PROCEEDINGS OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES, THIRUVANANTHAPURAM, KERALA

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No. CB (5) 297/2023 Dated.12.01.2023

Sub: - Department of Co-operation – Delayering of Short Term Co-operative Credit Structure in Kerala - Merger of Malappuram District Co-operative Bank with Kerala State Co-operative Bank (KSCB) Ltd. in public interest – objections and suggestions on proposed merger order – Received – Scrutinized – Disposed - Final orders issued.

Read:-1) RBI Letter No. DCBR.CO.RCBD.No. 1007/19.51.007/2018-19 dated 03.10.2018.
2) G.O(Rt.) No.36/2018/Co-op, dated 12.10.2018
3) Proceedings No. CB(5)/784/2019 of the Registrar of Co-operative Societies dated 29/11/2019.
4) The Kerala Co-operative Societies (Amendment) Act, 2021 (Act 34 of 2021)
5) The Kerala Co-operative Societies (Amendment) Ordinance, 2022 (Ordinance No. 11/2022)
6) This office letter No. 6394/2020/-CB(5) dated 12/01/2022
7) This office letter No. 6394/2020/-CB(5) dated 05/03/2022
8) This office letter No. 6394/2020/-CB(5) dated 30/05/2022
9) This office letter No. 6394/2020/-CB(5) dated 23/12/2022

10) This office notice and proposed merger order No. 6394/2020/-CB(5) dated 23/12/2022 served to member societies of Malappuram District Co-operative Bank.
11) This office notice and proposed merger order No. 6394/2020/-CB(5) dated 23/12/2022 published on 24/12/2022 in Malappuram District edition of the 'Deshabhimani' and 'Mathrubhoomi' Malayalam dailies.
12) Objections and suggestions against the proposed merger order filed by 72 primary societies in Malappuram District.
13) Letter No. PGA 2/2022-23/1127 dated 03.01.2023 of the President of Malappuram District Co-operative Bank
14) Interim Order of the Hon'ble High Court of Kerala dated 12.01.2023 in WP(C) No. 12/2023 filed by Sri. M. Saidalvi Master & Others and WP(C) No. 173/2023 filed by Sri. U.A.Lathif MLA & Others
15) Letter regarding W.P.(C) No. 12& 173/2023/F dated 12.01.2023 from the Special Government Pleader(Co-operation), Office of the Advocate General, Ernakulam, Kochi.

The Government vide reference (2) cited have taken a policy decision to delayer the Short Term Co-operative Credit Structure from three tier to two tier, after considering significant changes occurred in the Short Term Co-operative Credit System (STCCS) worldwide.

The Government have submitted a detailed proposal to RBI seeking approval for merging 14 DCBs with KSCB, by transferring the assets and liabilities of DCBs to KSCB. On the basis of the said application, RBI, vide reference 1st cited had accorded in principle approval to amalgamate 14 DCBs with KSCB, subject to the fulfilment of 19 conditions. While according sanction for the amalgamation of DCBs with KSCB, RBI has suggested that the due process as required under the provisions of the State Cooperative Societies Act and the State Cooperative Societies Rules as adopted by the State of Kerala, be followed.

Meanwhile the Kerala Co-operative Societies Act, 1969, had amended which came into effect on 8th January 2019, by incorporating a new section

14A, permitting the transfer of assets and liabilities of DCBs to KSCB, by a resolution passed by a simple majority of members present and voting in the General Body Meeting of DCBs. General bodies of 13 DCBs have passed resolutions giving assent for the transfer of their assets and liabilities to KSCB. Malappuram District Co-operative Bank had not adopted the resolution under section 14A of Kerala Co-operative Societies Act, 1969.In that background, a formal application seeking final approval for amalgamation of 13 DCBs, who have adopted the resolution under section 14 A of Kerala Co-operative Societies Act with KSCB, was submitted to RBI by the Government. Accordingly, RBI had accorded final approval to the proposal of Government of Kerala to amalgamate 13 DCBs with KSCB on 7.10.2019.

Section 74H of the KCS Act empowers the Registrar of Co-operative Societies to order the amalgamation of District Co-operative Banks in Kerala with the Kerala State Co-operative Bank on the basis of resolution passed by the general body as provided under section 14A of the Act

Thus after completing the statutory requirements, Registrar of Co-operative Societies had taken a decision to accept the resolutions passed by General Bodies of DCBs under Section 14A of the Kerala Co-operative Societies (Amendment) Act (Act 1 of 2019) and has decided vide reference (3) cited to amalgamate 13 DCBs with KSCB, by transferring assets and liabilities of DCBs to KSCB, based on the above mentioned resolution. The amalgamated entity came into existence on 29/11/2019 and started functioning with the brand name "Kerala Bank" as per its byelaw adopted by the first general body which was convened on 20.01.2020.

After the amalgamation of 13 DCBs with the KSCB into a single entity, Malappuram DCB remained outside the purview of the KSCB. On public interest Government decided to extend all the benefits of delayering to PACS and other Co-operative institutions functioning in the Malappuram District too. Hence the decision to merge Malappuram DCB with Kerala State Co-operative Bank, for better operationalisation effecting uniformity in service has been taken. To facilitate the merger of Malappuram DCB with KSCB an ordinance was issued by the Government and this ordinance was later replaced by the Kerala Co-operative Societies (Amendment) Act, 2021(Act 34 of 2021) which was unanimously passed by Kerala Legislative Assembly.

The Secretary, Department of Co-operation, Government of Kerala along with the Registrar of Cooperative Societies had met the officials concerned for the suggested consultation of RBI on 26/02/2020 as provided in Section 74(H)(1)(a) and explained the necessity of merging Malappuram District Co-operative Bank with Kerala State Co-operative Bank on public interest. As per reference 6th, 7th, 8th and 9th cited the Registrar of Co-operative Societies had addressed the Reserve Bank of India on the matter of merger of Malappuram District Co-operative Bank with Kerala State Co-operative Bank. Only apprehension as expressed by their letter dated 11/11/2022 is the pendency of the two cases. In response to the same Registrar of Co-operative Societies had informed Reserve Bank of India about the present status of the cases and also the content of the interim order which permits to proceed further.

The amalgamation of 13 District Co-operative Banks in the State with the Kerala State Co-operative Bank was challenged by various primary co-operative banks, individual members of the primary banks and others in W.P.(C) Nos. 39749/2017, 5902/2018, 9491/2019, 19166/2019, 6736/2019 & connected cases. The vires of amended statutory provisions and process involved in the amalgamation by Act 1/2019 was under challenge. The learned Single Judge vide judgment dated 29.11.2019 dismissed the writ petitions upholding the validity of the amended statutory provisions. The judgment of the learned Single Judge was challenged in writ appeal No. 2504/2019 and connected cases. Vide judgment dated 03.06.2022, the Division Bench of the Hon'ble High Court of Kerala dismissed the appeals as the subject matter involved in the cases become infructuous.

In the mean time nine Writ Petitions (Nos.33596/2019, 571/2020, 1916/2020, 6639/2020, 11753/2020, 20371/2020, 20400/2020, 21265/2020 and 4882/2021) were filed Against the Ordinance issued by the Government amending the Kerala Co-operative Societies Act, to merge Malappuram District Co-operative Bank with Kerala State Cooperative Bank. These Writ Petitions have been disposed by the Hon'ble Court with a direction to "expedite the process of merger of Malappuram District Cooperative Bank with KSCB, so that the benefits of the amended provisions are extended to the petitioners in the above Write Petitions".

Against this judgment of single bench, Writ Appeals (WA Nos.708, 709, 711, 713, 715, 716, 717 of 2021) were filed before the division bench, in which status quo was ordered as per the interim order dated 04.05.2021. In the final judgment of the above cases (WA Nos.708, 709, 711, 713, 715, 716, 717 of 2021) against WP(c) No.33596/2019 dated 25.02.2022, Division Bench of the Hon'ble High court closed all the proceedings in the Writ Appeals.

Subsequently Sri. U.A. Latheef & Others filed WP(C) 28650/2021 and Sri. Kannyan Muhammedali & Others filed WP(C) 1035/2022 before the Hon'ble High Court of Kerala against the Amendment Act (Act 34 of 2021). In WP(C) 28650/2021, the Hon'ble Court has ordered in the order dated 14/12/2021 that "merger, if any, shall not be effected without complying the procedure contemplated in Section 74(H) of the Kerala Co-operative Societies Act."

As per the Kerala Co-operative Societies (Amendment) Act, 2021 (Act 34 of 2021) the Registrar of Co-operative Societies is empowered to pass an order of merger if the District Co-operative Bank has not passed the resolution under Section 14A of the amended provision of the Kerala Co-operative Societies Act on fulfilment of the conditions to ensure the rule of law.

As per the provisions of the Amendment Act a copy of the proposed order of merger has to be sent to the member society or member societies concerned by registered post and to be published in two vernacular dailies having wide circulation in the district in which the society situates, for their objections and suggestions.

Accordingly proposed order of merger was sent to all member societies and also published the same in two vernacular dailies (Deshabhimani and Mathrubhoomi dailies on 24/12/2022) having wide circulation in the district in which the society situates for their objections and suggestions.

Accordingly following primary societies in Malappuram District have filed objections/suggestions against the proposed merger order within the time limit prescribed.

SL NO	Name of Primary Society	Letter Date	Letter No.	Date of Receipt
1	Valanchery Service Co-operative Bank Ltd No M 728	31.12.2022	NIL	05.01.2023
2	Othukkungal Service Co-operative Bank Ltd No.F. 1039,	NIL	NIL	05.01.2023

3	Vettom Service Co-operative Bank Ltd No.1823,	03.01.2023	NIL	05.01.2023
4	Arakkuparamba Service Co-operative Bank Ltd No.F.1580,	03.01.2023	NIL	05.01.2023
5	Angadippuram Service Co-operative Bank Ltd No.P.581,	03.01.2023	NIL	05.01.2023
6	Ramapuram Service Co-operative Bank Ltd No.F.1445,	NIL	NIL	05.01.2023
7	Valluvambram Service Co-operative Bank Ltd, No.F.1564,	03.01.2023	NIL	05.01.2023
8	Kadannamanna Service Co-operative Bank Ltd No.10561,	03.01.2023	NIL	05.01.2023
9	Parappanangadi Service Co-operative Bank Ltd No.F.2302,	31.12.2022	NIL	05.01.2023
10	Thuvvur Panchayath Service Co-operative Bank Ltd No M 492,	30.12.2023	TPSCB/MDCB_KSCB_MERGER/2022-23	05.01.2023
11	Oorakam Service Co-operative Bank Ltd, No.F.1447,	03.01.2023	NIL	05.01.2023
12	Vattamkulam Panchayath Service Co-operative Bank Ltd No M 481,	NIL	NIL	05.01.2023
13	Kuruppathal Service Co-operartive Bank Ltd No M 495,	03.01.2023	NIL	05.01.2023
14	Melattur Service Co-operative Bank Ltd No.F.1183,	NIL	NIL	05.01.2023
15	Mankada Service Co-operative Bank Ltd No.937,	NIL	NIL	05.01.2023

16	Pookkottur Service Co-operative Bank Ltd No.F.1492,	03.01.2023	PSCB0020010112(2022-2023)	06.01.2023
17	Kuttippuram Service Co-operative Bank Ltd No M 729,	NIL	NIL	06.01.2023
18	Anamangad Service Co-operative Bank Ltd No.F.1182,	03.01.2023	NIL	06.01.2023
19	Changaramkulam Service Co-operative Bank Ltd No.9260,	03.01.2023	NIL	06.01.2023
20	Ponnani Co-operative Urban Bank Ltd No M 372,	04.01.2023	NIL	06.01.2023
21	Pulikkal Service Co-operative Bank Ltd, No.1892,	NIL	NIL	06.01.2023
22	Aliparamba Service Co-operative Bank Ltd No.F.1653,	NIL	NIL	06.01.2023
23	Vettathur Service co-operative Bank Ltd No M 397,	04.01.2023	NIL	06.01.2023
24	Pattikkad Service Co-operative Bank Ltd No.P.445,	04.01.2023	NIL	06.01.2023
25	Vengara Service Co-operative Rural Bank Ltd No.F.1186,	NIL	NIL	06.01.2023
26	Perintalmanna Service Co-operative Bank Ltd NoP.534,	NIL	NIL	06.01.2023
27	Malappuram District Co-operative bank Ltd. No. 4329.	03.01.2023	NIL	06.01.2023
28	Nannambra Service Co-operative Bank Ltd No M 393,	NIL	NIL	07.01.2023

29	Tirurangadi Service Co-operative Bank Ltd No.F.1185,	NIL	NIL	07.01.2023
30	Moorkkanad Panchayath Service Co-operative Bank Ltd No M 456,	02.01.2023	NIL	07.01.2023
31	Vazhakkad Panchayath Service Co-operative Bank Ltd No.D.1912,	03.01.2023	NIL	07.01.2023
32	Kondotty Service Co-operative Bank Ltd No.D.1937,	04.01.2023	NIL	09.01.2023
33	Makkaraparamba Service Co-operative Bank Ltd NoP.576,	04.01.2023	EA/233/2022	09.01.2023
34	Vallikkunnu Service Co-operative Bank Ltd No.M-4,	04.01.2023	VSCB-01/2023	09.01.2023
35	Kalikavu Service Co-operative Bank Ltd No.M-40,	NIL	NIL	09.01.2023
36	Malappuram Service Co-operative Bank Ltd No.F.1829,	NIL	NIL	09.01.2023
37	Moorkkanad panchayth service Co-operative bank M 496	NIL	NIL	09.01.23
38	Ananthavur Service Co-operative Bank Ltd No.F.1545,	NIL	NIL	09.01.23
39	Mankada Pallippuram Service Co-operative Bank Ltd No.2317,	NIL	NIL	09.01.23
40	Velimukku Service Co-operative Bank Ltd No.7725,	NIL	NIL	09.01.23
41	Karulai Service Co-operative Bank Ltd No.M-30,	03.01.2023	NIL	09.01.23

42	Kanmanam Service Co-operative Bank Ltd No.10585,	03.01.2023	NIL	09.01.23
43	Kuzhimanna Service Co-operative Bank Ltd No.D.1899,	NIL	NIL	09.01.23
44	edapal panchayath service co operative bank M 484	03.01.2023	NIL	09.01.23
45	Thenhippalam Service Co-operative Bank Ltd No.D.1969,	NIL	NIL	09.01.23
46	Edavanna Service Co-operative Bank Ltd, No.9261,	NIL	NIL	09.01.23
47	Nediyiruppu Service Co-operative Bank Ltd No.D.1934,	NIL	NIL	09.01.23
48	Elankur Service Co-operative Bank Ltd, No.1540	03.01.2023	NIL	09.01.23
49	Pang Service Co-operative Bank Ltd No.1410	NIL	NIL	09.01.23
50	Pulpatta Service Co-operative Bank Ltd, No.1521	03.01.2023	NIL	09.01.23
51	Thennala Service Co-operative Bank Ltd No.F.720	03.01.2023	NIL	09.01.23
52	Valavannur Service Co-operative Bank Ltd No.D.1959,	NIL	NIL	09.01.23
53	Karuvarakundu Service Co-operative Bank Ltd No.F.1191,	NIL	NIL	09.01.23
54	Vettikkattiri Service Co-operative Soceity Ltd No.F.1889	03.01.2023	ADM10/2023	09.01.23
55	Payyanad Service Co-operative Bank Ltd, No.F.1590,	03.01.2023	NIL	09.01.23

56	Peruvallur Service Co-operative Bank Ltd No.D.1979,	NIL	NIL	10.01.2022
57	Chelembra Service Co-operative Bank Ltd No.D.1953,	NIL	NIL	10.01.2022
58	Cheekode Panchayath Service Co-operative Bank Ltd, No.1897,	NIL	NIL	10.01.2022
59	Andathode Service Co-operative Bank Ltd No.F.1249,	03.01.2023	NIL	10.01.2022
60	Nannammukku Panchayath Service Co-operative Bank Ltd No M 975,	NIL	NIL	10.01.2022
61	Manjeri Service Co-operative Bank Ltd No.M-31,	NIL	NIL	10.01.2023
62	Thazhekkode Service Co-operative Bank Ltd NoP.413,	05.01.2023	NIL	10.01.2023
63	Tirur Service Co-operative Bank Ltd No.F.10094,	03.01.2023	NIL	10.01.2023
64	Maranchery Service Co-operative Bank Ltd No.M-28,	04.01.2023	NIL	10.01.2023
65	Mangalam Service Co-operative Bank Ltd No.9701,	03.01.2023	NIL	10.01.2023
66	Kavanoor Service Co-operative Society Ltd, No.10252	NIL	NIL	10.01.2023
67	Service Co-operative Bank Ltd No.F.583, AR NAGAR	NIL	NIL	10.01.2023
68	Pallikkal Service Co-operative Bank Ltd No.D.1936	NIL	NIL	10.01.2023
69	Trikkalangode Service Co-operative Bank Ltd, No.F.1548,	NIL	NIL	10.01.2023

70	Moothedam Service Co-operative Bank Ltd No.M-277,	NIL	NIL	10.01.2023
71	Ponmundam Service Co-operative Bank Ltd No.10820	05.01.2023	NIL	10.01.2023
72	Kurumbathur Service Co-operative Bank Ltd No.F.1769,	NIL	NIL	10.01.2023

The major objections/suggestions of the above societies are given below.

- Kerala Co-operative Societies Act was amended by providing a separate provision for amalgamation of District Co-operative Banks with Kerala State Co-operative Bank, through a simple majority whereas the provision contained in the Co-operative Societies Act has provided for 2/3rd majority. It is to tide over the above requirement, Act 1 of 2019 was passed. Majority of the members have voted against the proposal for merger which resulted in the further amendment of the provisions of the KCS Act through Act 34 of 2021.
- As per the amendment made to the provisions of the Banking Regulations Act there is apparent conflict in between the State legislation and that of the Central legislation. Therefore, to the extent of the conflict, the State legislation is void and inoperative and the RCS has no authority in passing the order of amalgamation.
- As per the regulatory criteria, the minimum gross NPA shall be below 7% and net NPA shall be below 5%. Kerala State Co-operative Bank, as per the audited balance sheet published on 31.03.2022 has shown a gross NPA of 13.5% and the net NPA of 9.05%. The net profit shown is an artificial creation, whereas in reality Kerala State Co-operative Bank is on heavy loss.

The President of Malappuram District Co-operative Bank, vide his letter No. PGA 2/2022-23/1127 dated 03.01.2023 has filed objections/suggestions against the proposed merger order. Major objections/suggestions are the following.

- The Scheme of amalgamation shall be presented to the share holders of the District co-operative bank. A resolution shall be passed by the 2/3 majority of the share holders, both in number and value, present and voting at a General Body meeting of the District Co-operative Bank as required under Sec.44(A) read with Section 56 of the Banking Regulation Act.
- The General Body meeting of Malappuram District Co-operative Bank convened by the RCS on 07.03.2019 and 18.07.2019, rejected the amalgamation proposal.
- State Government cannot pass an Act against the provision of the Central Act, as upheld by Article 254 of Indian Constitution.
- RBI has not given approval or consent to the amalgamation of Malappuram District Co-operative Bank with State Co-operative Bank.
- The Malappuram District Co-operative Bank is functioning with a good profit for the last 15 years. But the state co-operative bank having an accumulated loss of 700 cores.
- Malappuram District Co-operative Bank is providing all modern banking facilities.
- As per the RBI Regulation criteria for the amalgamation, for the amalgamated entity, Gross NPA shall be 7% and Net NPA below 5%. All the other 19 conditions are not fully satisfied by the state co-operative bank for the amalgamation.
- Individuals and other societies are maintaining Loan/Deposits/Shares with Malappuram District Co-operative Bank. Notices are not given to these parties.
- The pendency of WP(c)28650/2021 and WP(c)1035/2022 before the Honourable High Court of Kerala has not been considered.

After having a close examination of the said objections/suggestions, I hereby found the following reasons for rejecting the said suggestions /objections.

1. In the WP(C) 12/2023 filed by Sri. Saidalavi Master and Others and in WP(C) 173/2023 filed by Sri. U.A.Latheef and Others against the proposed merger order, the Honourable High Court ordered that "On scrutiny of the grounds, it is seen that similar grounds of challenge are raised in the Writ Petitions and reliefs are also similar except for additional challenge against Exhibit P10 Notice. Single Bench in W.P(C) No.28650/2021 passed interim order directing merger, if any, shall not be effected without complying the procedure contemplated in Section 74H and Exhibit P10 issued in accordance with the procedure prescribed under Section 74H, it will be inappropriate on my part, to interdict the proceedings based on Exhibit P10. Therefore, while dealing the prayer for stay of further proceedings based on Exhibit P10, the decisions if any taken, pursuant to Exhibit P10 and consequent actions are made subject to the result of the Writ Petitions." Accordingly the objections raised by the petitioners are not sustainable before the eyes of law.
2. Writ Petitions filed Against the Ordinance issued by the Government amending the Kerala Co-operative Societies Act, to merge Malappuram District Co-operative Bank with Kerala State Cooperative Bank have been disposed through court order WP(c) No.33596/2019 and connected cases dated 28.4.2021 by the Hon'ble Court with a direction to "expedite the process of merger of Malappuram District Cooperative Bank with KSCB,so that the benefits of the amended provisions are extended to the petitioners in the above Write Petitions". Writ appeals filed against this judgment before the division bench and the Division Bench of the Honb'le High court closed all the proceedings in the Writ Appeals.

3. The Article 19 of the Indian Constitution empowers formation of co-operative societies as a fundamental right. But formation of apex society is creation of the KCS Act. The Government of Kerala has decided to

delayer the short term credit structure in the State. For the amalgamation of 14 DCBS with KSCB, RBI had directed to complete the due process of amalgamation as "required under the provisions of the Kerala State Co-operative Societies Act and the State Co-operative Societies Rules as adopted by the Kerala Government. And also instructed " at every stage the provisions of the Kerala Co-operative Societies Act must be complied with".

4. In conformity with the global changing scenario in the cooperative banking structure, the Government of Kerala had decided to review the structure with a view to provide better service to members of the primary cooperatives. The very objective of the amalgamation is to strengthen cooperative fraternity in the state in general and the affiliated PACS in particular for providing better services to the members of Primary cooperatives, and the KSCB will provide financial and technical support and services to the PACS and its members in a manner that the members of PACS need not look elsewhere for any financial product or technical support.
5. While considering the drastic changes that occur in the present banking system and digital banking scenario that demands high cost and timely technology updation, it is observed that the Malappuram District Co-operative Bank could not face such issues in a cost effective manner without becoming a part of a single large entity. The banking sector is changing rapidly with the changes in technology and changes taking place in the international banking business. Small banks cannot keep up with these changes by upgrading technology and keeping up with the market. If the Malappuram District Co-operative Bank is to be enabled for this, it can only be done if it becomes part of a larger bank that can deal with such situations. Hence there is a need to move to a more

advanced and cost effective unified platform to compete and survive in the market which can only be addressed through merger process.

6. On adoption of two-tier system in Short Term Co-operative Credit Structure, DCBs cannot function under the Kerala Co-operative Societies Act as they were functioning in the past. Malappuram District Co-operative Bank will not be able to provide services independently.
7. The amendments made in the Banking Regulation (Amendment) Act, 2020 and further guidelines issued by RBI for carrying out the amalgamation proposal were considered by the Hon'ble High Court in The WP(C) 28650/2021 filed by Sri. U.A. Latheef & Others and WP(C) 1035/2022 filed by Sri. Kannyan Muhammedali & Others before the Hon'ble High Court of Kerala and the Hon'ble Court has ordered in the interim order dated 14/12/2021 that "merger, if any, shall not be effected without complying the procedure contemplated in Section 74(H) of the Kerala Co-operative Societies Act."

8. Kerala Bank has been awarded at the national level for its performance in the field of Co-operative Banking. Kerala Bank bagged the first position in the award organized by NAFSCOB for its outstanding performance in the Co-operative sector. Democratic functioning, resource mobilization and development, success in extending banking services to maximum beneficiaries, excellent recovery activities, clearing of arrears, progress in financial literacy, guideline compliance with prudential norms, better profit margin, administrative skills, achievements in information technology and computerization, leadership skills ,etc are considered for the Award. Kerala State Cooperative Bank (Kerala Bank) has bagged the first position among the top 300 cooperatives based on Turnover/GDP per capita in the Banking and

Financial Services Sector in the Asian region, as per the World Cooperative Monitor report published on 01.12.2022.

9. The gross NPA and net NPA of the Kerala State Co-operative Bank after amalgamation shows a decline from the year 2019-20 onwards and the bank is on the way to reach the prescribed level. The Gross NPA and net NPA of KSCB as on 31.03.2020 were 15.26% and 11.79% respectively, which reduced to 13.35% and 9.01% respectively as on 31.03.2022.

10. The accumulated losses of the 12 DCBs out of the 13 DCBs amalgamated as at the time of amalgamation were Rs. 1250.83 crores. KSCB and Ernakulam District Co-operative Bank were the only two entities running in net profit prior to amalgamation. After amalgamation, KSCB took stringent steps to wipe off the accumulated losses and the bank succeeded to cut short the losses over a period of three years by improving internal efficiency. Steps have been taken by the KSCB to streamline the business and enlarge the volume of business by introducing new attractive products. As a result the accumulated losses reduced to 637.02 crores and during the year 2021-22 KSCB has earned an operating profit of Rs.426.49 Crores and net profit of Rs.77.24 crores as per the the financial statements duly audited by qualified auditors as per statute.

11. With regard to the specific allegation that notices are not given to individuals and other societies who maintained Loan/Deposits/Shares with Malappuram District Co-operative Bank, it is to be clarified that it is not a prescribed procedure as per Section 74 H. It is seen that the proposed order of merger has been published in two vernacular dailies having wide circulation in the district (Malappuram edition of Deshabhimani and Mathrubhumi dailies published on 24/12/2022) for the notice of all interested parties and also in the website of Department of Co-operation.

12. KSCB has already fulfilled all the conditions with regard to the amalgamation and branch licenses are also seen issued by RBI to all the 769 branches of the amalgamated entity.
13. Similar objections and suggestions were already raised in the writ petitions filed before the Hon'ble High Court of Kerala in connection with the merger of Malappuram District Co-operative Bank with Kerala State Co-operative Bank and the Honourable Court has not considered such matters.
14. All other objections/suggestions raised were found immaterial.
15. None of the objectors demanded to conduct a personal hearing on the matter and the provisions in Section 74H of the Kerala Co-operative Societies Act, 1969 does not require to conduct personal hearing on the proposed merger order. Hence no personal hearing was conducted by the undersigned in this matter.

In the above circumstances, I do not find any reason to accept any of the said objections/suggestions due to the aforesaid reasons and therefore in accordance with the provisions of Section 74H of the Kerala Co-operative Societies Act, I hereby reject all the objections/suggestions filed by the president of Malappuram District Co-operative Bank and primary co-operative societies in Malappuram District against the merger of Malappuram District Co-operative Bank with Kerala State Co-operative Bank.

Alex Vargheese IAS
Registrar of Co-operative Societies

To

Member Societies of Malappuram District Co-operative Bank

Copy to :

1. Chief Secretary, Government of Kerala. (Through Secretary Co-operation)
2. Secretary to Government, Co-operation Department (with covering letter)
3. Advocate General, Eranakulam (with covering letter)
4. Regional Director, RBI, Thiruvananthapuram (with covering letter)
5. Chief General Manager,NABARD Regional Office, Thiruvananthapuram (with covering letter).
6. President, KSCB
7. Chief Executive Officer, KSCB
8. The Director of Co-operative Audit
9. Chairman, State Co-operative Union
10. Joint Registrar (General), Malappuram
11. President, Malappuram District Co-operative Bank
12. General Manager, Malappuram District Co-operative Bank
13. Website/Stock file