

Cooperative Society



The **National Cooperative Development Corporation (NCDC)** is a statutory corporation, established by the Government of India in 1962 under the NCDC Act. Headquartered in New Delhi and operating under the Ministry of Cooperation, its primary mission is to promote, strengthen, and develop cooperative societies nationwide. NCDC provides crucial financial and technical assistance, bridging the credit gap and enabling cooperatives to meet members' financial needs, particularly in agriculture, agro-processing, marketing, and storage.

WHY THE NCDC IS IMPORTANT:

- 1. Financial Support:** The NCDC provides loans, grants, and subsidies to cooperative banks at concessional rates, enabling them to extend credit for agriculture, rural development, and allied activities. For example, it supports recapitalization of cooperative banks, helping them meet Basel III capital adequacy requirements, which is crucial for their financial stability.
- 2. Refinancing Support:** Through tie-ups with institutions like NABARD, the NCDC facilitates refinancing for cooperative banks, enabling them to extend credit to farmers and rural communities for activities like irrigation, farm mechanization, and horticulture, thus enhancing their lending capacity.
- 3. Recapitalization Support:** The NCDC supports recapitalization efforts for cooperative banks, helping them meet regulatory capital requirements. This strengthens their financial stability and ability to absorb losses, as seen in initiatives like those recommended by the Vaidyanathan Task Force for PACS recapitalization.
- 4. Subsidized Credit:** Through schemes like the Interest Subvention Scheme, the NCDC ensures cooperative banks can offer loans at low interest rates (e.g., 7% for short-term agricultural credit), making credit accessible to small and marginal farmers.
- 5. Risk Coverage:** Cooperative banks benefit from schemes like the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), which now includes rural cooperative banks as Member Lending Institutions, offering up to 85% risk coverage on loans, reducing default risks.
- 6. Aadhaar-Enabled Payment System (AePS):** The NCDC, in collaboration with the Ministry of Cooperation, supports the integration of rural cooperative banks into digital platforms like AePS, enabling them to offer banking services via biometric authentication. This reduces operational costs and enhances financial inclusion, allowing banks to serve rural customers at their doorstep.

EXAMPLE:

- 1. Tamil Nadu Cooperative Banks:** The NCDC facilitated a ₹100 crore government guarantee in 2021 for the Tamil Nadu State Apex Cooperative Bank to restart long-term credit lending, demonstrating direct financial support. Additionally, the NCDC's training programs through LINAC have improved the capacity of cooperative bank staff in Tamil Nadu, enabling better service delivery and compliance.

Where Does the NCDC Operate?

The NCDC operates nationwide, with its headquarters in New Delhi and 18 regional offices across various states in India. These regional offices ensure effective implementation of NCDC schemes, monitor projects, and provide technical support to cooperatives. The NCDC collaborates with state governments, cooperative banks, and other financial institutions to deliver its programs efficiently.



Whom Does the NCDC Provide Loans To?

Primary Cooperative

Societies: Such as agricultural credit societies, marketing societies, and consumer cooperatives.

State-Level Cooperative

Federations: Including state cooperative banks, marketing federations, and dairy federations.

District Cooperative

Banks: To help them meet the credit demands of their customers.

Other Cooperative

Institutions: Engaged in activities like fisheries, poultry, handlooms, and rural housing.

Notably, the NCDC supports banks, especially cooperative banks, by providing loans to fulfill the credit needs of customers requiring large loan amounts. This is particularly useful when banks lack sufficient liquidity to cater to such demands, allowing them to bridge the credit gap effectively.

What Types of Loans Does the NCDC Provide?

Working Capital Loans: To meet short-term liquidity needs for day-to-day operations.

Term Loans: For long-term investments such as infrastructure development, machinery purchase, and processing units.

Subsidy-Linked Loans: For specific projects under government schemes, like rural storage, cold chains, and agro-processing.

Refinancing: To cooperative banks and societies to manage existing loan portfolios.

How Can Banks Avail Loans from the NCDC?



Identify the Credit Gap

Assess the bank's liquidity position and determine the funding shortfall for customer loans.



Prepare a Loan Proposal

Develop a detailed proposal specifying the loan purpose, amount, and repayment plan as per NCDC guidelines.



Submit Required Documents

Compile and submit the documents outlined in the NCDC checklist (see Section 6)



Approach the NCDC

Contact the nearest NCDC regional office or the head office in New Delhi.



Loan Appraisal and Approval

The NCDC evaluates the proposal based on the bank's financial health, project feasibility, and security offered. Upon approval, the loan is disbursed.



Repayment:

Adhere to the agreed repayment schedule, including principal and interest payments

Loan Application Process:

Application Form

The Common Loan Application Form is available online at the NCDC website or at NCDC regional/head offices

Submission

Completed applications can be submitted to any NCDC regional office or the head office in New Delhi

Evaluation

NCDC evaluates the financial health, governance, and security of the applicant cooperative before sanctioning the loan

Checklist of Documents to Avail a Loan from the NCDC

1. **Covering Letter:** Stating the intent to avail a loan from the NCDC and the loan duration.
2. **Board Resolution:** Specifying the loan amount sought for working capital.
3. **Common Loan Application Form A&B:** Duly filled application form.
4. **No Overdue Certificate:** Certified by a Chartered Accountant (CA) at Annexure IV of Part A.
5. **Copy of Bye-Laws:** Including any amendments.
6. **Translated Bye-Laws:** Relevant sections (share capital, borrowing power, membership, area of operation) translated into English if in Marathi.
7. **Audited Financial Statements:** For the last three years, with schedules and audit reports (translated into English if in Marathi).
8. **Details of Security:** Including Fixed Deposit Receipts (FDR), receivables, and other lenders.
9. **Land Valuation Report (if applicable):** By an SBI valuer, detailing land status (agricultural/non-agricultural), market value, distress value, guidance value, and 7/12 extract. Security value should be 1.25 times the loan amount.
10. **Bio-Data and Aadhar Cards of Board of Directors:** Brief bio-data and Aadhar cards.
11. **Disbursement Terms & Repayment Schedule:** Details of outstanding loans (bank name, amount, security, and repayment schedule for 2023-24 to 2026-27, including principal, interest, and total).
12. **Turnover Details:** Loans disbursed over the last three years, split into Short-Term Agricultural (ST Agri) and Short-Term Non-Agricultural (ST Non-Agri) loans.
13. **Types of Loans Disbursed:** Specify loan types offered by the bank.
14. **Demand, Recovery, and Recovery %:** Data for the last three years
15. **Gross and Net NPA Details:** Including NPA percentage and provisioning.
16. **Projected Turnover and Working Capital Requirement:** For the upcoming year, with working capital calculations.
17. **Borrowing Power Certification:** Certified by a CA.
18. **Brief Note on Activities:** Describing the bank's current activities and working capital needs.
19. **Annual Reports:** For the last three years.

REACH US AT:

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