mudra Bank enlist UCBs as its channel partners for extending Financial Assistance.

I. All Financially Sound and Well Managed UCBs be considered eligible to accept Term Deposits for a fixed period of not less than 5 years as investments eligible for deduction for the purposes of Sec.80(c) under Clause (xxi) of Sec.80(c) of the Act 2006.

2. Rural Credit Delivery System - Primary Agricultural CoOp Socs (PACs), District Central CoOp Banks (DCCBs) and State CoOp Banks (SCBs) and Agriculture and Rural Development Banks (ARDBs)

A. PACs which number more than 95,000 cover all villages & 75% of Rural households. PACs need to be encouraged to tap local resources and restrict their dependence on DCCBs and SCBs.
As recommended by Khusro Committee, to boost mobilising deposits, Deposit Insurance Cover upto Rs 50,000/- be provided for Deposits mobilised by PACs.

B. Announce financial package for PACs to set up Agro Processing Units

C. CBDT should issue detailed Directives/Guidelines to redress hardships arising out of demands made by Income Tax Department on PACs.

D. There is urgent need to exempting StCBs and DCCBs from the provisions of Section 194A of Income Tax Act, 1961

E. Non-agriculture advances are governed by the Credit Monitoring Arrangement (CMA) guidelines issued by NABARD which are over 10 years old and there is an urgent need for upward revision in the exposure norms under ‘Credit Monitoring Arrangement’ (CMA) for StCBs and DCCBs, particularly in the background of changing the income pattern in the rural areas.

F. The Chaturvedi Committee Report (January 2010) recommended implementation of Rehab Package for SCARDBs and PCARDBs. Rehabilitation Package has already been approved by GOI. Hence, the same should be implemented without any further delay.

G. Interest Subvention Scheme should be extended to Crop Loans extended by SCARDBs.

H. Scheduled Status has not been conferred on eligible District Central CoOp Banks (DCCBs) and some State CoOp Banks (StCBs).
Corrective steps should be quickly initiated in this regard.

I. Kisan Credit Cards be given to all members/farmers engaged in Animal Husbandry, Fisheries, Dairy, Agro Processing Units etc.

3. Dairy CoOperative Societies

A. As a country we are facing acute shortage and adulteration of liquid milk is rampant. As against the potential of 3/3.5 lakhs Primary Milk Socs, presently, only about 1.40 Lakhs Socs are functional. Similarly, Milk Processing Units (at District/State level) number about 220 when the requirement of such Units is not less than 400.

Presently, about 1.9 million villages with 16.8 million farmers, out of which 5.4 million are women farmers are covered by Dairy CoOp Sector.

B. To make available Liquid Milk at affordable rates and to Double Farmers Income, NDDB should be financially supported and advised to prepare a new 10 year Development Plan for the Dairy Sector. CoOp Dairy Sector should be particularly promoted as it repatriates back about 70% of their surplus to dairy farmers.

C. To ensure availability of Cattlefeed at affordable rates, financial package be extended and District/State Level Milk Unions/Federations be encouraged to set up CoOp Cattlefeed Manufacturing Units.

D. The Budget should particularly give a boost for setting up of Primary, District and State level Milk Processing Units, in Central, Eastern and North Eastern States.

E. Interest on advances to Dairy Sector be charged as being charged for Agri Advances.

F. All milk and milk products being supplied for Govts sponsored School
Milk Prog be exempted from all State and Central Taxes including GST.

4. Agro-Processing CoOperative Societies

A. While the Agricultural production has increased by leaps & bounds no substantial efforts have been made to process the agricultural produce resulting in continuous distress in the Rural Sector. As against, about 75-80% Agricultural produce being processed in Developed countries, in India, it is woefully low at around 20%.

No amount of increase in Minimum Support Price (MSP), year after year, is going to help the farmers. Only solution lies in increased processing of Agricultural produce.

B. Provide Mudra Loans and encourage educated and rural Youth to promote small/micro Agro-Processing Units.

C. It is also, necessary for the Union & State Govts to encourage PACs to set up Agro Processing Units for the benefit of their farmer members. Simplified Scheme with incentives be announced to promote processing of Agri produce.

5. Fisheries CoOperatives

A. Announce Financial Package and encourage setting up of CoOp Fish Processing Units along the vast Indian Coastline as also near large Water Bodies in different States.

B. Set up Expert Promotion Zone for Fish Processing Units to meet the huge Domestic and International demands

C. Provide Insurance Cover to Fishing community and also for their Nets which are often lost in rough seas.

D. Interest rates be charged to the CoOp Fisheries Sector as are being charged for agri advances.

E. Regional level Centers need to be established for Training and Capacity building to meet the needs of 3.1 million members of Fisheries CoOp Sector.

F. Social-security schemes for Health, Accident and Pension Schemes should be implemented for members of the CoOp Fisheries Sector.

6. Taxation

A. As per World Organisation of Co Op Credit Unions (WOCCU), 67% countries in Asia, 62% in Africa, 81% in Latin America, 94% in Caribbean and 38% in Europe do not tax the CoOps.

B. Hence, we need to revisit and restore the pre 2006 position relating to taxation policy towards CoOps.

C. A CoOp Bank be exempted from deducting tax at source, on payment of interests made to its member - individual or a CoOp Soc or a CoOp Bank - even if it is in excess of Rs.10,000. IT Department’s insistence on deducting TDS needs to be rolled back.

D. Income Tax should not be levied on Income generated by Dairy activities and the same be treated on par with Agricultural Income.

E. Exempt Income Tax on Dividend paid by CoOps Socs to its Shareholders.

F. Income exemption limit for Primary Consumer CoOps be raised to at least Rs 2 Crores.

G. Presently, housing CoOp are allowed a partly deduction of Rs.50,000/-This limit should be raised to at least Rs.10 Lakhs as Housing CoOp are non-profit making voluntary bodies formed by members with the objective of satisfying their own personal Housing needs.

H. A housing CoOp is liable to be registered under GST if its aggregate annual turnover exceeds Rs 20 lakhs and monthly receipts from members towards maintenance charges exceeds Rs.7500 per person.
This limit be raised to Rs. 75 Lakhs as new large Housing Complexes/Mini Townships comprising of multiple buildings are now coming up across the Country.
However, monthly charges may be retained at the current level of Rs 7500 per member.

7. Credit CoOp Socs

A. Encourage large Credit CoOps to voluntarily convert themselves into UCBs, provide they comply with Entry Point/Viability Norms.

B. Limit prescribed for Cash Transactions for individuals should not be applied to Credit CoOps. There is need to increase limit of Rs. 50,000/- for entertaining Cash Transactions.

C. CBDT needs to issue guidelines to redress hardships faced by the Credit CoOp Sector on account of year after year making unsustainable tax demands, resulting in avoidable litigation and consequently high expenses.

D. Dividend from a Credit CoOp Society to its members should be exempt in the hands of the members.

8. Consumer CoOps

A. Consumer CoOps have a strong record of working for the benefit of Consumers and providing decent work culture to their employees while adhering to fair trade practices. They also play an important role in maintaining fair prices in times of shortages and market volatility.
Consumer CoOps which originated in Britain are today market leaders in Italy, Switzerland, Singapore and Japan. They are equally active in the Scandinavian countries and Atlantic Canada.

B. Even in the UK, which has seen the emergence of large consumer chains, Consumer CoOps have all along maintained over 20% market share and have remained pre-eminent in the small supermarket sector.

C. Central Govt, which is primarily responsible for price stability should take proactive steps to promote Farm to Fork linkages.

D. In the interests of Consumers, particularly, middle and lower income groups, Consumer CoOps need to be encouraged by the State by extending Redeemable Capital Funds, allocation of reserved Plots and Galas on Long Term Lease basis, assured supply from NAFED of price sensitive food items, edible oil etc.

9. Housing CoOps

A. Under PM's Scheme interest Subsidy be allowed to borrowers availing Housing Loan from UCBs, DCCBs and StCBs.

B. Higher Financing Institutions like NHB, HUDCO and NABARD should directly extend Refinance to all FSWM UCBs at the rate at which it extends Refinance to other Banks.

C. Housing Loans extended to individuals and refinance availed by UCBs for the purpose from higher financing institutions, eg NHB should not be included under Commercial Real Estate Exposure while computing exposure to Housing Sector. RBI be advised to change its guidelines to promote affordable Housing.
RBI be advised to issue Separate Guidelines for Housing Finance Exposure, extended exclusively for Housing purposes.

D. RBI should stipulate separate limit be fixed for loans to Commercial Real Estate (CRE) Sector by CoOp Financial Institutions.

10. Training

A. Income Tax should not be levied on CoOp Societies engaged in Training and Capacity building activities

B. Grants for Capital Expenditure be provided to CoOp Training Socs to improve their infrastructure.

C. CoOp Acts provide for certain percentage of profit of each CoOp for the purpose of education and training. This amount is being pooled at the level of the District and State Unions.

Currently, tax authorities claim tax on unspent funds. Such amounts is not an income of any District/State Union, but the same is carried forward to meet future expenditure towards education and training. Such unspent amounts be allowed to be retained for 3 years and such surplus/unspent amount be exempted from the purview of Income Tax for 3 years.

11. Raising of Capital by CoOperatives

A. Enacting new legislation and amending existing acts and rules need to be undertaken to empower CoOps to raise capital by issue of Bonds and Equity.

B. Multistate CoOp Act & State CoOp Acts do not prohibit issuance of Bonds and their Rating. To raise and augment Capital Funds by CoOps, SEBI be directed to issue necessary guidelines for Issuance, Rating and Listing of Bonds.

11. Inclusion of CoOps in Payment Gateway through NPCI

To deepen digitalisation and to move towards Less Cash Economy, access to Payment Gateway through National Payment Corporation of India (NPCI) be extended to PACs, Credit CoOp Socs, Primary Milk Socs, all CoOps engaged in Receipt/Payment Transactions, etc.

Norms for classifying above Socs as eligible institutions to participate in the payment system be notified at the earliest.

12. Operationalising Ease of Doing Business Norms to CoOps to improve efficiency and optimise operational coss

CoOps are distinct form of Economic Enterprises and they contribute substantially in the Economic Development. Like any other Sector, it is necessary to treat CoOps on par with other Economic Entities. Facilities under Ease of Doing Business Norms be made applicable to CoOps.

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