

Office of the Registrar of Co-operative Societies
No.CLT (2) 1194/2019 Thiruvananthapuram, 12/08/2020.

CIRCULAR No. 60/2020

Sub:- Co-operative Department- Assessment of Bad and Doubtful Debts in
Primary Co-operative Agricultural and Rural Development Banks-reg:

- Read:-
1. Judgement of Honble High Court in WP(C)11368/2019 dated 29/05/2019.
 2. Government Order (Rt) No.179/2020/Co-op. Dated 19.03.2020.
 3. NABARD letter No.NB(Kerala)/DoS-15/340/RCS Corres./2020-21 dated 10.06.2020 .
 4. This office Circular No. 51/93 dated 30.07.1993 (ADL (2) 20419/92)
 5. NABARD letter No.NB. IDD.464/H. 60/89-90 dated 20/07/1989. dated 10.06.2020 .

In compliance to the direction contained in the Revision Petition filed by Tirur Primary Co-operative Agricultural Rural Development Bank, the Government vide Order read as (2) have issued direction to review the Circular No.51/93 dated 30/07/1993 issued by Registrar of Co-operative Societies with regard to the treatment of penal interest collected from member borrowers for delayed payment of principal amount. As per clause 2.2 of the Circular referred under (4) above read as "For the purpose of augmenting the existing BDDR, State Land Development Banks and Primary Land Development Banks may consider transferring 15% of the appropriable profits or 5% of the gross profit to the BDDR where there is no appropriable profit. They may also transfer penal interest received directly to BDDR. It may however be noted that Land development banks should not enhance the evaluation fees from the existing level of ½ per cent of the project cost for this purpose." The above circular was issued in accordance with the guidelines issued by NABARD, vide letter referred under (5) above.

Detailed guidelines on prudential norms applicable to SCARDBs/PCARDBs were issued by NABARD vide Circular No. NB.DOS/HYD/POL/1275/P57(A)/1997-98 dated 19th June,1997 and revision in the norms were issued vide Circular Nos.NB.Dos.HO.POL/4600&4622/J-

1/2004-05 dated 07/09 March 2005. Further, as per the Standard Accounting practices and ibid guidelines also, the penal interest actually collected by banks is a realized "other income" and should be routed through Profit and Loss Account and appropriation of profit if any to reserves, may be done after tax and as per the provisions of Act and bye-law.

In the above circumstances, it is directed that while auditing the accounts of SCARDBs/PCARDBs, the penal interest collected from borrowers for delayed payment of principal amount may be treated as "other income" and should be routed through Profit and Loss Account. The Circular No.51/93 is amended to the above extent.

Sd/-

Dr. Narasimhugari.T.L.Reddy.I.A.S.
Registrar of Co-operative Societies.

Copy to:-

1. Co-operative Audit Director, Co-operative Audit Directorate
Thiruvananthapuram
2. All Co-operative Joint Registrar (General)
3. All Co-operative Joint Director(Audit)
4. Secreatry/President, Concurrent Auditor,Thiroom PCARDB
5. Managing Director,Kerala State Co-operative Agricultural and Rural
Development Bank , Thiruvananthapuram
6. Joint Director /Concurrent Auditor, Kerala State Co-operative Bnak/,Kerala
State Co-operative Agricultural and Rural Development Banks
7. All Asistanat Registrar/ Valuation Officers
8. All Asistanat Directors
9. All Additional Registrars of RCS/Sections
10. On the table of Registrar of Co-operativPe Societies
11. Editor, Sahakarana Veedhi, Journal(For Publication)
12. Website, Stock File, Spare

//Forwarded by Order//


Assistant Registrar (C.L.T.)