

## **IN THE WAKE OF THE BANKING CRISIS IN RECENT TIMES, DO WE NEED CO-OPERATIVE BANKS?**

**Meeting with Chartered Accountants, hosted by Citizencredit Co-operative Bank Ltd. at Dr. Antonio D'Silva School Auditorium, Dadar, on Saturday 18th August 2018**

This event brought together a large number of Chartered Accountants who, by nature of their profession, deal with a variety of client needs. In focus, was the need for Co-operative Banks and the financial stability of Citizencredit Co-operative Bank Ltd. (CCCBL).

The evening commenced with the singing of the National Anthem. Mrs Premila Pinto, who hosted the event, then welcomed all present. Among the guests was Rev. Fr. Barthol Machado. The Speakers on the Panel included CCCBL's MD & CEO, Mrs Geeta Andrades, Vice Chairperson, Mr. Donald Creado, General Manager, Christopher Mendoza and the distinguished members of the Board. The Guest Speaker was Mr. Mukund Manohar Chitale, Partner at M/s Mukund M. Chitale & Co. and the Bank's Auditor. After the introductions, the audience watched an informative video that traced the evolution of CCCBL from its beginnings, as the Citizencredit Co-operative Society, through 98 years of development and its growth from strength to strength.

The inaugural speech by the Bank's Deputy General Manager, Miss Shoba Saldanha, highlighted CCCBL's rich diversity of products and the clients who, thanks to the support of the Bank, have grown into major players in their respective industries over a period of time.

Mrs. Geeta Andrades, MD & CEO of CCCBL, then addressed the gathering. Drawing from her rich reservoir of experience in the banking industry, she enlightened the gathering about CCCBL's status and highlighted the fact that the Bank had crossed over Rs.5000 crores in business, of which deposits are Rs. 3000 crores, advances are Rs.1400 crores and the Treasury portfolio Rs.1200 crores. Citizencredit Cooperative Bank Ltd. now boasts of 45 branches manned by its 500 employees.

Mrs. Andrades went on to explain that rising NPAs are major contributors to the crisis in the banking industry in India. Statistics available show that NPAs went from 2.62% in 2014-15 to 7.79% in 2015-16 and went up as high as 10.41% in December 2017. However, bucking this trend, CCCBL maintained a gross NPA of 6% or less. This is thanks to financially sound decisions and well-managed risk assessments. Mrs. Andrades went on to illustrate how CCCBL has responded to the changing times through technology-driven banking services and the introduction of value-added services, like insurance and mutual funds.

Mr. Donald Creado, Vice Chairperson, CCCBL, then spoke, in depth, of the crisis that exists in the banking arena and highlighted the fact that although private sector banks/foreign banks showed a declining trend in NPAs, recent findings by the RBI shows that Private Sector Banks, Public Sector Banks as well as Foreign Banks have high stressed assets. Corporate profits showed a boom (77% in 2003-04) to doom (9% 2016-17) situation.

Mr Creado also offered an in-depth view of the RBI's functioning in various areas. For example, it has different directives for the working of a commercial bank and a co-operative bank. RBI'S financial inspection under section 35 of the Banking Regulation Act (1949) is based on two aspects: financial position of the bank: and, method of operation of the bank. RBI follows the CAMELS rating method i.e. Capital Adequacy, Asset Quality, Management,

Earnings, Liquidity, Systems for its inspections both in commercial as well as co-operative banks. A comparative study of capital adequacy for scheduled urban banks based on the last three years' figures was shown. Mr Creado also pointed out the 'provision coverage ratio' as an important criterion. He concluded by asserting that if the management has a good operations system in place, they will succeed. Such systems include computerisation, risk management, installation of fraud detection mechanisms, policies for HR and operations and cybersecurity.

The third speaker for the evening was Mr. Mukund Manohar Chitale, who brought to the table his varied experience in Finance, Accounting, Banking, Insurance and General Management. According to Mr. Chitale, today's crises in the banking sector are of a different nature. It is more of character, confidence and commitment. He emphasised the importance of the motto '*Ya aisu, subtaisu jagarti*' which translates as 'be awake when the rest are asleep.' If the Board of every bank follows this principle, then their economic structure will not falter. If the board is more vigilant, even the most devastating event will have minimal impact on the bank's economy. Mr. Chitale requested all the Chartered Accountants present to bring more clients to the co-operative banking sector and, at the same time, asked the bankers to look at the proposals brought by the Chartered Accountants, objectively, so as to protect the interests of all parties.

The Chairperson, CCCBL, Mr. Anthony D'Souza, spoke of his experiences, via video, of working with a co-operative bank. He shared his philosophy that banking should not be a mere transaction but an experience. It should not be just a customer number and the statistical drudgery attached to it, but about people and communities and serving them. Mr. D'Souza emphasised how co-operative banks fund loans that are invested in local communities and in small businesses, thus creating jobs and a stronger local economy. When the local economy prospers, so does the bank. Co-operative banks offer the full range of services offered by a commercial bank often at a better rate and look at customers as an entire person rather than just a credit score. The employees and customers know each other and interact.

The final speaker of the evening was CCCBL's General Manager, Mr. Christopher Mendoza who shared his 30 years of experience in both public sector banking (The State Bank of India) and co-operative banking (Citizencredit Co-operative Bank Ltd.). During his service with State bank of India, Mr Mendoza spent much of his time away from home in six different States and numerous cities. He drew inferences based on his experience, and concluded that drawing comparisons between the banking sectors does not work owing to the different magnitudes and purposes.

The floor was thrown open to the chartered accountants to clear their doubts. These were addressed by the Speakers and Mr. Samir Majumdar, Head of the Credit Department at CCCBL, who initiated the session. Mr. Errol D'Souza, Assistant General Manager, formally introduced CCCBL's new service in partnership with Finwizard Technology Pvt. Ltd., which will cater to the investment needs of the Bank's customers. Mr Anand Dalmia of Finwizard Technology Pvt. Ltd. shared with the audience the goal of the Fisdome Mutual Fund App, which is to assist clients invest in mutual funds with ease and discern suitable funds based on their profile. The 'Fisdome App' is available on the Play Store.

The event concluded with the Vote of Thanks by Mr. Vincent D'Cunha, Assistant General Manager

: August 26, 2018