

**50 YEARS OF NAFSCOB**

**OPERATIONAL MANUAL  
FOR  
COOPERATIVE BANKS  
(REVISED - 2013)**

**CONTENTS AT A GLANCE**



**1964 - 2014  
GOLDEN JUBILEE**

**NATIONAL FEDERATION OF STATE COOPERATIVE BANKS LTD.**

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**CO-OPERATIVE ENTERPRISES BUILD A BETTER WORLD**



## **SOME IMPORTANT PUBLICATIONS OF NAFSCOB**

1. Accounting Manual for Cooperative Banks in 3 Volumes (Priced) & (August 15, 1979).
2. Guidelines on Micro Level planning for project Formulation for Eligible Target Groups under IRDP in selected villages / **B. Subrahmanyam** (1985).
3. Rural Savings untapped : A Strategy to Identify and Exploit the sources for Deposit Mobilisation / **B. Subrahmanyam & K. K. Gupta**(1985).
4. Effectiveness of Deposit Schemes : An Evaluation – **M. Dharma Reddy & B. Subrahmanyam** (1985).
5. Deposit Mobilisation : A study of Kheda District Central Cooperative Bank / **B. Subrahmanyam & M. Dharma Reddy** (1985).
6. Computerisation in Cooperative Banking - **Some Basic Issues** / **B. Subrahmanyam & K. Sudhakar** (1985).
7. Development Strategies for District Central Cooperative Banks / **B. Subrahmanyam & K. Sudhakar** (1987).
8. Socio-Economic Aspects of Rural Savings and Investment / **B. Subrahmanyam & M. Dharma Reddy** (1987).
9. Mobilisation of Rural Savings and Credit Delivery through Self-Help Groups / **B. Subrahmanyam** (1987).
10. Management of Hyderabad District Central Cooperative Bank – **A Case Study** / **B. Subrahmanyam** (1988).
11. Towards Rural Savings Mobilisation / **B. Subrahmanyam** (1988).
12. Rural Savings Mobilisation through Agricultural Cooperative Societies - **An Evaluation** / **B. Subrahmanyam & M. Dharma Reddy** (1988).
13. Cooperative Rural Credit Delivery System in India : With Particular Reference to the Case of Integration in Andhra Pradesh / **B. Subrahmanyam**(1989).
14. Short Term Cooperative Credit Structure in North Eastern Region / **B. Subrahmanyam** (1990).
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21. Long Term Perspective issues and strategies related to Debt Relief and loan waivers - **A discussion paper** / **B. Subrahmanyam**(1991)
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23. Deposit Mobilisation by Madhya Pradesh State Cooperative Bank / **B. Subrahmanyam** (1992).
24. Refinance Scheme for Jewel Loans – An attempt towards Diversification of Lending Portfolio / **B. Subrahmanyam** (1992).
25. Business Development Planning – **Expectations and Experiences** / **B. Subrahmanyam** (1992).
26. Status of Service Area Approach in Andhra Pradesh (With particular reference to Cooperatives) **B. Subrahmanyam** (1992).
27. Progress and Problems of Short Term Cooperative Credit Institutions – **A Paper** / **B. Subrahmanyam** (1992).
28. A Paper on “Short Term Cooperative Credit Institutions : **Problems areas and Suggestions**” / **B. Subrahmanyam** (1992).
29. Need for making Cooperatives Democratic, Self-reliant and viable : **Some thoughts** / **B. Subrahmanyam** (1992).
30. Challenges before State Cooperative Banks in view of Recent Policy changes / **B. Subrahmanyam** (1992).
31. Primary Agricultural Credit Societies in Gujarat : A Districtwise & Statistical Profile / **B. Subrahmanyam** (1993).
32. Need for Strong, Viable and Self-Reliant Cooperatives : **Some Suggestions** / **B. Subrahmanyam** (1993).
33. Need for strengthening of Cooperative Credit Institutions : **Some Remedial Measures** / **B. Subrahmanyam** (1993).
34. Capital Adequacy Measures, Income Recognition, Assets Classification, Provisioning and other related matters / **B. Subrahmanyam & K. Shivaji** (1993).
35. Policies, Programmes, Problems and Prospects of Non-farm Activity Financing by Cooperative Banks / **B. Subrahmanyam** (1993).
36. Better Environment through Cooperatives – **A paper** / **B. Subrahmanyam** (1993).
37. Role of information Technology with particular reference to Computerisation in Short Term Cooperative Credit Institutions / **B. Subrahmanyam** (1993).
38. Management Audit or Management of Audit – **A paper** / **B. Subrahmanyam** (1993).
39. Cooperative Banking Structure in 2000 AD / **B. Subrahmanyam** (1994).
40. Compendium of Circulars of All India Mutual Arrangement Scheme (November 1990 to March 1994).
41. Role of State Cooperative Banks in the Development process / **B. Subrahmanyam** (1994).
42. Viability of the Cooperative Rural Credit Institutions / **B. Subrahmanyam** (1995).
43. Compendium of specimen signature under AIMAS (1995).
44. Training Needs of the Chief Executives of DCCBs – **A study report** prepared by ASCI for NAFSCOB (1995).
45. Enhancement of Loan Recovery and Collateral substitutes in Short Term Cooperative Credit Institutions / **B. Subrahmanyam** (1996).
46. Short Term Cooperative Credit Institutions – **An issue paper for discussion** / **B. Subrahmanyam** (1996).
47. Regional Disparity in the Development of Cooperative Credit Institutions / **B. Subrahmanyam** (1996).
48. Model Byelaws of proposed Sikkim State Cooperative Bank / **B. Subrahmanyam** (1996).
49. State Cooperative Banks in the Liberalised Economy / **B. Subrahmanyam** (1996).
50. Issues for Consideration by Reserve Bank of India – **Discussion Paper** / **B. Subrahmanyam** (1996).
51. Assessment of Income from Investments by Cooperative Banks - **Working Paper** / **B. Subrahmanyam** (1996).
52. Management of funds in Short Term Cooperative Credit Structure / **B. Subrahmanyam** (1997).
53. Rural Employment and Cooperatives / **Moinul Hassan** (1997).
54. Seminar on Investment Management – **Proceedings** / **B. Subrahmanyam** (1997).

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## **OPERATIONAL MANUAL FOR COOPERATIVE BANKS (REVISED - 2013)**

### **CONTENTS AT A GLANCE**



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## FOREWORD

The 'Operational Manual for Cooperative Banks' brought out by National Federation of State Cooperative Banks Ltd. (NAFSCOB) in four volumes in 2004 was extensively used and appreciated by the member State Cooperative Banks, District Central Cooperative Banks and their affiliates, cooperative training establishments, research scholars, freelancers etc. The manual had facilitated adaption of standardized procedures and practices in the member banks and their affiliates helping them in providing professional customer services. The said manual also had facilitated number of member banks to bring out their own in house manuals/handbooks on various operational issues for efficient functioning, resulting in professional approach to cooperative banking and improved regulatory compliances.

With the increasing demand for higher quality of services, ever increasing competition in the banking sector, innovations in the banking sector, policy guidelines, directives from the policy makers as well as higher financing agencies, regulatory compliance requirements etc. an urgent need for revision/upgradation of the manuals brought out in 2004 was felt. The member banks urged NAFSCOB to take necessary initiatives in this direction. Accordingly the Executive Committee/Board of Directors of NAFSCOB constituted a 'Working Group' and 'Sub Groups' to examine and suggest necessary revision. The Working Group/Sub Groups, after extensive deliberations, suggested various alterations/incorporations to the existing volumes of the manual. The expert intervention of Tamil Nadu State Apex Cooperative Bank in this regard is highly appreciated. NAFSCOB also requested NABARD headquarters to re-examine the revised volumes of the manual and suggest improvements. NABARD suggested number of improvements which have been incorporated in the revised manual to make it more up-to-date. With the ever changing and improving operations in the financial sector, the user of this manual need to constantly cross refer the latest guidelines/ directives on many of the issues for clarity as well as updated direction.

The revised and updated 'Operational Manual for Cooperative Banks' is now ready for publication and distribution among all the stakeholders. It is a matter of pride for NAFSCOB that we could undertake such a mammoth task and accomplish the same. This would not have been possible without the collective and concerted efforts of so many experts, expert agencies and the member banks.

I would like to place on record my personal appreciation to Shri B Subrahmanyam, Managing Director, NAFSCOB for his relentless endeavour to bring out the Operational Manual. Further, I am pleased to acknowledge the efforts made by each one of the members of the Working Group/Sub-Groups constituted by NAFSCOB for re-examining the existing 'Operational Manual for Cooperative Banks'. I am especially thankful to Chairman, NABARD for ensuring valuable inputs and contributions from NABARD in finalising the Operational Manual.



(DR. BIJENDER SINGH)  
CHAIRMAN

## PREFACE

The National Federation of State Cooperative Banks Ltd. (NAFSCOB) for the first time published an 'Accounting Manual' in 1979 to facilitate the member State Cooperative Banks (SCBs) and their affiliates to adopt standardised procedures and practices in their banking and other operations. Subsequently, many of the SCBs also brought out operation specific manuals/handbooks such as 'Loan Manual', 'Inspection Manual', 'HRD Manual', etc. for strengthening their in-house operations. After more than two decades, it was in the year 2000, NAFSCOB initiated steps to review the 'Accounting Manual'. As a result of extensive review, research, deep insight and laborious effort, an extensive and elaborate set of operational guidelines was finally brought in the form of 'Operational Manual for Cooperative Banks' in the year 2004.

The 'Operational Manual for Cooperative Banks' in four volumes was made available to all SCBs and their branches, District Central Cooperative Banks (DCCBs) and their branches, as well as few Urban Cooperative Banks, cooperative training institutes, research scholars, academicians, higher financing organisations, regulators, etc. The feedback received with regard to the contents and usefulness of the said manual from various stake holders and others has been very encouraging.

Over a period of time with innovations and improvements in the finance and banking sector, new policy guidelines, operational directives, regulatory compliance requirements etc., there has been an increased demand for revision/upgradation of the said 'Operational Manual for Cooperative Banks'. As a result, in 2009, the Executive Committee/Board of Directors of NAFSCOB decided to constitute a high-level 'Working Group' and four 'Sub Groups' consisting of Chief and Senior Executives of member SCBs with adequate representation from key departments such as IDD, PCD, DOS, HRDD and DCRR from NABARD to review and revise the Operational Manual for Cooperative Banks. The Working Group and the Sub-Groups had extensive consultations and deliberations on various segments of the 'Operational Manual for Cooperative Banks'. With the inputs provided by various stakeholders and the number of experts, the said Four Volumes of the 'Operational Manual for Cooperative Banks' were suitably modified and upgraded. The modified volumes were reassigned to Tamil Nadu SCB for final fine-tuning and finalisation. These four volumes were then forwarded to NABARD for their suggestions, comments and views. The feedback received from NABARD were duly incorporated and the **'Operational Manual for Cooperative Banks'(Revised)** in following four volumes has been finalised.

Volume – I	:	Manual on Branches and Banking Operations
Volume – II	:	Manual on Functions of Head Office
Volume – III	:	Manual on Loans and Advances (Part – I & Part – II)
Volume – IV	:	Manual on Inspection and Internal Audit

It is hoped that the revised 'Operational Manual for Cooperative Banks' will further enhance the operational efficiency of the short-term cooperative credit structure, in general and the cooperative credit & banking sector, in particular. Further, it is also hoped that the said revised manual will serve as an effective and broad-based set of operational guidelines for cooperative practitioners as well as preachers. It has to be borne in mind that the said manual per se is not an end by itself but a means for higher quality of performance, efficiency, better

housekeeping, improved customer services and viable operations. It is necessary to refer to the latest policy directives, operational guidelines, regulatory requirements on each of the issues dealt in the manual as there is constant innovation and changes in these aspects.

We would like to place on record our heartfelt gratitude to all members of the 'Working Group' as well as the members of 'Sub-Groups' for their relentless efforts, keen interest and valuable contributions in developing a broad framework for finalisation of the revised 'Operational Manual for Cooperative Banks'. We would also like to place on record the keen interest, positive interventions and valuable contributions of NABARD, particularly IDD, PCD, DOS, HRDD and DCRR etc.

We would like to place on record our deep appreciations and gratitude to Thiru M.P. Sivan Arul, Administrator, the Tamil Nadu State Cooperative Apex Bank; Thiru K.M. Thamizharasan, the then Special Officer of the Tamil Nadu State Cooperative Apex Bank; Thiru R. Elango, General Manager, the Pondicherry State Cooperative Bank; Thiru K. Manohar, Deputy General Manager, the Tamil Nadu State Cooperative Apex Bank, K. Sudhakar, the then Director, NAFSCOB and presently our Consultant, for shouldering the responsibility of editing, correcting and fine tuning the revised Operational Manual.

We are sure that the revised 'Operational Manual for Cooperative Banks' will meet the requirements, expectations and aspirations of the cooperative credit and banking sector and will serve as an effective operational and management tool in further enhancing the quality and quantity of various services of the sector.



**MUMBAI**  
**01-03-2013**

**(B. SUBRAHMANYAM)**  
**MANAGING DIRECTOR**

**OPERATIONAL MANUAL  
FOR  
COOPERATIVE BANKS  
(REVISED - 2013)**

**VOLUME - I**

**BRANCHES  
AND  
BANKING OPERATIONS**



# OPERATIONAL MANUAL FOR COOPERATIVE BANKS

## VOLUME – I

### BRANCHES AND BANKING OPERATIONS

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**OPERATIONAL MANUAL  
FOR  
COOPERATIVE BANKS  
(REVISED - 2013)**

**VOLUME - II**

**FUNCTIONS  
OF  
HEAD OFFICE**

**OPERATIONAL MANUAL  
FOR  
COOPERATIVE BANKS**

**VOLUME-II**

**FUNCTIONS OF HEAD OFFICE**

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**VOLUME - III**

**LOANS  
AND  
ADVANCES  
(PART – I & PART – II)**



# OPERATIONAL MANUAL FOR COOPERATIVE BANKS

## VOLUME-III

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**OPERATIONAL MANUAL  
FOR  
COOPERATIVE BANKS  
(REVISED - 2013)**

**VOLUME - IV**

**INSPECTION  
AND  
INTERNAL AUDIT**

# OPERATIONAL MANUAL FOR COOPERATIVE BANKS

## VOLUME-III

### INSPECTION AND INTERNAL AUDIT

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## ABOUT NAFSCOB

The National Federation of State Cooperative Banks Ltd. (NAFSCOB), Mumbai was established on May 19, 1964 with a view to facilitate the operations of State Cooperative Banks (SCBs) and District Central Cooperative Banks (DCCBs), in particular and Development of Cooperative Credit & Banking, in general.

The specific objectives of NAFSCOB are to:

- Provide a common forum to the member banks to examine the problems of cooperative credit, banking and allied matters and evolve suitable strategies to deal with them.
- Promote and protect the interests of the member banks in all spheres of their activities and to give expression to the view of the member banks.
- Co-ordinate and liaison with Government of India, Reserve Bank of India, NABARD, respective State Governments and other higher financing institutions for the development of cooperative credit on behalf of the member banks.
- Provide research and consultancy inputs to the member banks in order to facilitate them to strengthen their own organisations.
- Organise conferences/ seminars/ workshops/programmes/meetings to share the views of common interest with view to contribute for better policy decisions.

**NAFSCOB functions with three main sections.**

1. Planning, Research and Development (PRD)
2. All India Mutual Arrangement Scheme (AIMAS)
3. Computer Services Division (CSD).