

## Frequently asked questions on Kerala Cooperative Bank.

**1. What is meant by Three Tier Cooperative Credit Structure and Two Tier Cooperative Credit structure.?**

The Structure of the Short Term Cooperative Credit (STCC) system of the State of Kerala at present consists of three layers with Kerala State Cooperative Bank(KSCB) which is apex the bank at the top layer and District Central Cooperative Banks(DCCBS) in the middle layer and Primary Agricultural Credit Societies(PACS) at the bottom level. Since the structure is in three layers it is called three tier Cooperative Credit Structure. While in two tier Cooperative Credit structure will only be two layers with KSCB at the Apex level and the PACS at the bottom level.

**2. What is the method adopted for Converting Three Tier Structure into a Two tier Structure?**

The three Tier structure will be converted into two tier structure by merging the middle layer of DCCBs with KSCB.

**3. What are the advantages of converting Three Tier Structure into a Two Tier Structure?**

By removing one layer the Credit delivery from the Apex bank will be faster and cheaper to the ultimate beneficiary at the grass root level. The consolidation process cuts down costs of technology, administrative costs and financial costs significantly. Since this envisages de-layering, there would be significant gains in terms of efficiency of managing a single large balance sheet and all these gains in the costs could eventually be passed on to the primaries so that they could serve their customer more effectively. It will also help the bank to effectively compete with the commercial banks with advanced technology and other resultant economics of scale, thereby provide more ethical and cost efficient banking products at non-exploitative rates.

**4. Please explain the method adopted for the formation of Kerala Cooperative Bank?**

The formation of Kerala Cooperative Bank (the name is yet to be finalized) is envisaged to be formed by the merger of all DCCBs with the Kerala State Cooperative Bank and by bringing necessary changes in the organizational structure of the merged entity and technology up gradation so as to make it a universal bank capable of providing all modern banking services and products.

**5. What will be the role of PACS in the new set up when the Kerala Cooperative Bank becomes a reality?**

By the merger of DCCBs with Kerala State Cooperative Bank to form the new Bank the shareholdings of PACS in DCCBs will be transferred to the new entity and hence PACS will be the A class members of the Kerala Cooperative Bank. Being the major share holders ,PACS will have adequate representation in the Board of Directors of Kerala Cooperative Bank. In fact,PACS will be the owners of the new entity vested with adequate powers for making policy and structural changes in the new entity.

- 6. What will be the relations between various other Societies such as Miscellaneous Societies , Employees Societies Vanitha Societies etc. and Kerala Cooperative bank.?**

While PACS will be the A class members of the Kerala Cooperative Bank all other societies can avail the facilities from Kerala cooperative bank either through their Apex societies or directly by becoming the nominal members of the Kerala Cooperative Bank. All these societies will continue to enjoy the facilities presently available to them through DCBs.

- 7. Whether Kerala Bank will be able to offer all modern banking facilities such as NEFT,RTGS, ATM NRE Business etc. to its customers like some of the DCBs which are already offering such facilities to its customers?**

At present, the Kerala State Cooperative Bank is offering NEFT, RTGS, and ATM facility to its customers through sub membership of a commercial bank. However, KSCB has since attained the eligibility for applying for a Direct Membership in the Central Payment System and they have already made an application for the same. Once they get the direct membership they can offer these services independently to its customers. They have also applied for authorization to open and maintain NRO and NRE Accounts in Rupees which is under the consideration of the Regulators Once the consolidation of DCCBs with KSCB is over, the consolidated entity will be eligible for applying to all the modern facilities viz. mobile banking, internet banking and AD category license etc.. On getting these facilities the merged entity will be able to offer all modern banking products and services to its customers on the same footings of some of the DCBs who provide such services.

- 8. How the formation of Kerala Cooperative Bank will help in strengthening Primary Agricultural Credit Societies (PACS).**

Consequent on the de-layering of DCCBs the PACS will become the owners of the Kerala Cooperative Bank as they will be the A class members of the Bank with voting rights. There will be a separate vertical for PACS and the Development of the PACS will be one of the major task of the new entity. Once the Kerala Bank becomes a reality it will cater to all the needs of the PACS and there will be a soft ware interface with all PACS through which the PACS can make sure of the products and Services of KSCB in addition to their existing products and services.

- 9. Does Kerala Cooperative Bank require a fresh license from Reserve Bank of India?**

No. Since Kerala Cooperative Bank is formed by the merger of all DCBs with Kerala State Cooperative Bank it doesn't require a separate license from Reserve Bank of India. The new entity can carry on the banking business with the license of Kerala State Cooperative Bank. However, it may require the permission from RBI to continue with its Banking Business.

- 10. Please explain how the Kerala State Cooperative Bank is converted into Kerala Cooperative Bank?**

Once the merger of all DCBs with Kerala State Cooperative Bank is completed the name of the merged entity will be suitably changed to either Kerala Cooperative Bank or any other name which is yet to be finalized. Further, since the merged entity will be huge bank with an asset size of more than 1000 cr , the organizational set up of the KSCB will undergo major changes with the constitution of a Professional Board, a new Board of Management, Separate vertical for PACS and Commercial Banking. Etc. The merged entity is envisaged to be a technologically advanced universal bank under cooperative sector capable of providing all modern banking products and services to its customers at an affordable cost.

- 11. The Expert Committee Report has recommended rationalization of the existing branches of DCCBs and reduction of number of branches to 15-20 in a District as against the 50-100 branches existing in the District. Is there any plan to close down the branches of DCCBs when the Kerala Cooperative Bank is formed.?**

Though Sriram Committee has recommended reduction of branches over a period of time by taking advantage of the technology, considering the scope and reach of the current branch net work of the banks it has been decided not to close down any of the branches Rationalization of the branches of the new bank in future is the prerogative of the Board of the new entity.

- 12. Will there be any reduction of number of employees consequent to the formation of the new bank?**

The Govt. has time and gain made it clear that there will not be any retrenchment of employees on account of the formation of the Kerala Cooperative Bank.

- 13. At present PACS of a particular District are being serviced by the District Cooperative Bank of that District. When the DCBs are merged with KSCB what will happen to the facilities offered by DCBs to the PACS? Since the Kerala Cooperative bank has only one head quarters how it is ensured that the PACS will get all services availed by them so far without approaching the Head quarters of the KCB?**

Since Kerala Cooperative bank will have adequate branches in each District and there will have a Regional Office for every two or three Districts the services hitherto enjoyed by each PACS will be continued without any restrictions. Moreover, with the advanced Technology being used in KCB will facilitate providing of the services of KCB to the PACS in a more efficient and fast manner.

- 14. Whether the entire share holdings of PACS in DCBs are to be transferred to Kerala Cooperative Bank when the merger of DCBs takes place to Form Kerala Cooperative Bank?**

Normally if a DCB decides to merge with KSCB the share holdings of the member PACS will be transferred to the new entity subject to the respective provisions of the Cooperative Societies Act

**15. Will the amount collected from PACS to attain the stipulated Capital to Risk Weighted Assets Ratio of DCBS be paid back when the merger happens?**

A decision in this case will be taken as per the provisions of the Cooperative Societies Act.

**16. Whether the Kerala Cooperative Bank which will be under the Regulatory Control of RBI will be able to provide new services to PACS by retaining the existing services?**

Formation of Kerala Cooperative Bank by merging the DCBs will no way adversely affect the functioning of the PACS. On the Contrary the functioning of the PACS will be strengthened as they can continue with all the functions they have been doing hitherto. Besides they can sell the products and services of Kerala Cooperative Bank if they desire so. Further, a separate vertical is also envisaged in the new entity exclusively for the PACS.

**17. Whether the PACS will be treated as the Business Correspondent of Kerala Cooperative Bank when it is formed?**

PACS will be owners of the proposed Kerala Cooperative Bank. PACS can independently continue with their own activities. They can also sell the products of Kerala Bank which are not available with the PACS through an interface with the CBS of Kerala Cooperative Bank.

**18. Please explain the strategy adopted for the integration and re-deployment of the staff of the entities which are being merged to form Kerala Cooperative Bank.?**

A detailed HR Policy comprising all aspects of HR viz. Salary, cadre integration, recruitment policy, transfer and placement policy etc. are under preparation of the Task Force and the same will be finalized by the Govt. after taking into confidence the concerned Associations and Unions in these banks.