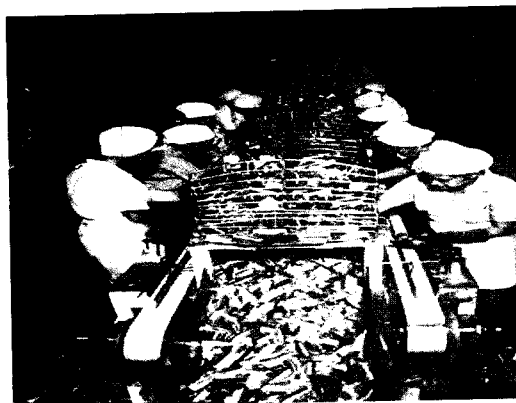
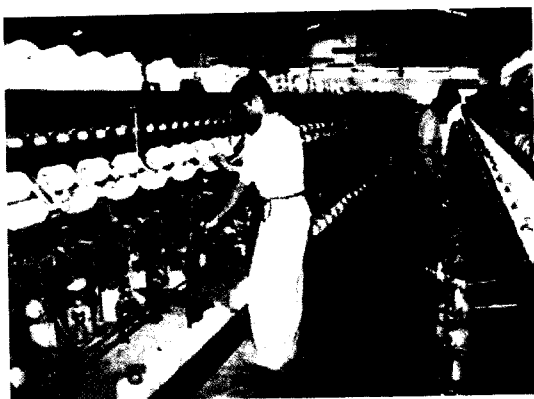


‘सहकारिता को समझने, सहकारी समितियों के विकास एवं वित्त
पोषण हेतु एनसीडीसी की कार्यनीति’ विषयक प्रशिक्षण कार्यक्रम
‘Understanding Cooperatives & NCDC’s Strategy for Financing and
Developing Cooperatives’

(निगम में नये भर्ती हुये अधिकारियों हेतु)

(29 मई – 9 जून, 2017)

What we learn with pleasure we never forget



~ पाठन सामग्री ~



कार्यक्रम निदेशक : डॉ. जे.एस. चौहान
मुख्य निदेशक : श्री ए.बी. पिल्लै

टॉपिक संस्थान
राष्ट्रीय सहकारी विकास निगम
गुरुग्राम, हरियाणा

Training Programme
on
“Understanding Cooperatives & NCDC's Strategy for Financing
and Developing Cooperatives” for newly recruited officers of NCDC

(29th May-9th June, 2017)

PROGRAMME SCHEDULE

Date & Day	Session-I	Session-II	Session-III	Session-IV
29.05.2017 Monday	0945-1015 hrs. Objectives and Orientation	1015-1130 hrs. Your Role & Competency Requirements	1145-1300 hrs. Organization Structure & Delegation of Authority in NCDC	1400-1515 hrs. Staff Regulations, Conduct Rules and Employee Benefit Schemes
30.5.2017 Tuesday	RECAP	Dr.J.S.Chauhan Understanding & Analysis of Financial Statements	Ms.Tanisha Lal Understanding & Analysis of Financial Statements	Dr.J.S.Chauhan Assessment of Working Capital & Margin Money
31.5.2017 Wednesday	RECAP	Dr.Dhamija Use of DDPS and IFAS in NCDC-Hands on Practice	Dr.Dhamija Project Cost and its Financing	Dr.J.S.Chauhan Cooperative Policy-Salient Features & Recent Developments
1.6.2017 Thursday	RECAP	MIS Division, HO NCDC Act & Rules-Important Provisions	Ms.Deepa Srivastava Quality Management Systems/ISO-Salient Features & Compliance Requirements	Ms.Kamna Sharma Direct Funding Requirements & Legal Documentation
2.6.2017 Friday	RECAP	Ms.Malathi Sarin Role of NCDC in Cooperative Development and Cooperative Development Agencies	Shri Vikas Upadhyay Appraisal of Term Loan Proposals-Case Study (Textile Project)	Shri Ashok B.Pillai Appraisal of Term Loan Proposals-Case Study (Fisheries Project)
		Ms.Deepa Srivastava	Shri P.Prabhu	Shri R.N.Gopal Rao
				Shri M.K.Kashyap

CONTD.....2/-

3.6.2017 Saturday	RECAP	Monitoring & Evaluation of Projects-Concept & Methods	Organization & Management of Cooperatives-Role of Various Bodies	Success in Cooperatives- Measures to Analyze with Examples	Organisational & Managerial Analysis
4.6.2017 Sunday	RECAP	Dr.N.K.Gandhi Appraisal of Working Capital Proposal-2 Cases (Cooperative Bank & Marketing Federation)	Ms.Deepa Srivastava Appraisal of Working Capital Proposal-2 Cases (Cooperative Bank & Marketing Federation)	Dr. J.S.Chauhan Departure to Pune for study visit from 5.6.2017 to 8.6.2017 (1400 hrs. onwards)	Shri Ashok B. Pillai Return from Pune to TOPIC Institute on 8.6.2017
9.6.2017 Friday	RECAP	Shri Ashwani Kumar Presentation by trainees on study visit	Shri Ashwani Kumar Presentation by trainees on study visit	Evaluation & Valediction	
		All resource persons	All resource persons		

Note: Yoga & nature cure sessions would be conducted from 07.00 AM-08.30 AM on 31st May to 3rd June, 2017 regularly.

Programme Director : Dr.J.S.Chauhan

Tea Break -I : 1130 to 1145 hrs.
II : 1515 to 1530 hrs.
Lunch : 1315 to 1415 hrs.

CONTENTS

Sl.No.	CHAPTER
1.	NCDC-Genesis and Functions
2.	NCDC-Its Mission, Objective, Role and Functions
3.	Government Policies and Support to Cooperatives
4.	NCDC-Schematic Pattern of Assistance
5.	Guidelines for Direct Funding by NCDC
6.	Office Procedure-Dak and Receipt
7.	E-File (Digital Document Filing System)
8.	Integrated Cooperative Development Project – Concept, Objective, Strategy and Unique Features
9.	Financial Analysis-Appraisal Techniques

NCDC - GENESIS AND FUNCTIONS

Genesis and Functions

Genesis

The National Cooperative Development Corporation (NCDC) was established by an Act of Parliament in 1963 as a statutory Corporation under the Ministry of Agriculture & Farmers Welfare.

Functions

Planning, promoting and financing programmes for production, processing, marketing, storage, export and import of agricultural produce, food stuffs, certain other notified commodities e.g. fertilisers, insecticides, agricultural machinery, lac, soap, kerosene oil, textile, rubber etc., supply of consumer goods and collection, processing, marketing, storage and export of minor forest produce through cooperatives, besides income generating stream of activities such as poultry, dairy, fishery, sericulture, handloom etc.

NCDC Act has been further amended which will broad base the area of operation of the Corporation to assist different types of cooperatives and to expand its financial base. NCDC will now be able to finance projects in the rural industrial cooperative sectors and for certain notified services in rural areas like water conservation, irrigation and micro irrigation, agri-insurance, agro-credit, rural sanitation, animal health, etc.

Loans and grants are advanced to State Governments for financing primary and secondary level cooperative societies and direct to the national level and other societies having objects extending beyond one State. Now, the Corporation can also go in for direct funding of projects under its various schemes of assistance on fulfillment of stipulated conditions.

Organisation & Management

The Management vests in 51 member widely represented General Council to give shape to its policies and programmes and Board of Management with 12 members to cater to day-to-day activities. Besides its Head Office, NCDC functions through 18 Regional/State Directorates. The Managing Director is the Chief Executive. Various functional divisions look after the programmes. The field offices play an important role in project identification/formulation and oversee its implementation. NCDC is endowed with in-house technical and managerial capabilities in the areas of Cooperation, Organisation & Methods, Financial Management, Management Information Systems, Sugar, Oilseeds, Textiles, Fruits & Vegetables, Dairy, Poultry and Live stock, Fishery, Handlooms, Civil Engineering, Refrigeration and Preservation to help cooperatives to identify/formulate projects and successfully implement them.

Finance and Financing

Sources of Funds

Internal accruals, market borrowings and allocations from Government of India including International assistance.

Purposes for which assistance is provided

- Margin money to raise working capital finance (100% loan)
- Strengthening of share capital base of societies (100% loan)
- Working capital to regional/state level marketing federations (100% loan).
- Term loan for creation of infrastructural facilities like godowns, cold storages, equipment financing, purchase of transport vehicles, boats and other tangible assets
- Term and investment loan for establishment of new, modernisation/ expansion/rehabilitation/diversification of agro-processing industries.
- Subsidy for preparation of project reports/feasibility studies etc.

Procedure of Sanction / Disbursal of Assistance

NCDC assistance is not individual beneficiary oriented but is meant for institutional development of Cooperatives. NCDC supplements the efforts of State Government. The State Governments recommend the proposal of individual society / project to NCDC in the prescribed schematic format. The Society may also avail direct funding of projects under various schemes of assistance on fulfillment of stipulated conditions. The proposals are examined in the concerned functional division and if need be on the spot field appraisal is undertaken. Thereafter, formal sanction of funds is conveyed to the State Govt. / Society. The release of funds depends on progress of implementation and is on reimbursement basis. The period of repayment of loan ranges from 3 to 8 years. The rate of interest varies from time to time.

NCDC-ITS MISSION, OBJECTIVE, ROLE AND FUNCTIONS

NCDC – ITS MISSION, OBJECTIVE, ROLE AND FUNCTIONS

The National Cooperative Development Corporation owes its existence to the report of All India Rural Credit Survey Committee (1954). The Committee recommended that while the RBI – now the NABARD should take upon itself the task of promotion and financing of rural credit cooperatives, the Government of India should set up a statutory corporation for spearheading the development of other rural economic activities like processing and marketing etc. in the cooperative sector. It was with this background, that the National Cooperative Development Corporation and Warehousing Board was set-up in 1956. In 1963, the warehousing activity was separated and NCDC was created. The NCDC Act was further amended in 1974 for the first time and in 2002 for the second time to pave way for broad-basing its constitution, resources and for diversification in its objectives and activities.

Before we discuss the mission with which the organization was created, it may be worth while to understand the meaning of the word mission.

Mission

A mission statement of an organization includes its business aims, who its customers are, what its products and services are, and what distinguishes its business in terms of cost, quality, reliability and value for money. Thus, the mission states the broad purpose of the organization. It indicates the direction in which the organization is heading. A complete mission statement includes three items:-

- i) The organization's basic products/services.
- ii) The functions to be performed.
- iii) The markets to be served.

NCDC Mission is stated to "To promote, strengthen and develop cooperatives for augmenting income of people associated with agriculture and related areas".

Corporate Objectives

Because the corporate mission denotes the organisation's overall purpose, it follows that corporate objective will reflect the higher goals and indicate how they are to be achieved. These are usually measurable short term and long term objectives which comprise the total range of activities of the organization.

In other words, corporate objectives are specific targets that support organisations' survival, and there is generally a set period of time in which to achieve them. This is reflected in organizations one year, three year and five year business plans. Corporate objectives are primary objectives and relate to organisations' Principal business. None the less, each division would ultimately be responsible for devising divisional strategies and plans to implement these objectives.

Functions of the Corporation

As per the charter, NCDC is an apex organization set up for planning and promoting cooperative programmes of marketing, processing, storage and export and import of agricultural produce and commodities notified under the Act.

NCDC Act, 1962 was further amended in 1974. This resulted in broad-basing of its constitution, resources and diversification of its objectives and activities. As a consequence, additional activities relating to food stuff, fishery, poultry, sericulture, dairy, handloom and minor forest produce were brought with in its ambit.

It was again in 2002, NCDC Act was amended widening its scope to cover, livestock, cottage and village industries, handicrafts, rural crafts, labour cooperatives and certain notified services including water conservation, works/services, irrigation, micro-irrigation, animal care/health, disease prevention, agricultural insurance, agricultural credit, rural sanitation, drainage and sewerages systems.

- (i) To ensure the fulfilment of these functions, the Corporation is specifically empowered to:
- a) Advance loans or grant subsidies to State Governments for financing cooperative societies and employing personnel to implement the cooperative development programmes.
 - b) Provide funds to the State Governments for financing cooperative societies for the purchase of agricultural produce, foodstuffs and notified commodities on behalf of the Central Government.
 - c) Plan and promote programmes through the cooperative societies for supplying seeds, manures, fertilizers, agricultural implements and other articles.
 - d) Equip the cooperatives with facilities to promote income generating streams of activities such as poultry, dairy, fishery, handlooms, besides taking up programmes for scheduled castes/tribes for the benefit of the rural poor.
 - e) Provide loans and grants directly to the National Level and other cooperative societies on the guarantee of the State Government and in the Union Territories on the guarantee of the Central Government.
 - f) Provide loans and grants directly to cooperative societies subject to their meeting certain conditions.
 - g) Participate in the share capital of National Level Cooperative Societies with objectives extending beyond one State.
- (ii) The Corporation shall show exercises its functions under this sector have not to interfere with the activities of the Khadi and Village Industries Commission established under the Khadi and Village Industries Commission Act, 1956.
- (iii) NCDC works as a Development Bank for Cooperative Sector. It assists cooperatives in creating infrastructure to provide farmers with agro inputs and consumer articles marketing services and storage and processing facilities. NCDC also helps cooperatives in upgrading skills and knowledge of personnel working in cooperative sector (P&D Scheme and Training Programmes). In addition, NCDC has established its National

Centre for Cooperative Trainers' Training and Material Production. The Centre is popularly known by the name TOPIC at Gurgaon. The Centre has also helped State Cooperative Banks in establishing Agricultural Cooperative Staff Training Institute (ACSTI) in project States.

- (iv) NCDC extends various types of promotional and developmental services to the cooperatives. It provides consultancy/technical services with the help of its own managerial expertise in various disciplines, assistance for establishment of Technical and Promotional Cells to enable apex national federations to provide technical and promotional support to their affiliated societies, take up training programmes of cooperative functionaries, organize study visits of managing committee members and other functionaries to successful cooperative ventures, arrange management studies and undertake well organized publicity campaigns. NCDC participates in various committees/working groups constituted by the Government of India and also in the Boards of various public sector and cooperative organizations so as to promote the interests of the cooperatives and help in the successful implementation of the cooperative marketing, storage, processing and supplies programmes. NCDC also provides cooperative Excellence Award for outstanding performances by cooperative societies.

Current Strategy

The financing and promotional role that the NCDC has adopted so far can be summarized as follows:

- a) The NCDC lends to the State Governments, to cooperatives through State Governments and / or directly to cooperative societies meeting certain conditions.
- b) For financing to cooperative societies through the State Governments, the Registrar of Cooperative Societies (RCS) plays a major role in the identification and formulation of projects.

**NATIONAL COOPERATIVE DEVELOPMENT CORPORATION
ACT, 1962 (No.26 of 1962)**

AN OVERVIEW

Introduction

NCDC was established in March, 1963 under the Act of parliament as a successor organisation to National Cooperative Development and Warehousing Board set up in 1956, in pursuance of the recommendations of the All India Rural Credit Survey Committee (1954). NCDC came into being as a nodal organisation for meeting the post-harvest requirements of farmers through cooperative societies. A non-equity based development financing institution, NCDC was created exclusively for the cooperative sector with the objective of planning and promoting programmes for production, processing, marketing, storage, export and import of agricultural produce, foodstuff and certain notified commodities on cooperative principles.

With amendment of the NCDC Act in 2002, its scope of activities has been widened to cover livestock, cottage and village industries, handicrafts, rural crafts and certain notified services besides enabling NCDC to lend directly to cooperative societies provided security to the satisfaction of the Corporation is furnished by the borrowing cooperatives.

The preamble and the main definitions of the NCDC Act are mentioned below:-

Preamble

An Act to provide for the incorporation and regulation of a Corporation for purpose of planning and promoting programmes for the production, processing, marketing, storage, export and import of agricultural produce, foodstuffs, industrial goods, livestock, certain other commodities and services on cooperative principles and for matters connected therewith or incidental thereto.

Some Main Definitions as contained in the Act -

1. "Cooperative Society" means a society registered or deemed to be registered under the Cooperative Societies Act, 1912 or under the Multi-State Cooperative Societies Act, 1984 or under any other law with respect to cooperative societies for the time being in force in any State, which is engaged in any of the activities specified in Sub-Section (1) of Section 9 and includes Cooperative Land Development Bank; by whatever name called;

2. "Agricultural produce" includes the following:-

- i) edible and non-edible oilseeds;
- ii) cattle feed, including oil cakes and other ingredients;
- iii) produce of horticulture and animal husbandry;
- iv) produce of forestry;
- v) produce of poultry farming;
- vi) produce of pisciculture; and
- vii) produce of other allied activities, whether or not undertaken jointly with agriculture.

3. "foodstuffs", include:

- i) coconuts and arecanuts;
- ii) eggs and egg products;
- iii) fish, whether fresh, frozen dried or preserved;
- iv) fruits, whether fresh, dried or dehydrated;
- v) honey;
- vi) meat, whether fresh, frozen, dried or preserved;
- vii) milk and milk products; and vegetables.

4. "industrial goods" means the products of industrial cooperatives or cottage and village industries or products of allied industries in the rural area and includes any handicrafts or rural crafts;
5. "livestock" includes all animals to be raised for milk, meat, fleece, skin, wool and other by-products;
6. "Notified Commodity" means any commodity (other than agricultural produce and foodstuffs), which the Central Government may, by notification in the Official Gazette, declare to be a notified commodity for the purposes of this Act, being a commodity with respect to which Parliament has power to make laws by virtue of entry 33 in List III in the Seventh Schedule to the Constitution;
7. "notified services" means any service which the Central Government may, by notification in the official Gazette, declare to be notified services for the purposes of this Act;
- 8.(i) Subject to the provisions of this Act, the "functions of the Corporation" shall be to plan, promote and finance programmes, through cooperative societies, for:-
- (a) the production, processing, marketing, storage, export and import of agricultural produce, foodstuffs, poultry feed and notified commodities;
 - (b) the collection, processing, marketing, storage and export of minor forest produce; and
 - (c) development of notified services.

(ii) In particular and without prejudice to the generality of the foregoing provision, the Corporation may:-

- (a) advance loans or grant subsidies to State Governments for financing cooperative societies and for employment of staff for implementing programmes of cooperative development;
- (b) provide funds to State Governments for financing cooperative societies for the purchase of agricultural produce, foodstuffs, livestock, poultry feed, industrial goods, notified commodities and notified services on behalf of the Central Government;
- (c) plan and promote programmes through cooperative societies for the supply of seeds, manures, fertilizers, agricultural implements and other articles for the development of agricultural produce.
- (d) provide loans and grants directly to the national level cooperative societies and other cooperative societies having objects extended beyond one State;
- (e) provide loans to cooperative societies on the guarantee of State Governments or in the case of cooperative societies in the Union Territories, on the guarantee of Central Government;

"Provided that no such guarantee shall be required in cases in which security to the satisfaction of the Corporation is furnished by the borrowing cooperative society".

- (f) participate in the share capital of the national level cooperative societies and other cooperative societies having objects extending beyond one State.

(iii) The Corporation shall so exercise its functions under this section as not to interfere with the activities of the Khadi and Village Industries Commission established under the Khadi and Village Industries Commission Act, 1956.

"Notified Services"

The Central Government through various gazette notifications have declared the following services/activities of cooperatives to be "notified services" for the purpose of the said Act:-

I. Vide notification dated 13th January, 2003

- (i) Water conservation works/services, irrigation, micro-irrigation in rural areas undertaken by cooperatives.
- (ii) Animal care/health, disease prevention through the cooperatives.
- (iii) Agricultural insurance and agricultural credit through the cooperatives.
- (iv) Rural sanitation/drainage/sewage systems through the cooperatives.

II. Vide notification dated 21st June, 2005

- (v) Labour cooperatives

III. Vide notification dated 18th May, 2010

- (vi) Tourism
- (vii) Hospitality and Transport
- (viii) Electricity and Power
- (ix) Rural Housing

IV. Vide notification dated 19th August, 2010

- (x) Hospital
- (xi) Healthcare; and
- (xii) Education Cooperatives

GOVERNMENT POLICIES AND SUPPORT TO COOPERATIVES

GOVERNMENT POLICIES AND SUPPORT TO COOPERATIVES

Cooperation in an informal way existed in India since ages. It was formally introduced in 1904 mainly to deal with the problem of rural indebtedness and exploitation by middlemen. The enactment of Cooperative Credit Societies Act 1904 paved the way for organization of Cooperative Credit Societies. This Act which laid emphasis on thrift and self-reliance provided the foundation of cooperative development in India. Under the Act, Government exempted the cooperatives from fees payable under stamps, registration and income tax, to encourage the formation of cooperatives. The organization and control, supervision, inspection and liquidation and rule-making powers were under the purview of the Government Counsel of the respective province. This Government Counsel was given the title of Registrar in 1846. Later, the Cooperative Societies Act, 1912 was passed to remove existing deficiencies of the 1904 Act based on the English Industrial Act, 1852. The objective was to "promote economic interest of the members in accordance with cooperative principles." It also permitted non-credit activities. Initially Government provided the societies with interest-free finance for the first three years and thereafter at the rate of 4%, repayable in 10 annual instalments.

In 1918, the Centre transferred the subject of Cooperation to the States (then Provinces). State Cooperative Acts were constituted based on the Act of 1912. In 1942, the Central Government enacted the Multi-Unit Cooperative Societies Act, 1942 with an object to cover societies whose operations are extended to more than one State.

After independence, various steps were taken to strengthen the movement. The advent of Planning in the early 50's with its moorings in democracy and socialism and the emphasis on "growth with social justice" added a new significance and positive role to cooperatives in India. Cooperation, in the Indian Five Year Plans has been treated as a distinct sector.

The first plan (1951-56) gave a concrete expression to the trends which were gradually developing, but did not spell out the reciprocal obligation of the state towards development of cooperatives. This was done in the second plan (1956-61), which had

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the benefit of the findings and recommendations of the All India Rural Credit Survey Committee Report (1954). The second plan clearly committed the state's role in building cooperative sector. Cooperative sector and cooperation was assigned an important role as an effective instrument of fulfilling its objectives. The policy and programmes as laid down under the second plan, continued during the third plan (1961-66) also. This plan provided for the development of cooperatives in many branches of economic life and supported diversification of cooperative activity in various sectors. The fourth plan (1969-74) emphasized that "it will be a part of the policy to ensure that the opportunities before cooperatives are as large and varied as they can utilize effectively". It envisaged greater use of cooperatives for the development of small and marginal farmers and the weaker sections of the community. The fifth five year plan (1974-79) also recognized cooperatives as an important institutional frame work to ameliorate the conditions of weaker sections, particularly in providing inputs and working as an important link of national public distribution system. The plan recognized the importance of cooperatives and stated, "there is no other instrument as potentially powerful and full of social purpose as the cooperative movement". The sixth five year plan (1980-85) envisaged that cooperatives should be strengthened for development of weaker sections, besides assisting the government in creating a strong and comprehensive public distribution system oriented to the requirements of the weaker sections of the community.

In the back-drop of the objectives to achieve increased agricultural production, diversification of activities, raising productivity levels, remove regional imbalances, pay special attention to weaker sections and employment generation, the strategy of cooperative development was included, though not very precisely, in the subsequent plans.

Government's assistance to the cooperatives could broadly classify into four categories, which are briefly described as follows:-

(i) Policy Support

The Government's policy towards cooperatives in earlier years was being reflected in the Plan documents. One of the Directive Principle of the Constitution of India is that "the State shall endeavour to promote cottage

industries on individual or cooperative basis in rural areas". The Industrial Policy Resolution (1956) of the Government of India stressed that "the principle of Cooperation should be applied wherever possible in steadily increasing proportion and the activities of the private sector developed along cooperative lines". Thus in the matter of licensing of new capacity of sugar factories and oil mills, preference was being given to cooperatives. Similarly, in the matter of distribution of fertilizers, the allocations for imported fertilizers was made on a preferential basis to cooperatives; in the allotment of fair price shops preference was given to Cooperatives. This indirect policy support of the Government facilitated expansion and diversification of the cooperative sector. The internal and structural weaknesses clubbed with regional imbalances, however, necessitated the need for a clear cut National Policy on cooperatives. Thus, a comprehensive **National Policy on Cooperatives** was announced by the Government of India in April, 2002.

Its main objectives included to provide cooperatives necessary support, encouragement and assistance so as to ensure that they work as autonomous, self reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy. The policy aims at ensuring the functions of cooperatives based on the Manchester Declaration of International Cooperative Alliance 1995 (voluntary and open membership, democratic member control, members' economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community).

The salient features of the policy are:

- While upholding the values and principles of Cooperation, the National Policy recognizes the Cooperatives as autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise;
- Recognizes Cooperatives as distinct economic sector and integral component of the socio-economic system of the country and an effective and potential instrument of socio-economic development.

- Accepts the need to phase out its share holdings/equity participation in the cooperatives. The cooperative shall be enabled to set up holding companies/subsidiaries, enter into strategic partnership, venture into futuristic areas like insurance, food processing and information technology etc., and shall be independent to take the financial decisions in the interest of the members and the furtherance of their stand.
- Recognizes the role of the Government in ensuring that the benefit of liberalization and globalization in the emerging special provision in the Cooperative Societies Act with regard to banking, housing, real estate development, processing, manufacturers Cooperatives, infrastructure development etc.
- Undertakes to devise and execute suitable programmes and schemes to build and develop cooperative institutions in the cooperatively under developed states/regions with particular reference to the North Eastern State including Sikkim;
- Recognizes the support of Cooperative Movement to develop human resources, Cooperative education and training, appropriate technologies and infrastructural facilities so as to promote professional management in Cooperatives.
- Undertakes to initiate structural reforms in order to improve the functioning of the Cooperatives at various levels to ensure greater efficiency and viability.

(ii) Financial support

Large public funds are committed to supporting the cooperative movement in its various activities, particularly in the rural sector. The Government's assistance to cooperatives is given in shape of share capital contribution, loans and also grants both towards capital as well as revenue expenditure. The policy of state partnership in cooperatives and state participation in their management arose out of the recommended time of the Rural Credit Survey Committee Report in 1954. That Committee recommended what is known as the Integrated Scheme of Rural Credit, the main components of which are: Firstly, the State should participate in the share capital of various types of cooperatives at different levels to provide momentum and opportunity to cooperatives. Secondly, credit alone is not an "open sesame" but an instrument of development which should be an integral

part of an overall programme of marketing, processing and other allied economic activities. Thirdly, the operational efficiency of cooperative should be improved by appointing adequately trained and efficient personnel responsive to the needs of the rural people. For implementing the Integrated System of Rural Credit including processing, marketing and storage, the committee suggested divisions of responsibility at the All India level between the Reserve Bank on the one hand for cooperative credit programmes and the Government of India, on the other for marketing, processing, storage and other economic activities. The committee also recommended the establishment of certain Funds at the national level by the Reserve Bank of India for agricultural credit and by the National Cooperative Development Corporation for input distribution processing, storage and marketing of agricultural produce.

The Government of India broadly accepted the recommendations of the Rural Credit Survey Committee and created certain funds like the National Agricultural Credit (Long term Operations) Fund and the National Agricultural Credit (Stabilization) Fund. The Government of India also established the National Cooperative Development Corporation as a statutory organization for promotion of cooperative economic activities in rural areas for input distribution, processing and marketing of agricultural produce. The National Bank for Agriculture and Rural Development established in 1982 took over the functions of the RBI and the Agriculture Refinance Development Corporation in respect of agricultural credit. National Dairy Development Board was set up under an Act of Parliament with the prime objective of promoting, developing and financing dairy and milk production activities particularly in the cooperative sector.

(iii) Legislative and Administrative Support

Under the Indian Constitution, "Cooperative Societies" is a subject allotted to the federating States. Every State has enacted cooperative legislation to govern the incorporation, regulation and winding up of cooperative societies in their States. These Acts confer certain privileges on and concessions to, cooperative societies. In recent years, these Acts have been amended to provide for promotion of the interests of weaker sections and also to stem the possible growth of vested interests in cooperatives.

While the sector has grown in volume, most cooperative societies lack autonomy due to direct intrusion of the state in the governance and management of cooperative societies. The reason is that the cooperative movement in India was initiated by the government with ideology of state partnership in terms of equity and also partnership in terms of governance and management.

Since 1990, the need for cooperative reforms was articulated by many committees. In 1991, the Brahm Prakash Committee proposed a Model Cooperative Law, in order to make cooperative self reliant, autonomous, and democratic. Progress in implementing the suggestions is tardy because of the states' unwillingness to share in costs and their reluctance to dilute their powers. Only nine states had enacted the Mutually Aided Cooperative Societies Act.

The Common Minimum Programme of the UPA government promised to enact a constitutional amendment to ensure the "democratic, autonomous and professional functioning of the cooperatives."

The **Constitution (One hundred and Sixth) Amendment Bill, 2006** proposes to insert a new part IX B in the Constitution (adding articles 243ZH through 243 ZT), which outlines certain guidelines for running cooperative societies. The proposed key changes are:

- Incorporation of Cooperative Societies

The Bill makes provisions for incorporation, regulation and winding up of cooperative societies and seeks to ensure the autonomous and democratic functioning of cooperatives.

- Composition of the Board

The state legislature shall specify the number of members of the Board of Directors of a cooperative society. The number is limited to 21 except in the case of a state level cooperative society. The term of the Board is for a period of five years.

The election of members to the Board must be conducted before the expiry of the previous one, or within 60 days after the expiry of the term of the previous Board.

The expenses of the election would be borne by the cooperative society. The state legislature would outline the guidelines for conducting such elections.

The state legislature shall make provisions for co-opting any person having experience in the field of banking, management, finance or specialization in a field related to a particular cooperative society as members of the Board. A maximum of two people can be co-opted to the Board. The co-opted member would not have the right to vote in any election on the cooperative society or be eligible for election as Chairman, President, Vice-Chairman or Vice-President.

- Supersession of the Board

The Board of a cooperative society can be superseded in case of (a) persistent default; (b) negligence in the performance of its duties; (c) commission of any act prejudicial to the interest of the cooperative society or its members; (d) there is a stalemate in the constitution of function of the Board; or (e) the general body has failed to conduct the elections as per the required procedure.

A Board cannot be superseded or suspended for more than six months. In case a Board has been superseded, the administrator appointed to manage the affairs of such a cooperative society shall arrange for conducting elections within the specified time period.

The Board of a cooperative society which does not have any shareholding or guarantee or loan or financial assistance from the government cannot be superseded.

The Board of a cooperative society which does not have any shareholding or guarantee or loan or financial assistance from the government cannot be superseded.

The provisions of the Banking Regulations Act, 1949 will be applicable to banking cooperative societies.

- Offences and Penalties

The state legislature may define the offences and penalties related to cooperative societies. An offence would be committed if (a) a cooperative society files a false return, (b) willfully disobeys and summon or requisition issued under the state Act, (c) any employer who, without sufficient cause, does not pay to the cooperative society the amount deducted from an employee within a period of 14 days, (d) any officer who willfully does not hand over custody of books, accounts or cash of a cooperative society to an authorized person, and (e) any person who adopts corrupt practices before, during or after the election of Board members or office bearers.

There is a Registrar of Cooperative Societies in every State who is to be "the friend, philosopher and guide" of the cooperative movement. Besides certain statutory functions, the Registrar and his officers provide constructive supervision over and guidance to, cooperative societies. Besides the state cooperative officers, NABARD and the National cooperative Development Corporation also provide guidance in the promotion and development of cooperatives. Financial assistance and grants to cooperative federations/ projects for employing managerial and technical staff is also provided to strengthen their administrative set up and management.

(iv) **Cooperative Training**

Training of cooperative personnel is an area in which Government provides large support to the cooperative movement. A national network of training facilities for cooperative personnel has been evolved and established. There is a National Council for Cooperative Training (NCCT) which is located in the National

Cooperative Union of India the spokesman of the cooperative movement in the country. This council is in overall charges of the cooperative training programme in the country. The institutional arrangements for training consist of Vaikunth Mehtra National Institute of Cooperative Management, Pune, 19 Regional and State specific Institutes of Cooperative Management and 91 junior training institutions. While the first two are directly under the administrative charge of the NCCT and are funded by the Central Government the last is the responsibility of the State Cooperative Unions and the State Governments. The NCCT provides academic support and guidance to the cooperative training centres for junior personnel.

Constitution (97th Amendment) Act, 2011

The Constitution (Ninety Seventh Amendment) Act 2011 relating to the co-operatives is aimed to encourage economic activities of cooperatives which in turn help progress of rural India. It is expected to not only ensure autonomous and democratic functioning of cooperatives, but also the accountability of the management to the members and other stakeholders.

Reasons of Failure of Cooperative Sector

The cooperative sector has been playing a distinct and significant role in the country's process of socio-economic development. The failure of cooperatives in the country is mainly attributable to:

- Dormant membership and lack of active participation of members in the management of cooperatives.
- Mounting overdue in cooperative credit institution
- Lack of mobilisation of internal resources and over-dependence on Government assistance,
- Lack of professional management.
- Bureaucratic control and interference in the management, political interference and over-polarisation have proved harmful to their growth.
- Predominance of vested interests resulting in non-percolation of benefits to a common member, particularly to the class of persons for whom such cooperatives were basically formed, has also retarded the development of cooperatives.

These are the areas which needed to be attended to by evolving suitable legislative and policy support with proper political will and financial support.

97th Amendment Act, 2011

As per the amendment the changes done to constitution are:-

- In Part III of the constitution, after words "or unions" the words "Cooperative Societies" was added.
- In Part IV a new Article 43B was inserted, which says: The state shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of the co-operative societies".

- After Part IXA of the constitution, a Part IXB was inserted to accommodate state vs centre roles.

Salient features Part IXB

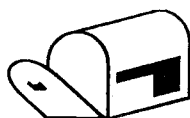
- It makes Right to form cooperatives is a fundamental right.
- Reservation of one seat for SC/ST and two seats for women on the board of every co-operative society.
- Cooperatives could set up agency which would oversee election.
- Uniformity in the tenure of Cooperative Board of Directors.
- Provisions for incorporation, regulation and winding up of co-operative societies based on the principles of democratic process and specifying the maximum number of directors as twenty-one.
- Providing for a fixed term of five years from the date of election in respect of the elected members of the board and its office bearers;
- Providing for a maximum time limit of six months during which a board of directors of co-operative society could be kept under suspension;
- Providing for independent professional audit;
- Providing for right of information to the members of the co-operative societies;
- Empowering the State Governments to obtain periodic reports of activities and accounts of co-operative societies; which have individuals as members from such categories;
- Providing for offences relating to co-operative societies and penalties in respect of such offences.

Implications

The amendment of the Constitution to make it obligatory for the states to ensure autonomy of cooperatives makes it binding for the state governments to facilitate voluntary formation, independent decision-making and democratic control and functioning of the cooperatives. It also ensures holding regular elections under the supervision of autonomous authorities, five-year term for functionaries and independent audit. Significantly, it also mandates that in case the board is dissolved, the new one is constituted within six months. Such a constitutional provision was urgently required as the woes of the cooperative sector are far too many, long-lasting and deep-rooted to be

addressed under the present lax legal framework. However, it fails to establish what constitutional amendments can't do in reviving institutions and may be victim of rival political institutions at the state level as happened in case of 73rd amendments. It is feared that state-level politicians will do to this amendment on cooperatives what they did to the one on panchayats. Barring exceptions in a few sectors and states, the cooperative sector, particularly cooperative credit societies numbering over 120 million, has for a long time been in a shambles with all kinds of vested interests using them as personal fiefdoms and ladders to political power and means of personal aggrandisement.

NCDC-SCHEMATIC PATTERN OF ASSISTANCE



3. PATTERNS OF ASSISTANCE

A. BUSINESS DEVELOPMENT

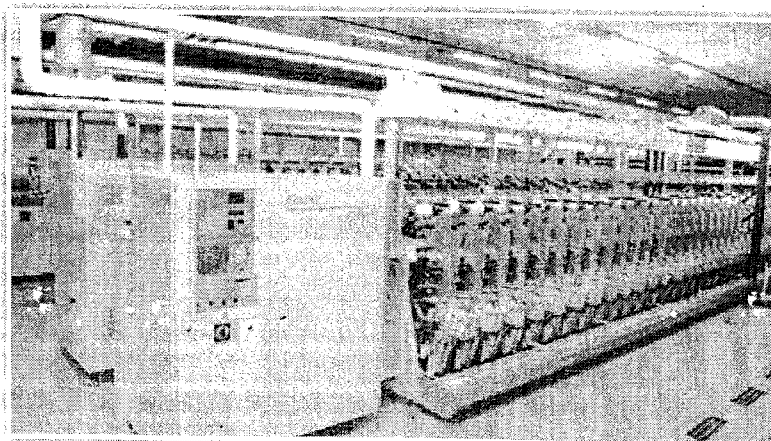
All kinds of National, state, district, regional and primary level cooperatives for sectors/activities funded by NCDC

Activity	Developed States/UTs			Under Developed States/UTs			Least Developed States/UTs		
	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding
Margin Money	Loan for availing Bank credit. 100%	Loan or Share Capital	Loan 100%	Loan 80% Sub* 20%	Loan or Share Capital 80% Sub* 20%	Loan 80% Sub* 20%	Loan 75% Sub* 25%	Loan or Share Capital 75% Sub* 25%	Loan 75% Sub* 25%
Working Capital	Loan as per requirement 100%	Loan 100%	Loan	Loan as per requirement	Loan	Loan	Loan	Loan	Loan
Share Capital	Investment Loan as per requirement 100%	Share Capital	--	Investment Loan as per requirement	Share Capital	--	Investment Loan as per requirement	Share Capital	--

* Subsidy subject to availability from Govt. of India otherwise equivalent loan from NCDC
Sub = Subsidy SC = Share Capital

B. INFRASTRUCTURE CREATION (PROJECT FACILITIES)

All types of small and medium sized units (other than agro-processing units) including small scale industrial units, cottage & village industries, handicrafts, other products of allied industries, cane and bamboo units, Coir Units, etc., Plant & Machinery/equipment including integrated projects (other than ICDP), setting up of storage/ godowns (including renovation/repairs/upgradation), workshops, purchase of floors, cooperatives/industrial estates, service and repair centres, showrooms, showrooms-cum-godowns, market yards, rearing units and grainages, fish tanks/farms, poultry farms, rearing and breeding of livestock animals, establishment of seed farms etc., cold storages, ice plants, freezing plants, boat building including inputs and other infrastructure for fisheries, furniture & fixtures, transport vehicles including refrigerated and insulated vehicles, installation of/purchase of computers/computerization etc., setting-up of agro-service/farmers service centres, insecticides/pesticides formulation units, units to manufacture inputs like bio-fertilizers/granular fertilizers, organic manure, creation of water harvesting/irrigation infrastructural facilities, Services Cooperatives etc. and any other related activities mandated to NCDC. ♦



Developed States/UTs			Under Developed States/UTs			Least Developed States/UTs		
NCDC to State Govt.	State Govt. to Society#	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding
Loan 90%	Loan 50% SC/ 40%	Loan 65%	Loan 70% Sub* 20%	Loan 50% SC 20% Sub* 20%	Loan 50% Sub* 20%	Loan 70% Sub* 25%	Loan 50% SC 20% Sub* 25%	Loan 50% Sub* 25%
Members' contribution	10%	35%		10%	30%		5%	25%

In respect of "Computerization Programme" 100% loan may be provided through the State Govt. or directly in the "Cooperatively Developed States".

* Subsidy subject to availability from Govt. of India otherwise equivalent loan from NCDC

Sub = Subsidy SC = Share Capital

Debt equity ratio may vary depending upon viability of the proposed project.

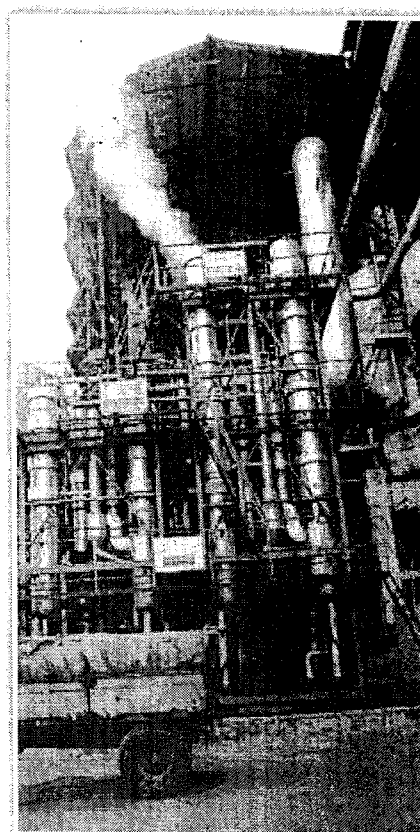
Rural Housing								
Loan 90%	Loan 90%	Loan 65%	Loan 90%	Loan 90%	Loan 65%	Loan 95%	Loan 95%	Loan 65%
Members Contribution	10%	35%	10%	10%	35%	5%	5%	35%

6. PROCESSING

(i) SUGAR MILLS

Activity Source	All States		
	NCDC to State Govt	State Govt. to society	Direct Funding
New mill	Investment loan up to 30% of project cost	30% of project cost as Share Capital	
Modernization	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India
Modn./Expn. Up to 10,000 TCD	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India
Modn./Expn. Beyond 10,000 TCD	Loan up to 65% of project cost	Loan up to 65% of project cost	Loan up to 65% of project cost
By-Product units including Co-generation	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India	Loan up to 50% of project cost + 40% loan from SDF to be sanctioned by Govt. of India
Working capital	Loan as per requirement	100% loan	Loan

Note: Investment loan to State Govt.(s) will be provided only for those sugar cooperatives which have secured firm sanction of term loan from financial institutions / banks and orders for plant and machinery are finalized.



(ii) SMALL & MEDIUM TYPE AGRO-PROCESSING UNITS like oil mills, foodgrains units, fruits & vegetable units, plantation crops processing units, dairy units, silk reeling/twisting, silk spinning, wool spinning and jute processing and any other agro-processing activity mandated to NCDC.



Activity	Developed States/UTs			Under developed States/UTs			Least Developed States/UTs		
	NCDC to S/ Govt.	S/Govt to Society#	Direct Funding	NCDC to S/Govt.	S/Govt to Society	Direct Funding	NCDC to S/Govt.	S/Govt to Society	Direct Funding
New Units, Expansion, Modernization Diversification	Loan 90%	Loan 50% SC 40%	Loan 65%	Loan 70% Sub* 20%	Loan 50% SC 20% Sub* 20%	Loan 50% Sub* 20%	Loan 70% Sub* 25%	Loan 50% SC 20% Sub* 25%	Loan 50% Sub* 25%
Equipment Finance	Loan 90%	Loan 90%	Loan 65%	Loan 90%	Loan 90%	Loan 65%	Loan 90%	Loan 90%	Loan 65%

* Subsidy subject to availability from Govt. of India otherwise equivalent loan from NCDC

Debt-Equity ratio may vary depending upon viability of the proposed project.

Sub= Subsidy SC= Share capital

(iii) Textile

1. Cooperative Spinning & Ginning Programmes

Least Developed States		Under Developed States		Other States/UTs.	
From NCDC to State Govt.	From S/Govt. to Society	From NCDC to S/Govt.	From S/Govt. to Society	From NCDC to S/Govt.	From S/Govt. to Society
(a) Share Capital Participation in New Mills					
30% of the Project cost or 70% of share capital contribution by the State Govt. whichever is less, as loan	Share capital contribution to the extent of 50% of Project cost less members stipulated equity which should not be less than 7.5% of the project cost	Same as for least developed states	Same as for least developed states	20% of the Project cost or 50% of the share capital contribution by the State Govt. whichever is less, as loan	Share capital contribution to the extent of 50% of the Project cost less members stipulated equity which should not be less than 10% of the project cost
(b) Modernization/Expansion					
Term loan -60% Investment Loan - 32.5%	Term loan- 60% Share capital - 32.5% Members contribution-7.5%	Same as for least developed states	Same as for least developed states	Term loan- 60% Investment loan- 30%	Term loan- 60% Share capital- 30% Members contribution -10%
(c) Margin Money Assistance for Coop. Spinning Mills & State Coop. Cotton Fedn.					
100% loan	100% as S/Capital or long term loan	Same as for least developed states	Same as for least developed states	100% loan	100% as S/capital or long term loan.
(d) Modernisation of existing & establishment of modern Ginning & Pressing Units					
Term loan- 55% Investment loan -25% Subsidy- 10% Members contribution - 10%	Term loan -55% Share capital - 25% Subsidy -10% Members Contribution - 10%	Same as for least developed states	Same as for least developed states	Term loan -55% Investment Loan - 25% Subsidy -10% Members contribution- 10%	Term loan - 55% Investment loan- 25% Subsidy - 10% Members contribution - 10%
(e) Rehabilitation of Sick Coop. Spinning Mills					
Term loan- 70% Subsidy -20% Members contribution- 10%	Term loan - 70% * Subsidy- 20% Members contribution - 10%	Same as for least developed states	Same as for least developed states	Same as for least developed states	Same as for least developed states

* Subject to a maximum of 70% of block cost based on the viability of the project

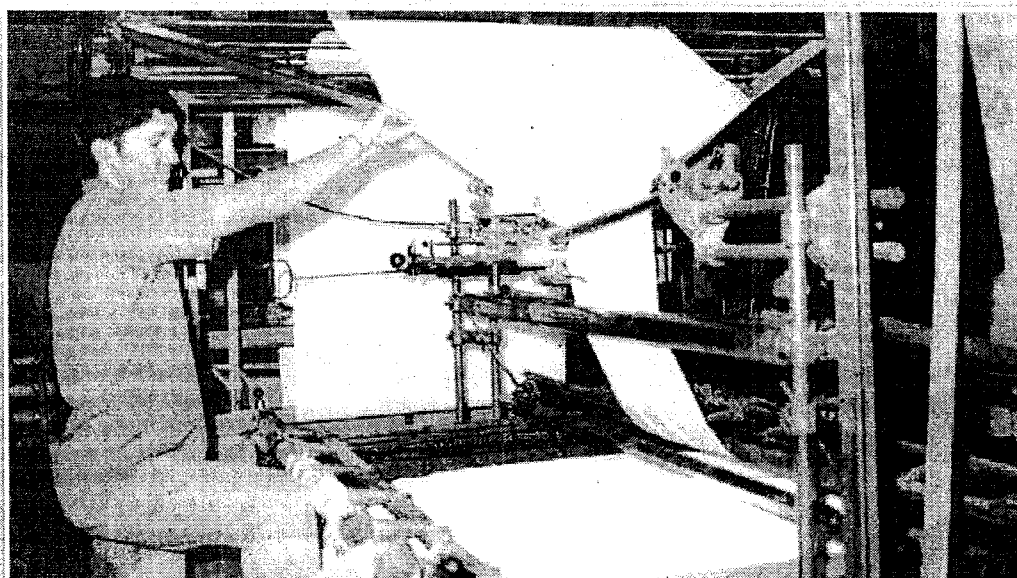
Note : 1. Loan to be provided by NCDC. Subsidy will be provided, if available, from Govt. of India.

2. Subsidy for rehabilitation of spinning mills will be on plant and machinery (20% of the cost of plant & machinery) and subject to a ceiling of Rs.500 lakh per mill. Shortfall, if any, over and above NCDC's contribution of loan and subsidy will be contributed by the society/State Govt.



Automatic Pattern of Assistance

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II. Powerloom

Activity	Developed States/UTs			Under Developed States/UTs			Least Developed States/UTs		
	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding
Margin Money/ Share Capital	Loan 100% margin money for availing Bank credit.	Loan or SC	Loan 100%	Loan 80% Sub* 20%	Loan or SC 80% sub* 20%	Loan 80% Sub* 20%	Loan 75% Sub* 25%	Loan or SC 75% Sub* 25%	Loan 75% Sub* 25%
Purchase of power looms or construction of shed with looms and accessories/modernization / construction/ renovation /opening of godowns/ showrooms/ marketing complex/ coop. textile estates.	Loan 90%	Loan 50% Share Capital 40% Members contribution 10%	Loan 65%	Loan 70% Sub*20%	Loan 50% SC 20% Sub*20% Members 10%	Loan 50% Sub* 20% Members 30%	Loan 75% Sub* 25%	Loan 50% SC 20% Sub*25% Members 5%	Loan 50% Sub*25% Members 25%
Share Capital	Investment Loan as per requirement	Share capital	-	Investment loan as per requirement	Share Capital	-	Investment loan as per requirement	Share capital	-
Construction of workshop and purchase of looms, Construction/ Opening/ Renovation of showroom, central godown and showroom cum-godowns	Loan 90% Members Contribution	Loan 50% Share Capital 40% 10%	Loan 65% 35%	Loan 70% Sub*20%	Loan 50% SC 20% Sub* 20% 10%	Loan 50% Sub*20% 30%	Loan 75% Sub* 25%	Loan 50% SC 20% Sub* 25%	Loan 50% Sub*25% 25%

Note : Subsidy subject to availability from Govt. of India, otherwise equivalent loan from NCDC

Sub = Subsidy SC = Share Capital

Debt equity ratio may vary depending upon viability of the proposed project.



III. Handloom/Coir/Jute/Sericulture

Activity	Developed States/UTs			Under Developed States/UTs			Least Developed States/UTs		
	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.	State Govt. to Society	Direct Funding
Margin Money	Loan 100% margin money for availing Bank credit.	Loan or SC	Loan 100%	Loan 80% Sub* 20%	Loan or SC 80% Sub* 20%	Loan 80% Sub* 20%	Loan 75% Sub* 25%	Loan or SC 75% Sub* 25%	Loan 75% Sub* 25%
Working Capital	Loan as per requirement	Loan	Loan 100%	Loan as per requirement	Loan	Loan	Loan as per requirement	Loan	Loan
Share Capital	Investment Loan as per requirement	Share Capital	--	Investment Loan as per requirement	Share Capital	--	Investment Loan as per requirement	Share Capital	--
Construction of workshed and purchase of looms, Construction/Opening/Renovation of Showroom, Central Godown and Showroom-cum-godowns	Loan 90%	Loan 50%	Loan 65%	Loan 70% Sub* 20%	Loan 50% SC 20% Sub* 20%	Loan 50% Sub*20%	Loan 70% Sub* 25%	Loan 50% SC 20% Sub* 25%	Loan 50% Sub* 25%
	Members Contribution	10%	35%		10%	30%		5%	25%

* Subsidy subject to availability from Govt. of India, otherwise equivalent loan from NCDC.

Debt equity ratio may vary depending upon viability of the proposed project

L= Loan Sub= Subsidy SC= Share capital



Schematic Pattern of Assistance

-5-

NCDC

D. INTEGRATED COOPERATIVE DEVELOPMENT PROJECTS (ICDP)

Sl. No.	Activity	From NCDC to State Government			From State Government to Society			
		Loan	Sub.	Total	Loan	Share Capital	Sub.	Total
i)	Safe deposit vaults/cash counters/strong rooms	100%	-	100%	50%	50%	-	100%
ii)	Margin money (including share capital to DCCB/project implementing agency)	100%	-	100%	-	100%	-	100%
iii)	Manpower Development & Training	-	@50%	@50%	-	-	100%	100%
iv)	Managerial assistance & incentive (applicable to PIA and Monitoring Cell also)	-	@50%	@50%	-	-	100%	100%
v)	For sub-projects of the project not mentioned above, the pattern applicable in case of normal NCDC Schemes for the given State/activity/category shall be applied with the modification that 100% of the assistance shall be provided to the State Govt. for passing on to the coops. The subsidy assistance available from any Deptt./Ministries/agencies shall be dovetailed for passing on to the cooperatives.							

@ In the case of states classified as 'Special Category States' 100 per cent subsidy shall be given from NCDC to State Government under items No. (iii) and (iv) above.

Note: 1. The total subsidy component in a project would not exceed 30% of the total project cost.

2. Other activities under the project as per the pattern in vogue.

3. Funding Pattern from State Govt. to the Society is subject to change in consultation with the State Govts.



Schematic Pattern of Assistance



E. PROMOTIONAL & DEVELOPMENTAL PROGRAMMES

Technical and Promotional Cell

- All state level cooperative federations (excluding those connected with the weaker sections programmes)

Under - Developed States	Least - Developed States
Subsidy for employment of professionals to be provided for a period of 5 years on a tapering scale. i) 100% in the first 2 years. ii) 80% in the 3 rd & 4 th year. iii) 70% in the 5 th year.	Subsidy for employment of professionals to be provided for a period of 7 years on a tapering scale. i) 100% for the first 5 years. ii) 80% for the subsequent 2 years.

- All Federations connected with the weaker sections programmes

Under - Developed States	Least - Developed States
Subsidy for employment of professionals to be provided for a period of 7 years on a tapering scale. i) 100% for the first 5 years. ii) 80% for the subsequent 2 year.	Same as for under-developed states.

Qualifications and scales of pay and other emoluments for the various experts/professionals would be determined by the concerned federations in consultation with NCDC.

Subsidy, if available from the Central Govt., is proposed to be provided only for Pay, HRA, CCA, DA for 5 to 7 years. The assistance will be sanctioned by the corporation only after careful consideration of the proposal of the institutions and assessing the need for appointment of such experts.

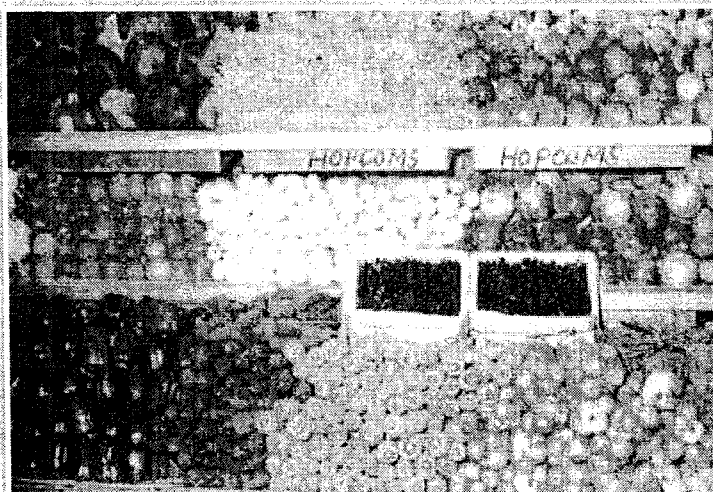
The pattern of assistance for the appointment of Development Officers in the RCS offices would be the same as applicable to state level federations in the least and under-developed states.

Activity	Developed State/UTs			Under-Developed States/UTs			Least Developed States/UTs		
	NCDC to State Govt.	State Govt. to Society	Direct Funding	NCDC to State Govt.*	State Govt. to Society	Direct Funding	NCDC to State Govt.*	State Govt. to Society	Direct Funding
Promotional & Developmental - Preparation of Project Reports, Market Surveys, Financial Management Studies, Impact Evaluation Studies etc. for establishment processing units etc.	-	-	-	Sub 100%	Sub 100%	Sub 100%	Sub 100%	Sub 100%	Sub 100%

* Subject to prior approval of the Corporation before undertaking studies and entrusting work to consultants.

F. DEVELOPMENT/STRENGTHENING OF AGRICULTURAL MARKETING INFRASTRUCTURE, GRADING & STANDARDIZATION.

Ministry of Agriculture, Govt. of India introduced a scheme for development/strengthening of agricultural marketing infrastructure, grading and standardization to encourage rapid development of infrastructure projects in the agricultural and allied sectors including dairy, meat, fisheries and minor forest produce in the States and UTs where APMC Act has been amended. Under this scheme, a back ended subsidy of 25% of the capital cost up to Rs.50 lakh in each project is available provided it is a "Direct" service delivery to producers/farming community in post harvest management/ marketing of their produce. Subsidy is 33.33% of the capital cost up to Rs.60 lakh in case of North-eastern states, hilly and tribal areas, and in the States of Uttarakhand, Himachal Pradesh, Jammu & Kashmir and for SC/ST entrepreneurs and their cooperatives. Assistance under the scheme is available on capital cost of the project only.



Pattern of funding for projects financed through NCDC

For cooperatives in all States other than in North-eastern States, Uttarakhand, Himachal Pradesh, Jammu & Kashmir, hilly and tribal areas & SC/ST Cooperatives:

From NCDC to State Govt.	From State Govt. to Society		Direct funding from NCDC to Society	
Term loan 65%	Term loan *	50%	Term loan	Minimum 50%
Subsidy 25%	Share Capital *	15%	Subsidy	25%
	Subsidy	25%	Society Share**	Rest of the cost
	Society share	10%		

For cooperatives in North-eastern States, Uttarakhand, Himachal Pradesh, Jammu & Kashmir, hilly and tribal areas# & SC/ST Cooperatives:

From NCDC to State Govt.	From State Govt. to Society		Direct funding from NCDC to Society	
Term loan 56.67%	Term loan *	50%	Term loan	Minimum 50%
Subsidy 33.33%	Share Capital *	6.67%	Subsidy	33.33%
	Subsidy	33.33%	Society Share**	Rest of the cost
	Society share	10%		

* Minimum term loan 50% (Share capital of State Govt. will proportionately vary with increase in term loan).

** Cost of land not exceeding 10% in rural areas and 20% in municipal areas of the project cost can form part of the promoter's contribution.

(Hilly areas is a place at an altitude of more than 1,000 meters above means sea level).
(Tribal areas are notified/declared as tribal area by the Central/concerned State Govt.)



Automatic Patterns of Assistance



C. GRAMIN BHANDARAN YOJANA

Ministry of Agriculture, Govt. of India introduced a scheme with the main objective of creation of scientific storage capacity with allied facilities in rural areas to meet the requirements of farmers for storing farm produce, processed farm produce and agricultural inputs; promotion of grading, standardization and quality control of agricultural produce to improve their marketability ; prevention of distress sale immediately after harvest by providing the facility of pledge financing and marketing credit; strengthen agricultural marketing infrastructure in the country by paving the way for the introduction of a national system of warehouse receipts in respect of agricultural commodities stored in such godowns and to reverse the declining trend of investment in agriculture sector by encouraging private and cooperative sectors to invest in the creation of storage infrastructure in the country.

Assistance under the scheme shall be available on capital cost of construction of godown including the cost of allied facilities like boundary wall, internal road, platform, internal drainage system, weighing, grading, packaging, quality certification, warehousing facilities which are functionally required to operate the godown.

Pattern of funding

For Cooperatives other than NE States, hilly areas and SC/ST Cooperatives		For Cooperatives in NE States, hilly areas * and SC/ST Cooperatives	
From NCDC to State Govt.	From State Govt. to Society	From NCDC to State Govt.	From State Govt. to Society
Term loan 65%	Term loan 50%	Term loan 56.67%	Term loan 50%
Subsidy 25%	Share capital 15%	Subsidy 33.33%	Share capital 06.67%
	Subsidy 25%		Subsidy 33.33%
	Society share 10%		Society share 10%

* where the project site is located at a height of more than 1000 meters above sea level.

Note 1: In case of funding directly to society besides subsidy of 25% or 33.33% as the case may be, minimum loan shall be 50% rest society's own contribution.

2. Subsidy subject to availability of funds from GOI, otherwise equivalent loan from NCDC.

Mode of Release:

- 50% of sanctioned amount shall be released on acquisition of land and submission of copy of contract of award of work and balance 50% of sanctioned amount shall be provided after godown has reached roof level.
- 100% sanctioned amount shall be released in case of renovation of godowns after work of repair and renovation is taken up.

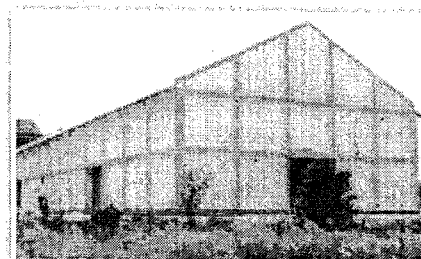
Special features of the scheme

- No ceiling on godown capacity for cooperatives funded through NCDC.
- Repair & Renovation of cooperative godowns are funded by NCDC only.

Accreditation of Warehouses

NCDC has been notified as one of the Accreditation Agency for undertaking accreditation of warehouses on behalf of Warehousing Development and Regulatory Authority (WDRA) set under the Warehousing (Development and Regulation) Act, 2007.

The main objective of the Warehousing (Development and Regulation) Act, 2007 are to make provision for the development and regulation of warehouses and negotiability of warehouse receipts which will help farmers to seek loans from banks against negotiable warehouse receipts to avoid distress sale of their agricultural produce.



H. CAPITAL INVESTMENT SUBSIDY (CIS) SCHEME

(For credit linked projects relating to construction / expansion/ modernization of cold storage and storages including Controlled Atmosphere (CA) and Modified Atmosphere (MA) Stores, pre-cooling units for Horticulture produce).

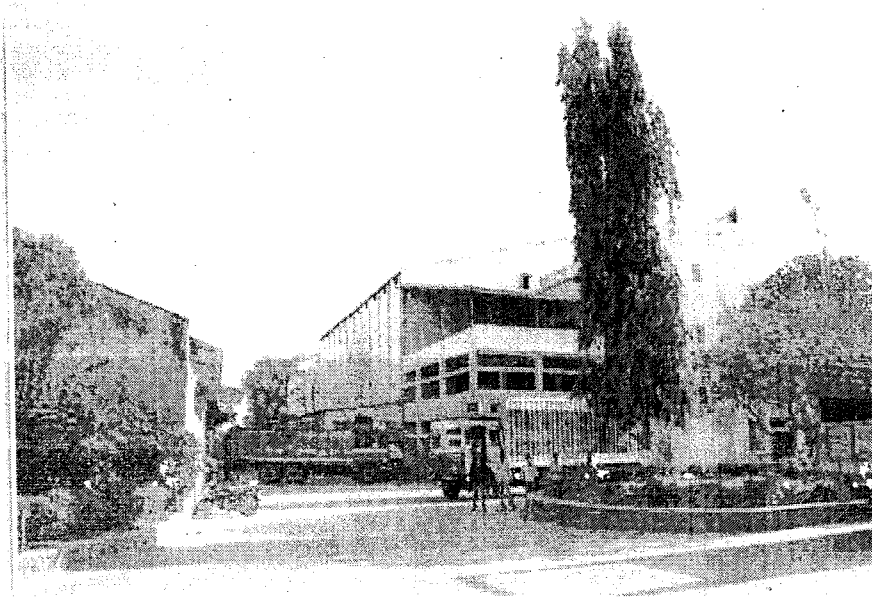
The Government of India, during December, 1999 has introduced Capital Investment Subsidy (CIS) in order to overcome problems of fluctuations in the prices of particularly of potatoes & onions. The scheme is being implemented mainly through NCDC and NABARD by National Horticulture Board (NHB), an autonomous body under Ministry of Agriculture (MOA).

Assistance from NCDC including back ended subsidy (BES) under the scheme is available for projects upto 5,000 ton capacity as per the following pattern of funding:

Assistance	Through State Government				Direct	
	NCDC to State Govt.		State Govt. to Society		General States	HS Areas
	General States	HS Areas	General States	HS Areas		
Loan	50%	35%	40 %	25%	35%	20%
BES*	40%	55%	40 %	55%	40%	55%
Share Capital	***	***	10 %	10%	***	***
Total	90%	90%	90 %	90%	75%	75%
	10 % by Society				25% by Society	

*subject to availability from Government of India /NHB otherwise loan from NCDC for a cold storage /CA store up to 5,000 ton capacity at prescribed normative cost. HS =Hilly and Scheduled Areas

Back ended subsidy is calculated at prescribed normative cost.



Schematic Pattern of Assistance

CR

GUIDELINES FOR DIRECT FUNDING BY NCDC

**Guidelines for direct funding by NCDC
(As amended upto 3rd June, 2004)**

A. CRITERIA FOR DIRECT FUNDING:

1. Eligibility criteria:

- (i) NCDC may extend direct assistance to existing cooperative societies in operation for not less than three years.
- (ii) Routing of NCDC assistance will be as follows:
 - (a) NCDC assistance (for Projects/working capital) not exceeding Rs.10 crores, subject to the eligibility criteria, may be considered for direct funding. These limits will be applicable to multi-state cooperatives also.
 - (b) Working capital loans to state/national level federations may be considered for direct funding on the merit of each case without any ceiling.
 - (c) NCDC assistance for the cooperatives, which are not eligible for direct funding or otherwise would continue to be considered through state governments.
 - (d) In exceptional cases, for the cooperatives which are financially strong, have good track record of operations and credit worthiness, NCDC assistance above Rs.10 crores may be considered for direct funding with the approval of the Board.
- (iii) The society should have positive net-worth, not less than 100% of paid-up share capital i.e. there should be no erosion in the paid-up share capital.
- (iv) The society should not have any cash losses during last three years and there should be net profit in at least two of previous three years.

- (v) The debt equity ratio will normally be 65:35, depending on economic viability of the project.
- (vi) Value of assets to be mortgaged to NCDC as security against the loans should have adequate security margin, normally not less than 1.5 times. (Shortfall in the security may be made good by way of guarantee of a scheduled bank or an FDR endorsed in favour of NCDC).
- (vii) Working capital loans to cooperative societies/ federations may be secured by hypothecation of stocks/ debtors/ other assets, keeping a minimum margin of 20%. If considered necessary, NCDC may ask for additional security of first or second charge on the fixed assets.
- (viii) If considered necessary, the society may be asked to open an Escrow account with a scheduled bank/ state coop. bank/ distt. coop. bank in which part of sale proceeds will be deposited for servicing NCDC loan. In case Escrow account is opened with a distt coop bank, its financial position may be ascertained.
- (ix) Audit of accounts should be complete upto previous year within 6 months of close of the financial year. In cases where audit is undertaken by Government auditors and it is not complete, in such cases accounts audited by Chartered Accountant's firm will be submitted.
- (x) The society seeking NCDC assistance, or any other society on which directors of this society have been directors, should not have any major default in repayment of loans to NCDC/ banks/ financial institutions.
- (xi) NCDC, at its discretion, may ask for additional securities by way of one or more of the following:
 - Government guarantee
 - Guarantee of a scheduled bank
 - Personal guarantee of the Directors and collateral security

2. New cooperative societies:

The cooperative societies, which are not in operation for more than three years, will normally be assisted through state govts. However, such cooperatives in exceptional cases may be considered for direct funding, if in addition to the eligibility criteria indicated in para 1 above (as applicable), following additional securities are made available:

- (i) Government guarantee or Guarantee of a scheduled bank
- (ii) Personal guarantee of the Directors and collateral security, if considered necessary.

3. Releases:

- (i) NCDC will consider release of 25% ways & means advance only after the society has raised 50% and utilised 40% of equity portion of the project by way of members/ state govt. share capital and internal accruals.
- (ii) As per existing procedure, subsequent releases will normally be considered based on the expenditure incurred and committed expenses for one month as certified by a Chartered Accountant. For the projects involving NCDC assistance above Rs.10 crores or as decided by MD, NCDC, such certification may be carried out by a Chartered Accountant from the panel approved by NCDC.

4. Processing Fee:

Processing fee shall be charged for NCDC sanctions above Rs.50 lakhs @ 0.5% of the sanctioned amount, not exceeding Rs.2.50 lakhs (0.5% of Rs.5 crores) in each case. However, processing fee shall not be charged for working capital loans upto one year.

5. Repayments:

Loans for directly assisted projects are repayable in quarterly or half yearly instalments. Loans released to state governments would continue to be repaid in annual instalments.

6. Funding through state/ distt. coop. banks:

Funding in consortium with or through state/ district cooperative banks or RRB's or scheduled banks may be considered if required. For this purpose, credit worthiness of the banks may be assessed.

7. Existing Rate of Interest: (Clickable for current rate of interest) - Annexure - II

Analysis of the Balance sheet

1. Summarised Profit & Loss Accounts of last 3 years

1.	Business Turnover			
2.	Gross Profit before intt., depreciation and tax			
3.	Interest			
4.	Cash Profit (2-3)			
5.	Depreciation			
6.	Profit before tax (4-5)			
7.	Income Tax			
8.	Net Profit (6-7)			

2. Summarised Balance sheets of last 3 years

1.	Gross Block			
2.	Depreciation			
3.	Net Block (1-2)			
4.	Work in Progress			
5.	Investments			
6.	Total Fixed assets (3+4+5)			
7.	<u>Current Assets</u> i) Cash, Bank balance & deposits ii) Inventory iii) Sundry Debtors iv) Loans, advances and Prepaid expenses v) Others if any			
8.	<u>Current liabilities</u> 1. Working capital loan 2. Sundry creditors 3. Interest payable 4. Short term loans 5. Other provisions and liabilities			
9.	Net working capital(7-8)			
10.	Long term loans & deposits			
11.	Paid up Share capital			
12.	Reserves (excluding depreciation)			
13.	Un-distributed profits(+)/ Accumulated losses (-)			

14.	Net Worth (11+12+13) or (6+9-10)			
15.	Net Disposable Resources (10+11+12+13-6) (For margin money caluculations)			

3. Ratios

		31.3.2002	31.3.2001	31.3.2000
1.	Debt- Equity Ratio (10)/(11+12+13)			
2.	Current Ratio (7/8)			
3.	Cash profit to Turnover Ratio (4/1)			
4.	Net profit to Turnover Ratio (8/1)			

4. Comments on financial statements, audit report and status of audit

Certificate regarding overdues of the society to NCDC and other institutions

1. This is to certify that _____ (name of the society), as on date, is not in default in repayment of loans and payment of interest to NCDC and any Financial Institution/ Bank OR

Position of default in repayment of dues by the society to NCDC and other institutions as on date is as follows:

Name of Lending Institution/ Bank	Loan received		Principal repaid	Outstanding dues			
	Date	Amount		Principal		Interest	Total
				Overdue	Not yet due		

2. It is also certified that other cooperatives on which Directors of our Board are Directors or associated with are not in default in repayment of loans and payment of interest to NCDC and any Financial Institution/ Bank as on date. OR

Position of default in repayment of dues by the Cooperatives on which Directors of our Board are Directors or associated with is as follows:

Name of Director	Name of defaulting cooperative society	Nature of association of Director with the defaulting society	Name of Financial Institution/ Bank	Amount of default	Reasons and period of default

(Chief Executive of the Society)

Place:

Date:

Note : Strike out which is not applicable

National Cooperative Development Corporation
(Finance Division)
4, Siri Institutional Area, Hauz Khas, New Delhi - 110 016

No. NCDC:1-1/90-Budt.

10th January, 2017

To,

The Secretary In-charge of Cooperation,
 All State Governments & Union Territories

Sub: Interest rates on NCDC loans

Dear Sir,

In modification of our letter of even number dated 26.04.2016, interest rates for NCDC loans are revised with immediate effect as follows:

Scheme	Effective rate of interest *
A. Term Loans:	
(a) Through State Governments	
(i) Weaker section programmes	10.40%
(ii) Other programmes	10.60%
(b) Direct funding	
(i) Weaker section programmes	
- upto project cost of Rs.50 lakhs	10.65%
- above project cost of Rs.50 lakhs	10.90%
(ii) Other Programmes	11.15%
B. Working Capital Loans:	
(a) Through State Governments/ Direct Funding	
(i) from 3 to 6 months	8.40%
(ii) above 6 months - upto 9 months	8.70%
(iii) above 9 months - upto one year	9.05%
(iv) above one year - upto two years	9.30%

* Subject to payment of instalments on or before due date.



2. **Interest shall be charged on monthly compounding basis.** In case of :

- i. Term Loans through State Govts., payment of interest shall be made annually,
- ii. Term Loans under Direct Funding, payment of interest shall be made half yearly; and
- iii. Working capital Loans, payment of interest shall be made at such intervals as indicated in the sanction/release letters.

Note:

(a) In case payment of the installment is not received on or before due date, Normal Rate (effective + 1%) would be applicable.

(b) Penal rate of interest in case of default will continue @ 2.5% over and above Normal Rate.

(c) Interest will be charged as applicable at the time of release of funds.

(d) Weaker section programmes:

(i) Fisheries

(ii) Tribal/ SC & ST/ Hill Area Cooperatives

(iii) Dairy

(iv) Poultry

(v) Handloom

(vi) Coir, Jute & Tobacco

(vii) Sericulture

(viii) Women Cooperatives

(ix) Labour Cooperatives

3. Period of Term Loans will be upto 8 years. Period for margin money assistance (loan) will be upto 5 years and working capital loan will be provided upto 2 years.

4. Moratorium on term loans for the projects/ godowns will be upto 3 years, depending on gestation period of the project. For margin money, working capital and investment loan to State Governments for share capital participation, there will be no moratorium.



5. In case of direct funding, processing fee shall be charged @ 0.5% of the sanctioned amount, not exceeding Rs.3 lakhs (0.5% of Rs.6 crores) in each case. However, processing fee shall not be charged for working capital loans upto one year.

6. Other terms & conditions as contained in Corporation's letter of even number dated 15th October, 1984 shall continue to be applicable.

Yours faithfully,



(Sudhir Kumar Sharma) 10/11/2017
Financial Adviser

Copy to:

1. The Registrar of Cooperative Societies,
All States & Union Territories.
2. The Secretary In-charge, Fisheries Department,
West Bengal, Maharashtra, Karnataka, Gujarat, Kerala, Tamilnadu, Andhra Pradesh, Telangana, Orissa, Manipur, Tripura, Assam, Nagaland.
3. The Addl. Secretary (Cooperation & Credit),
Ministry of Agriculture & Farmers Welfare, Deptt. of Agri. & Coop,
Krishi Bhawan, New Delhi.
4. The Joint Secretary (Cooperation & Credit),
Ministry of Agriculture & Farmers Welfare, Deptt. of Agri. & Coop,
Krishi Bhawan, New Delhi.
5. Director of Fisheries,
West Bengal, Maharashtra, Karnataka, Gujarat, Kerala, Tamil Nadu, Andhra Pradesh, Telangana, Orissa, Manipur, Tripura, Assam, Nagaland.
6. Director of Textiles,
Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, Kerala, Gujarat
Madhya Pradesh, Karnataka, West Bengal.
7. PPS to Secretary, Government of India, Ministry of Agriculture and Farmers Welfare, Krishi Bhawan, New Delhi.
8. SPS to MD/DMD/ED.
9. All Chief Directors/Directors, NCDC, H.O.
10. Chief Director (Topic), NCDC, Gurugram.
11. All Regional Directors, NCDC.
12. All Advisers, NCDC, New Delhi.

With the request for wide
publicity of the revised rates.



(Sudhir Kumar Sharma) 10/11/2017
Financial Adviser

OFFICE PROCEDURE- DAK AND RECEIPT

OFFICE PROCEDURE – DAK AND RECEIPT

S.C. Sen

I. Some Special Meanings:

- i. **Dak** - Includes every type of written communication such as letter, telegram, interdepartmental note, file, which is received, whether by post or otherwise, in any department for its consideration.
- ii. **Receipt** - Means dak after it has been received by the concerned Section/Officer.
- iii. **Central Registry** - Means a unit within a department charged with the responsibility of receiving, registering and distributing dak meant for that department and includes functionaries like resident clerk and night duty clerk.
- iv. **Night Duty Clerk** - Means a clerk on duty outside office hours who performs the functions of the central receipt and issue section during such hours. The term includes Resident Clerk also.
- v. **Central Receipt and Issue Section** - Is a unit within a department consisting of the central registry and the central issue section.
- vi. **Section** - Means the basic work unit within a department, responsible for attending to items of work allotted to it. It is generally headed by a Section Officer and includes "Cells", "Unit" and other like terms.
- vii. **Branch Officer** - In relating to a Section, means the officer who takes the work directly from the Section.
- viii. **Diarizing** - Means registering of receipts in the section diary.
- ix. **Messenger Book** - Means a record, maintained in standard form O&M 13 or any other form, of particulars of dispatch of non-postal communication and their receipt by the addressees.
- x. **Departmental Instructions** - Means instructions issued by a department to supplement or vary the provisions of Manual of Office Procedure. (Appendix 55 of the Manual provides the list of matters in respect of which departments may issue departmental instructions).

*Dy. Director, ISTM, JNU Campus (Old), New Delhi

II. Registration of DAK in the Central Registry:

The following categories of dak will be registered by the Central Registry in the dak register:-

- a) Telegrams, Wireless Messages and Telex Messages;
- b) Registered postage dak;
- c) Inter-departmental files;
- d) Court summons and receipts enclosing valuable document, e.g., service books, agreements etc;
- e) Parliament questions, resolutions, cut motions and references seeking information relating to them;
- f) Unopened inner covers containing classified dak;
- g) Letters from Members of Parliament; and
- h) Any other category covered by departmental instructions.

III. Diarsing of Receipts in a Section:

The diarist will diarise in the Section diary all receipts except the following before they are submitted to the officers concerned of distributed among the dealing hands:-

- a) receipts which, as a class, are adequately taken care of by a register specially devised for the purpose (e.g. telephone bills which are entered in telephone bills register);
- b) receipts which are diarised in a computer;
- c) communication received from Members of Parliament, for which a separate register is maintained for watching their disposal;
- d) unsigned communication on which no instruction have been recorded by officers and on which no action is to be taken;
- e) identifiical copies of representations, save the one received first;
- f) post copies of the telegrams unless the endorsement contains a message in addition to that contained in the telegrams;
- g) petty contingent vouchers such as these relating to night duty or overtime claims of staff, claims for coolie hire or conveyance hire, chits asking for articles of furniture, stationery etc.;
- h) routine acknowledgements;

- i) casual leave applications;
- j) copies of Miscellaneous circulars, office memoranda, extracts, etc., circulated by any Section for general applications, telephone lists, notices of holidays, tour programmes, etc., and
- k) any other type of receipts which under departmental instructions are not required to be diarised.

IV. **Application of disputed receipts:**

At the time of perusal of receipts, the Section Officer will mark the mis-sent receipts to the concerned Section. But if that Section to which a mis-sent receipt is forwarded, feels that it is not concerned with that receipt, the same should be brought to the notice of the officer designated by the Department for deciding allocation of disputed receipts.

OFFICE PROCEDURE – ACTION ON RECEIPTS – II

***M.S. KASANA**

Level of disposal and channel of submission:

- 1.1. An officer above the level of section officer will take action on a case in accordance with the departmental instructions prescribing the level of final disposal and channel of submission for each category of cases.
- 1.2. Each department will review the instruction on level of disposal and channel of submission every year keeping in view the general principles of action on receipts i.e., it leads to speedy and correct decision making process.
- 1.3. As far as possible it will be ensured that a case is seen either by under secretary or a deputy secretary/director but not both.
- 1.4. Wherever level jumping is done in accordance with the departmental instructions in respect of any category of cases, each such case will pass through on its return, all the levels in the prescribed channel of submission.

Direct submission of cases by senior assistants

- 2.1 An assistant in a conventional section who has more than five years service in the grade including at least six months in the concerned section may be required to submit all the cases direct to the branch officer. In appropriate cases, assistants with less than five years service in the grade may also be permitted to submit cases direct to branch officer.
- 2.2 All the cases directly submitted by assistants to the branch officer will as a rule, go back to the assistants through the section officer. The section officer will be free to bring to the notice of the branch officer any omission or flaws in the submission of cases or the decisions taken and thus give an opportunity to the branch officer to reconsider the matter.

Examination by officer

- 3.1 An officer will regularly discuss with his staff to decide the course of action to be taken on the various cases. Normally a single note will be put up to the decision making level after the line of action is decided.

***Assistant Director, ISTM, New Delhi**

- 3.2 For dealing with important problem solving issues, the technique of paper writing may be used. This involves entrusting an officer or a group of officers with preparing a comprehensive paper which will be put up straight to the decision making level. The paper will contain the background to the problem issues arising out of it, precedents if any, analysis of all relevant facts and recommendations.

Departure from normal procedures or rules

- 4.1 In every case where a major or minor infraction, other than trivial, of the existing procedures or rules is sought to be made, it shall be the responsibility of the decision making authority to ensure that reasons are set out in writing, warranting such a departure from the rules or procedures.

Examination and progressing of cases in which two or more authorities are consulted

- 5.1 Where two or more State Governments, Central departments or other authorities are simultaneously consulted, the examination and where necessary, tabulation of the replies will ordinarily be started as soon as replies begin to arrive and not held over till the receipt of all the replies or the expiry of the target date.

Oral discussion

- 6.1 All points emerging from discussions between two or more officers of the same department and the conclusions reached will be recorded on the relevant file by the officer authorizing action.
- 6.2 All discussions/instructions/decisions which the officer recording them considers to be important enough for the purpose, should be got confirmed by all those who have participated in or are responsible for them. This is particularly desirable in cases where the policy of the government is not clear or where some important departure from the prescribed policy is involved or where two or more levels differ on significant issues or the decision itself, though agreed upon by all concerned, is an important one.

Oral instruction by higher officers

- 7.1 Where an officer is giving direction for taking action in any case in respect of matters on which he or his subordinate has powers to decide, he shall ordinarily do so in writing. If, however, the circumstances of the case are such that there is no time for giving the instructions in writing, he should follow it up by a written confirmation of his earliest.
- 7.2 An officer shall, in the performance of his official duties, or in the exercise of powers conferred on him, act in his best judgement except when he is acting under instructions of an official superior. In the latter case, he shall obtain the directions in writing wherever practicable before carrying out the instructions, and where it is not possible to do so, he shall obtain written confirmation of the directions as soon thereafter as possible. If the officer giving the instructions is not his immediate superior but one higher to him in the hierarchy, he shall bring such instructions to the notice of his immediate superior at the earliest.

Oral orders on behalf of or from Minister

- 8.1 Whenever a member of the personal staff of a Minister communicates to any officer an oral order on behalf of the Minister, it shall be confirmed by him in writing immediately thereafter.
- 8.2 If any officer receives oral instructions from the Minister or from his personal staff and the orders are in accordance with the norms, rules, regulations or procedures they should be brought to the notice of the secretary (or the head of the department where the officer concerned is working in or under a non-secretariat organization).
- 8.3 If any officer receives oral instructions from the Minister or from his personal staff and the orders are not in accordance with the norms, regulations or procedures, he should seek further clear orders from the secretary (for the head of the department in case he is working in or under a non-secretariat organization) about the line of action to be taken, stating clearly that the oral instructions are not in accordance with the rules, regulations, norms or procedures).

Confirmation of oral instructions

- 9.1 If any officer seeks confirmation of an oral instruction given by his superior, the latter should confirm it in writing whenever such confirmation is sought.
- 9.2 Receipt of communications from junior officers seeking confirmation of oral instructions should be acknowledged by the senior officers or their personal staff, or the personal staff of the Minister, as the case may be.

OFFICE PROCEDURE – FILING SYSTEM

*S.C. Sen

“FILE” is: systematic arrangement of paper
on a specific subject
in a folder
in chronological order
with an identifying number

Filing system is necessary for (A) identification, (B) sorting, (C) storage and (D) retrieval of papers. There are two systems now in use in the secretariat

	CONVENTIONAL FILING SYSTEM	FUNCTIONAL FILING SYSTEM
File No. Constituents:	8/3/90-Admn.I (1) Standard Head or Main Heading (2) Standard Sub-Head or Aspect Heading	A-22015(12)3/90-Admn.I (1) Group/Function/Basic Head (2) Main/Activity/Primary Head (3) Sub/Aspect/Secondary Head (4) Detail/Factor/Tertiary Head
List of Subjects:	Each section maintains approved lists of standard Heads and sub Heads and reviews thee every year. Thus, the approach is “Section” oriented.	Basic “Functions” of the Deptt. as a whole are identified and listed. For each “Function” main “Activities” are identified. Similarly for each “Activity” various “Aspects” and if necessary, different “Factors” for the “Aspects” are identified and listed. So the approach is towards the Department as a whole. In fact, for subjects common to all Department e.g. Establishment, Finance, Budget and Accounts, House Keeping jobs, etc. the standard functional file index including its file numbering system issued by the Department of Administrative Reforms and P.G. is required to be followed.
Numbering	Consecutive serial numbers are allotted to the Standard Heads but NOT to the standardized sub heads. File number will consists of: i) S.No. of the standard head. ii) S.No. of the file opened during the year iii) last 2 digits of the year in which oopened, and iv) Abbreviated symbol identifying the Section.	Basic head is represented by a single letter or by roman numerals from I to X if the list is short or by a group of 2 or 3 letters abbreviating the function like “Agr” for Agriculture. Primary and secondary heads are indicated by 2-digit numerals from 11 to 99 and ZERO is used as a separator between the two. In the file number mentioned earlier, A, 22 & 15 represents basic, primary and secondary heads respectively.

*Deputy Director, ISTM

	CONVENTIONAL FILING SYSTEM	FUNCTIONAL FILING SYSTEM
		<p>This is then followed by a slant stroke as the separator. The S.No. of the file opened during the year is mentioned thereafter and is followed by the last 2 digits of the year of opening of the file separated by a slant stroke. The abbreviated symbol of the section is then written with a hyphen as separator from the year.</p> <p>If the file relates to a standardized tertiary head, a 2-digit numeral enclosed in bracket is inserted before the serial number of the file opened during the year and after the slant stroke preceding it.</p>
Title of the file	<p>The title will consist of (a) standard Head (b) sub-head (where it is necessary to have more than one sub-head in the title, the more abstract or general should precede the concrete and specific) and (c) the question or issue in brief; where necessary including the specific institution, person, place or thing involved. Each part will begin with a capital letter and will be separated by a bold dash.</p> <p style="text-align: center;">Illustration</p> <p>File No.8/3/90-Admn.</p> <p>Title: Promotion – Group 'C' employees – By Departmental Examination from LDC to UDC.</p>	<p>The title will consist of appropriate standardized heads (from the primary heads downwards each separated by a hyphen) followed by a brief content to describe the particular question, issue, event, person, thing, place, etc. involved. The basic head may not be included.</p> <p style="text-align: center;">Illustration</p> <p>File No.A-22015/(12)3/90-Admn. I.</p> <p>Title: Promotion – Group 'C' employees – By Departmental Examination from LDC to UDC.</p>

File Register – A record of files opened during the year will be kept in a file register (Appendix 22 of the Manual) to be maintained by the diarist. A list of approved standardized heads alongwith serial numbers identifying them should be pasted at the beginning of the register. The pages allotted to the standard heads in the register should also be indicated against each.

Part File – If a file is under submission to higher officers or is under reference to some other section/Department and is not likely to be available for some time, a part file may be opened to deal with a receipt or a note which cannot wait or when on such a note/receipt two or more sections or officers are to be consulted. Each part file will have a distinct number e.g. part file I, Part file II etc. A part file will be amalgamated with the main file at the first available opportunity, removing the duplicate papers, if any.

Volume – When either the “notes” or the “correspondence” portion of a file becomes bulky (say exceeds 100 pages) it will be stitched and marked “Volume I”. Further papers on the subject will be added to the new volume of the same file, which will be marked “Volume II” and so on.

Transfer, Reconstruction and Renumbering of File - On transfer of work from one department/section to another, the entire related record including files - ‘closed’ and current both – will immediately be transferred. The closed files will not be divided, reclassified or renumbered in the new deptt./section. Similarly, the new deptt./section will endeavour to close the current files at the earliest possible stage and to open new files as per their own scheme of classification for dealing with the matter further.

Movement of files and other papers

- i) Movement of files (alongwith that of linked files and/or recorded files) will be entered in the file movement register (Appendix 23 of Manual).
- ii) Movement of files received from other departments/sections and other receipts which have not been brought on to a file in the receiving section will be noted in the “Remarks” column of the section diary.

FILE REGISTER

<u>S.NO.</u>	<u>STANDARD MAIN HEADS</u>	<u>PAGE NO.</u>
1.	Personal Files	1 – 10
2.	Personal matters	11 – 20
3.	Budget, Accounts & Audit	21 – 30
4.	Office/Establishment Expenses (Or Office Maintenance)	31 – 40
5.	Purchases	41 – 43
6.	Advances	44
7.	Vigilance & Security	45 – 50
8.	Parliament matters	51 – 60
9.	V.I.P. References	61 – 65
10.	Schooly Issues	66 – 74
11.	Hostel Issues	75 – 84
12.	Foreign Aid	85
13.	Infrastructure	86
14.	Policy	87
15.	Competitions	88
16.	Reports & Returns	89 – 94
17.	Miscellaneous	95 – 100

RECORDS MANAGEMENT-AN OVERVIEW

* M.S.KASANA

Introduction:-

1. Because of the ever-increasing volume of documents that must be maintained, the efficient management of records is becoming more important. A well-designed, efficient records management programme can significantly reduce an organization's operating costs. Furthermore, an efficient records management programme helps to assure that an organization's records are properly cared for. Improperly maintained records are more likely to be misplaced or destroyed by mistake. An effective programme provides the protection an organization's records accumulation needs.

What Constitutes Records

2. Records refer to informational documents used to carry out functions, include forms, letters, memoranda, reports and manuals on paper or non-paper media. Records are tools of management, memory of an organization and source of information. All these documents which have future reference value constitute records.

Why Records:-

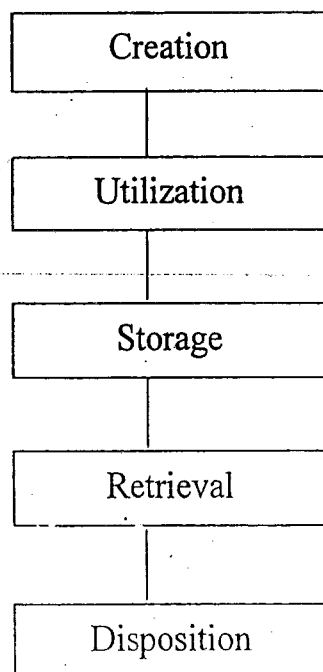
3. It becomes necessary to retain records:-
- (i) for planning and scheduling Govt's activities as information required for the purpose cannot be retained by human memory.
 - (ii) Retention of records is legal requirement in certain cases, i.e. production of papers in a Court of law.
 - (iii) For fixing responsibility for matters coming before Audit and Parliament and its committees and other public bodies. Govt. is accountable to the people through legislature.
 - (iv) For historical value-it may contain facts and figures about political and socio-economic conditions amounting to wealth of information for the posterity.

*Assistant Director, ISTM, JNU Campus(Old), New Delhi.

- (v) for ensuring element of rationality in Govt., it is necessary for the decision-makers to be impartial in the treatment of demands and grievances of all citizens, records of past decision precedents and procedures assist in fulfilling this objective.
 - (vi) to make available needed facts, figures, correspondence, etc. for future planning. Records contain information which may sharpen the process of decision-making and problem solving.
 - (vii) to ensure continuity in administration. Human memory is short, personnel are changed due to retirement, promotion and transfer.
 - (viii) To ensure that tax-payer's interests are protected at all times and that there is no irregularity in financial transactions.
 - (ix) For providing evidence in case of disputes.
4. Records Management refers to the activities involved in controlling the life cycle of a record, beginning with its creation and ending with its ultimate disposition. This leads to prevention of creation of unnecessary documentation, early identification of papers of lasting or enduring value and systematic planning of retirement procedures.

The Records Cycle

5. The records proceed through the life cycle illustrated below:-



Objectives and Principles of effective Records Management

6. (i) Appraisal: Review at appropriate stages, starting from the stage of last action on a current file.
- (ii) Weeding: There should be constant weeding and review of the records so that the cost of maintenance of records is kept to the minimum.
- (iii) Accessibility: It should provide an easily accessible source of information relevant to the changing needs of the organization.
- (iv) Control: There should be control on the growth of record since its inception/creation till final disposal stage.
- (v) Speed in Retrieval: The records should be kept in such way that they should be capable of being retrieved quickly.
- (vi) Economy: Economy should be observed by ensuring that: (a) records occupy minimum space; (b) cost of equipments for storing records is low; (c) cost of retrieving information is low.
- (vii) Retention Schedule: It should provide for a uniform and systematic schedule of retention and disposal of records.

We can encode the above seven principles as “AWACSER”

Activities involved in Records Management

7. The main activities involved in Records Management can be grouped in the following six categories:-

- | | |
|------------------|-----------------------|
| (i) Creation | (ii) Classification |
| (iii) Transfer | (iv) Maintenance |
| (v) Preservation | (vi) Review & Weeding |

E-FILE (DIGITAL DOCUMENT FILING SYSTEM)

E - File (Digital Document Filing System)

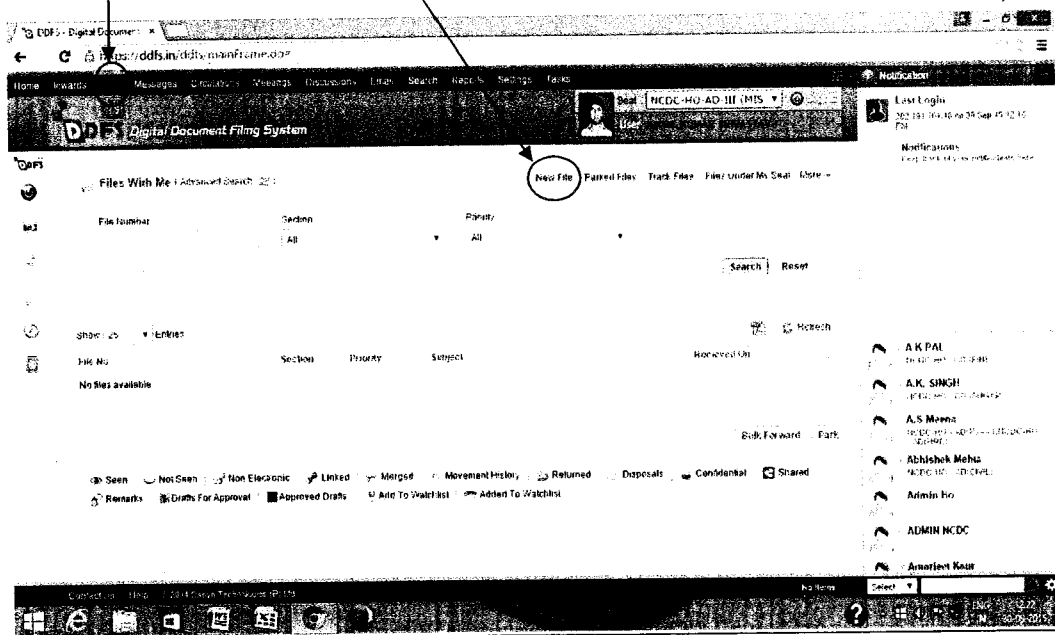
E - File (DDFS)

Some Commonly used options

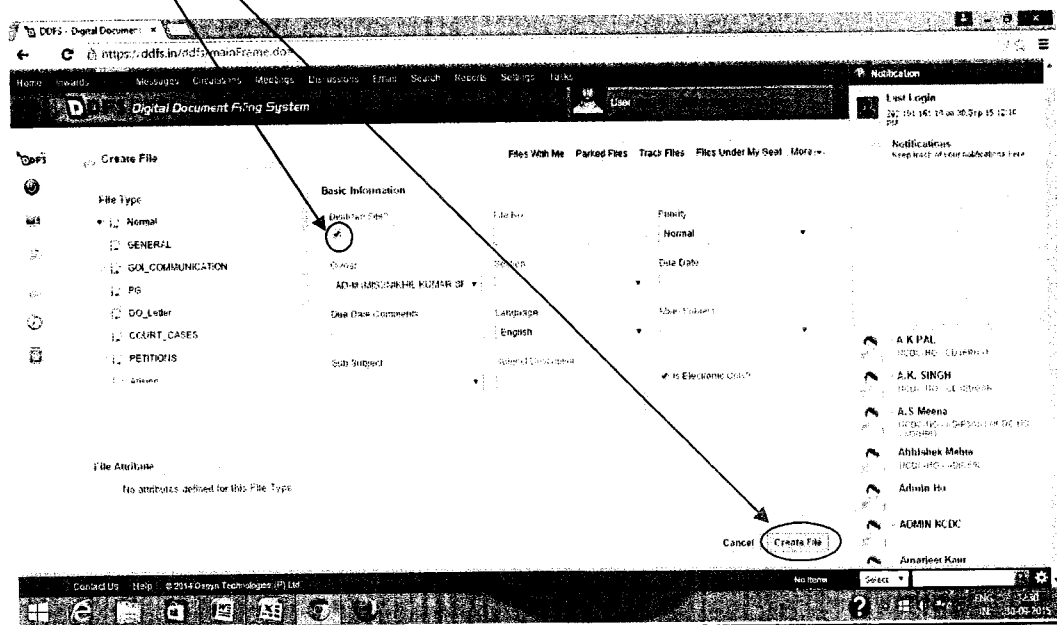
E-File (Digital Document Filing System)

1. Creation of Existing Files:

Step i: Click on File menu and then click on New File.

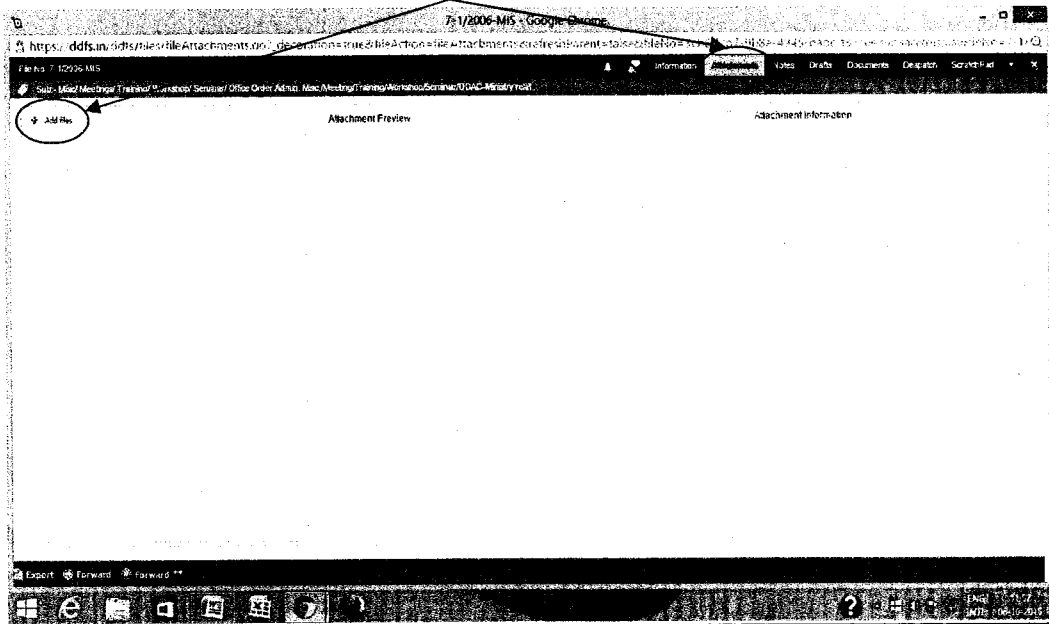


Step ii: Click on Digitized File? checkbox first then enter the File no. of existing File, select custodian of file in Owner dropdown list, Select Main subject, enter the subject of file in Subject Description and click on Create File button.



E-File (Digital Document Filing System)

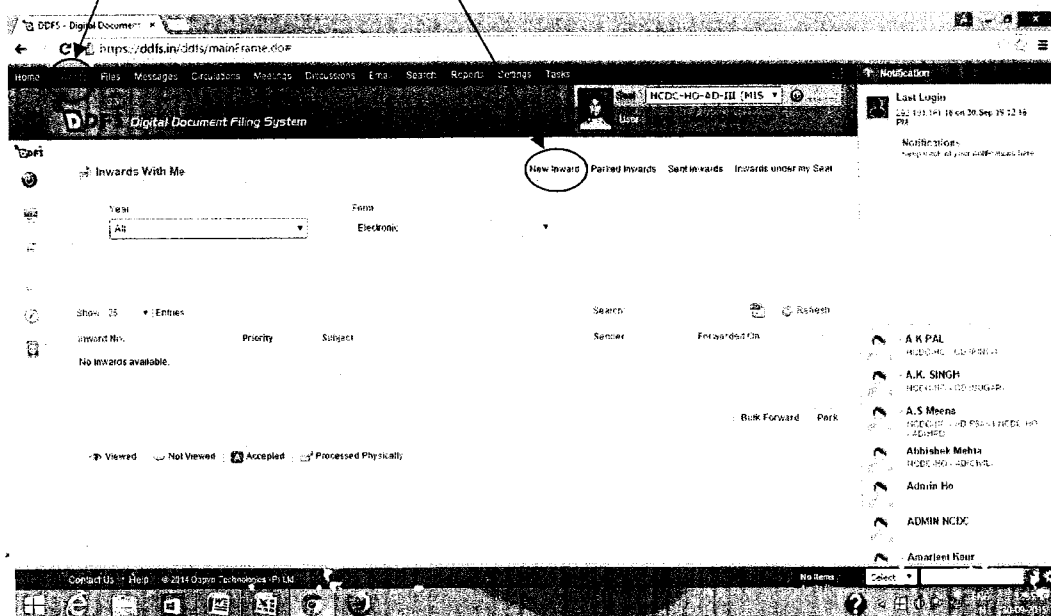
Step iii: After creating the existing file in DDFS, old notes/ correspondances may be attached under Attachment menu for reference while Noting in DDFS. Click on Add files button and attach the scanned notes/ correspondances (in PDF format) from physical file.



2. Creation of Inward/ Dak:

Step i: Scan the DAKs received in PDF format only. Also enable OCR (Optical Character Recognition) under settings in Scanner Software installed in your Computer. Enabling OCR will allow you to copy the content of PDF file in E-file (DDFS) software.

Step ii: Click on Inward menu and then click on New Inward.



E-File (Digital Document Filing System)

Step iii: Enter the name & address of Sender of the DAK, Ref. No. & Ref. Date of the DAK, Select Main Subject, enter Subject Description of the DAK. Click on Browse & Attach to attach the scanned copy of DAK in the Inward. Select the Seat of Head of the Division / Regional Director in Expected Seat and click on Save & Forward button.

Inward Entry Lastward Entered: No 226 Year 2019

Sender & Subject

Sender: Address Line 1: Address Line 2: Address Line 3:

Sender Contact Number: Sender Email ID: Reference No.: Reference Date:

Subject: Subject Description:

☐ Is Entering File Inward? ☐ Additional Information

Attachments

Description: File Name: Actions:

No Attachments

Expected Seal Seal - Not Collected

Inward Description

File Name	Actions
<input type="text"/>	<input type="text"/>

Save & Forward

Seal - Made All Seal

3. Attaching the Inward/DAK to a File:

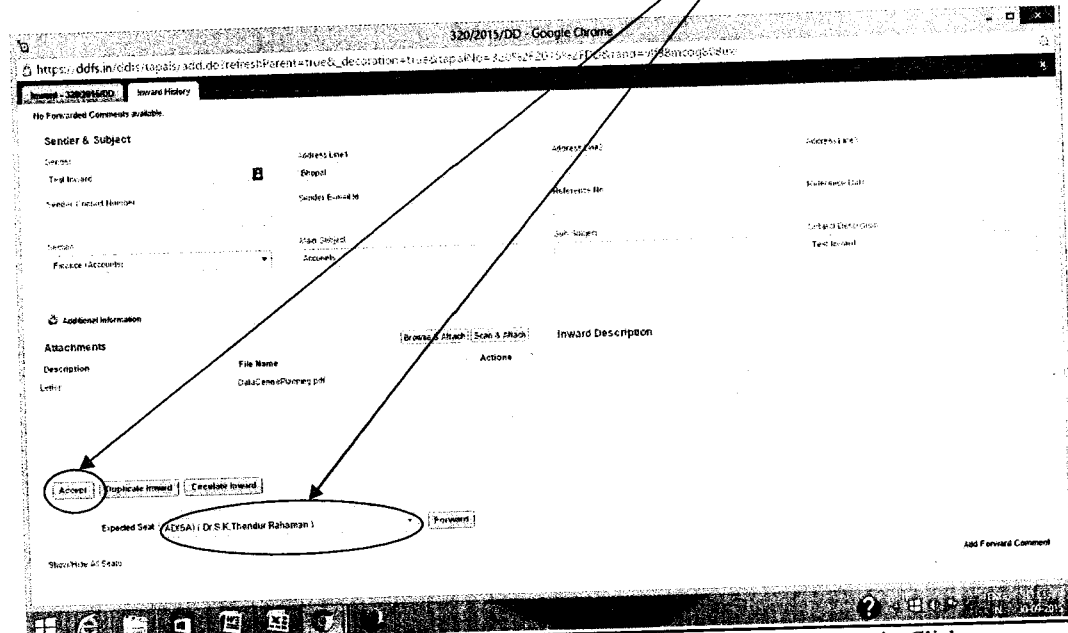
Step i: Click on the Inward No. to see the Inward details.

The screenshot displays the DDPS Inward Management System. The main content area shows a list of messages. The first message is highlighted with a red circle and labeled '120/2015/DO'. The interface includes a top navigation bar with options like Home, Messages, Circulations, and a right sidebar with a list of users. The bottom status bar shows '00 DDPS Inward 0/2 Files 0/6'.

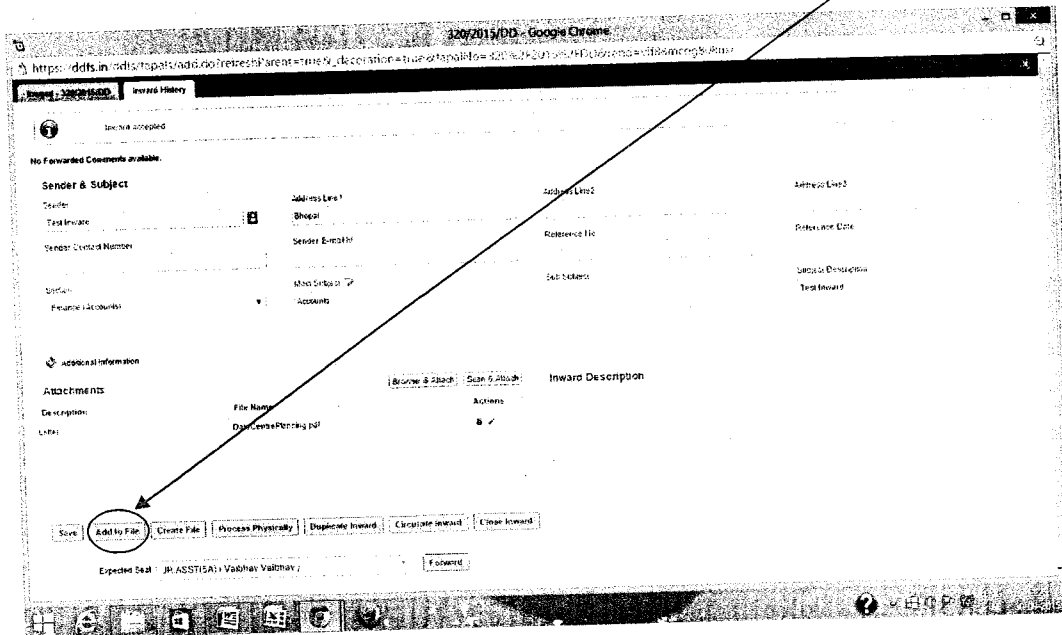
E-File (Digital Document Filing System)

Step ii:

- If the Inward/ DAK is to be processed at some other seat then select that seat in the Expected Seat list and click on Forward button.
- If the Inward/ DAK is to be processed at your seat then click on Accept button.

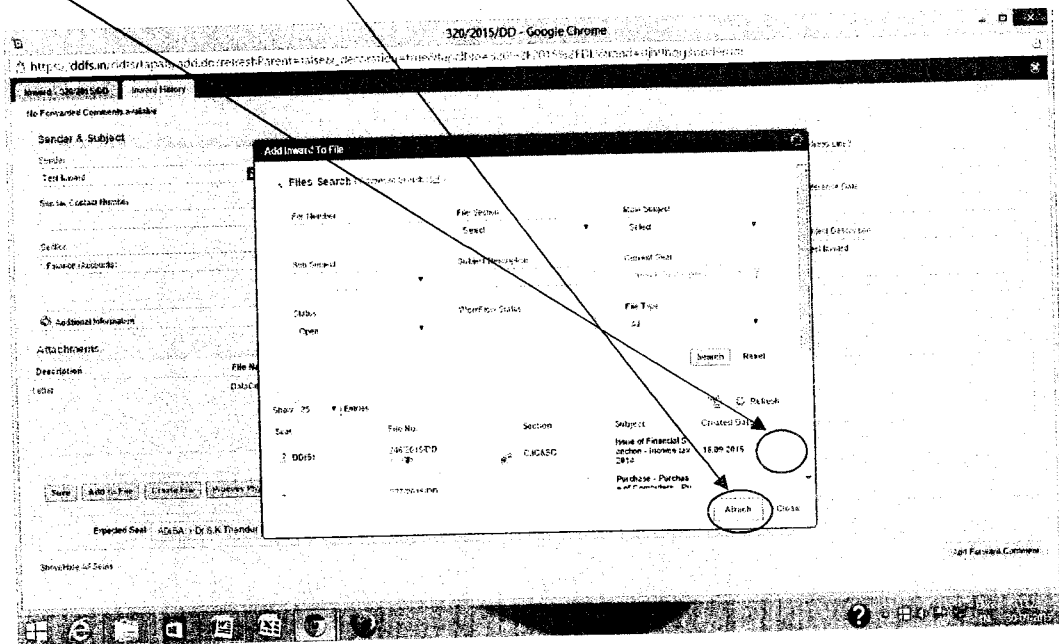


Step iii: After accepting the Inward/ DAK, It has to be placed inside a file to process it. Click on Add to file button to place the Inward/ DAK inside a file.



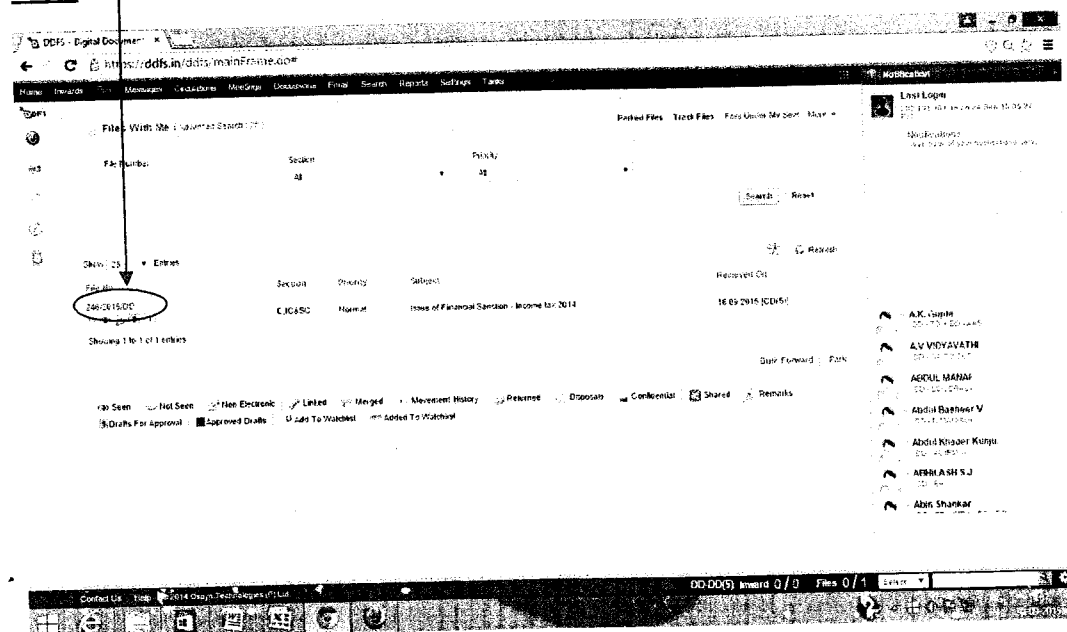
E-File (Digital Document Filing System)

Step iv: Select the File in which the Inward/ DAK is to be placed from the List of File by selecting the radio button and click on Attach button.



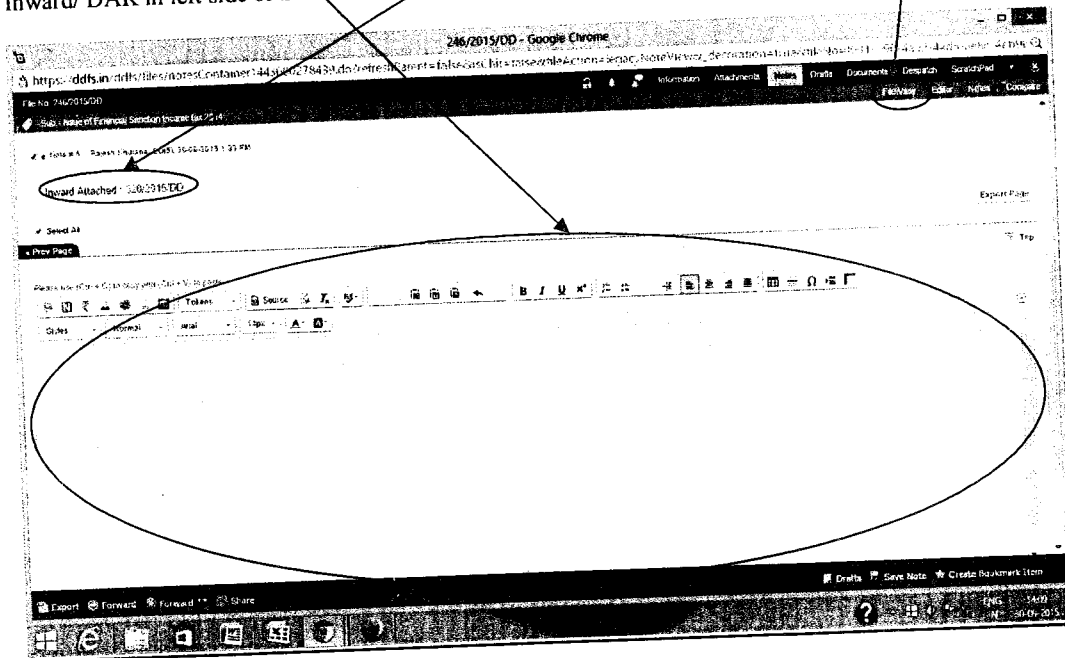
4. Noting in a File (Processing of Inward/DAK):

Step i: Click on the file no. in which the new Inward/ DAK is attached.



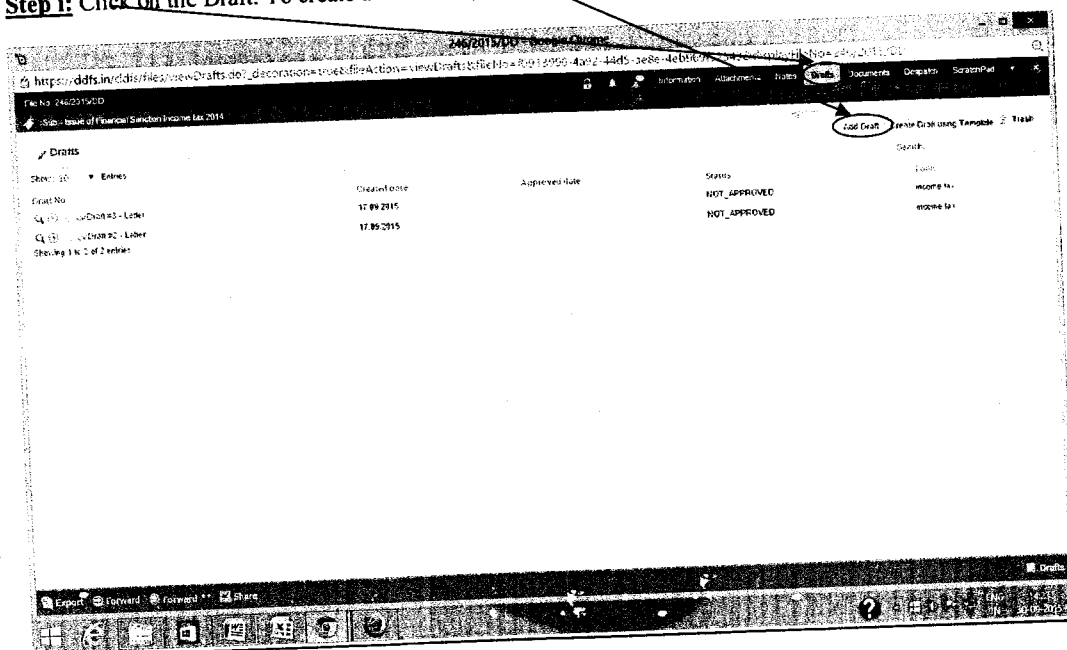
E-File (Digital Document Filing System)

Step ii: Inward/ DAK will be available inside the File. Click on the Inward No. to view it. Noting may be done in the Blank editor. To view the Inward/ DAK and Noting simultaneously click on File View. On clicking File View, The screen will be divided in two parts where you can see the Inward/ DAK in left side of the screen and Noting Editor on the right side of the screen.



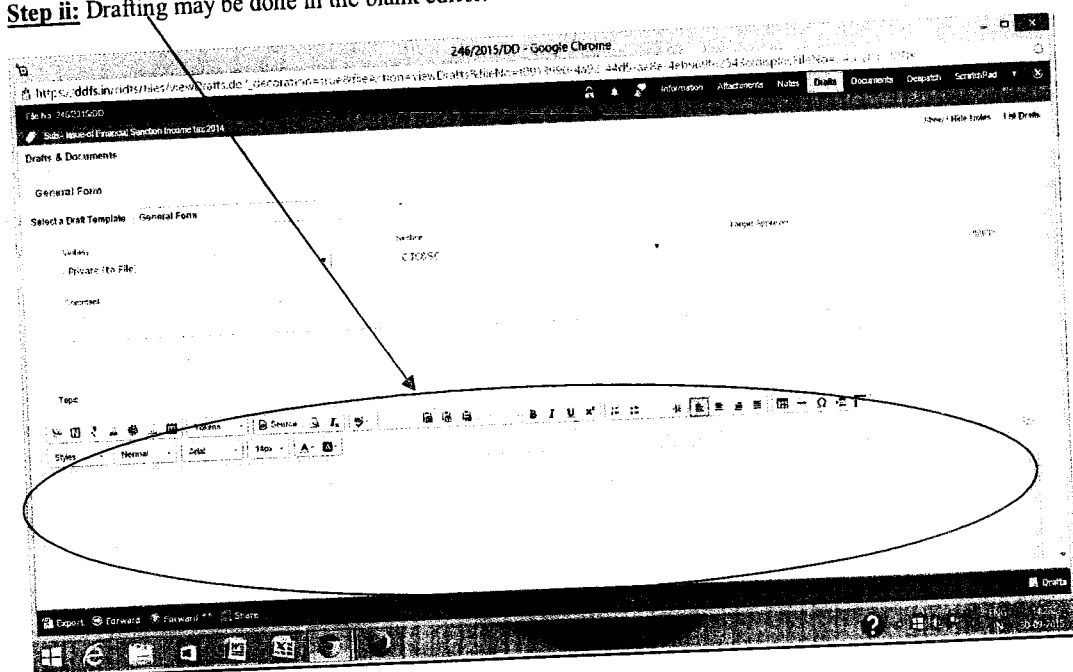
5. Drafting in a File:

Step i: Click on the Draft. To create a new draft, click on Add Draft.



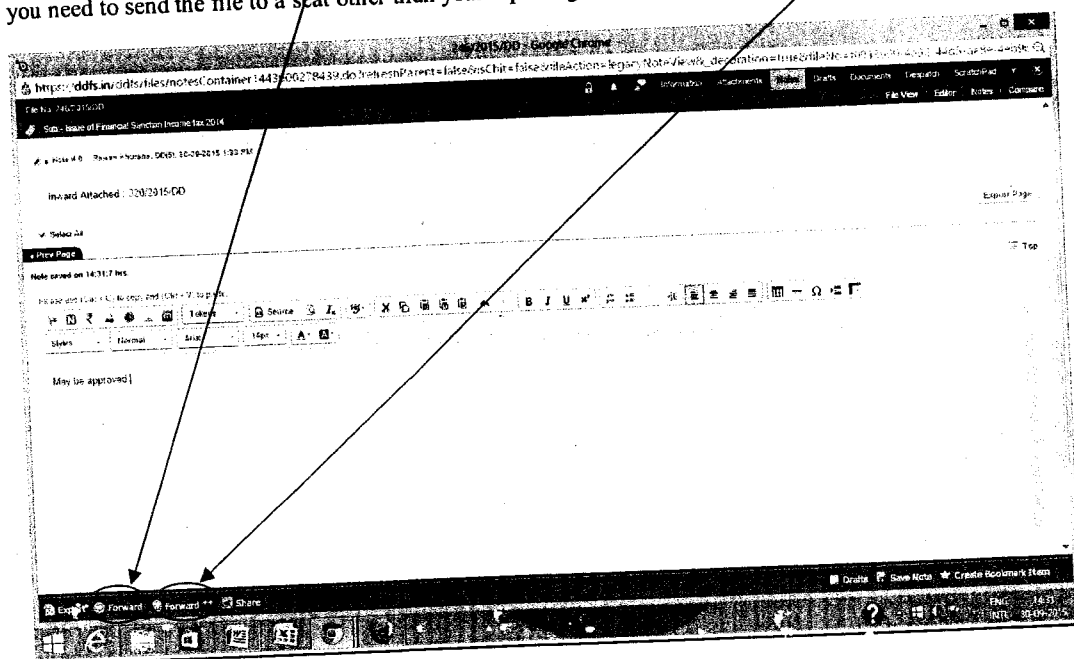
E-File (Digital Document Filing System)

Step ii: Drafting may be done in the blank editor.



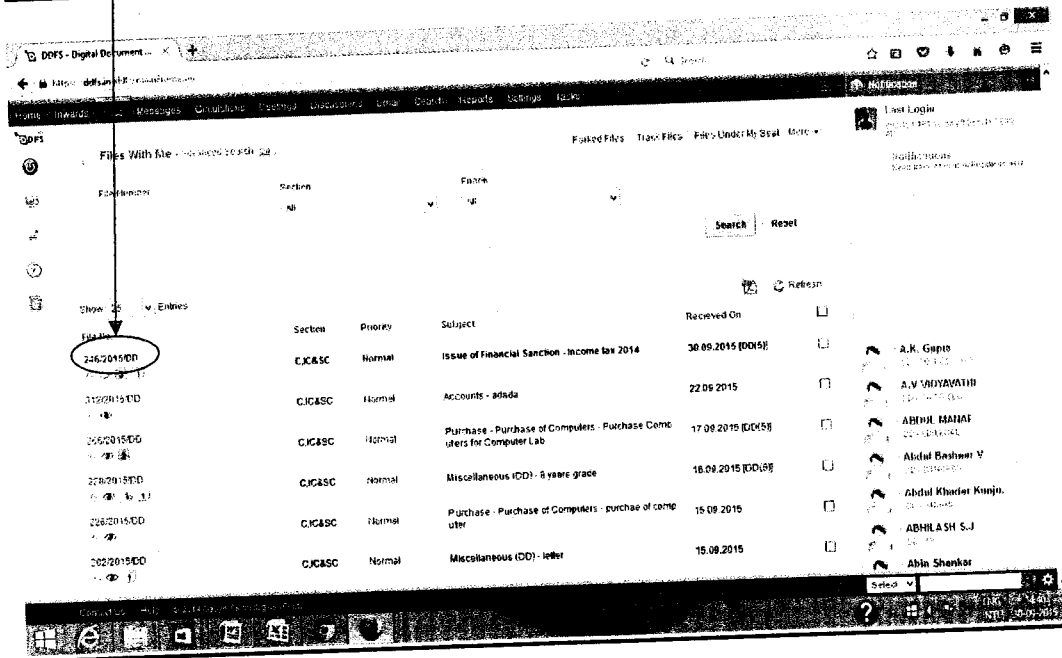
6. Forward File to a Seat:

Step i: Once the noting and drafting are completed, File may be forwarded to higher seats for their comment/ approval of draft. Click on the Forward button to send the file to your reporting seat. If you need to send the file to a seat other than your reporting seat, you may use Forward++ button.

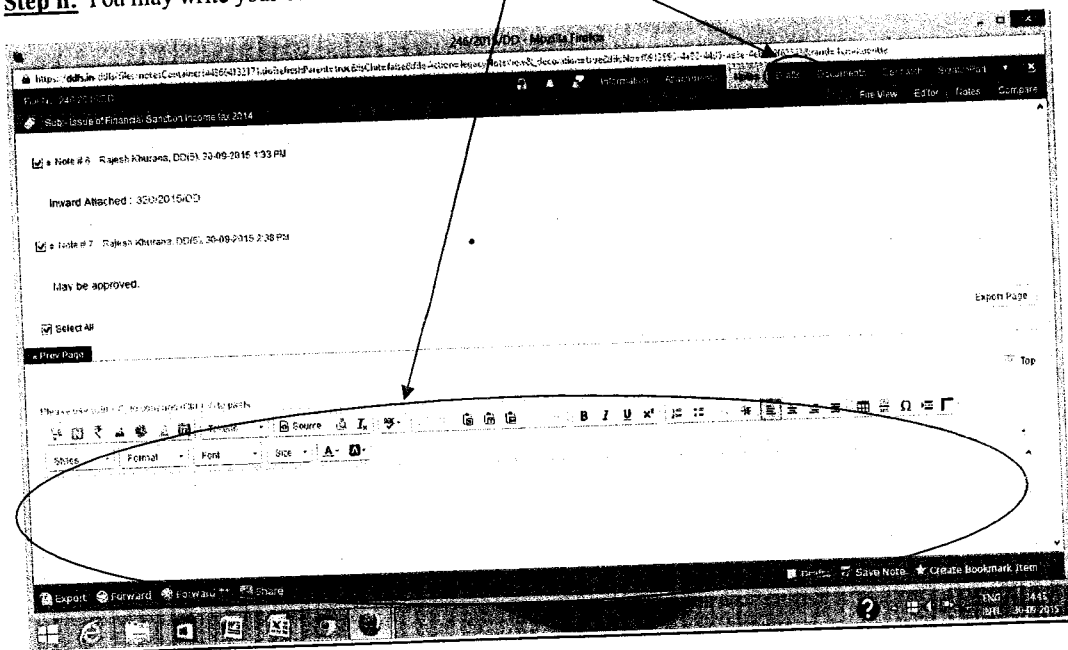


7. Approval of draft and return the file to sender:

Step i: Click on File no. to open the file to see the noting and give your comment.

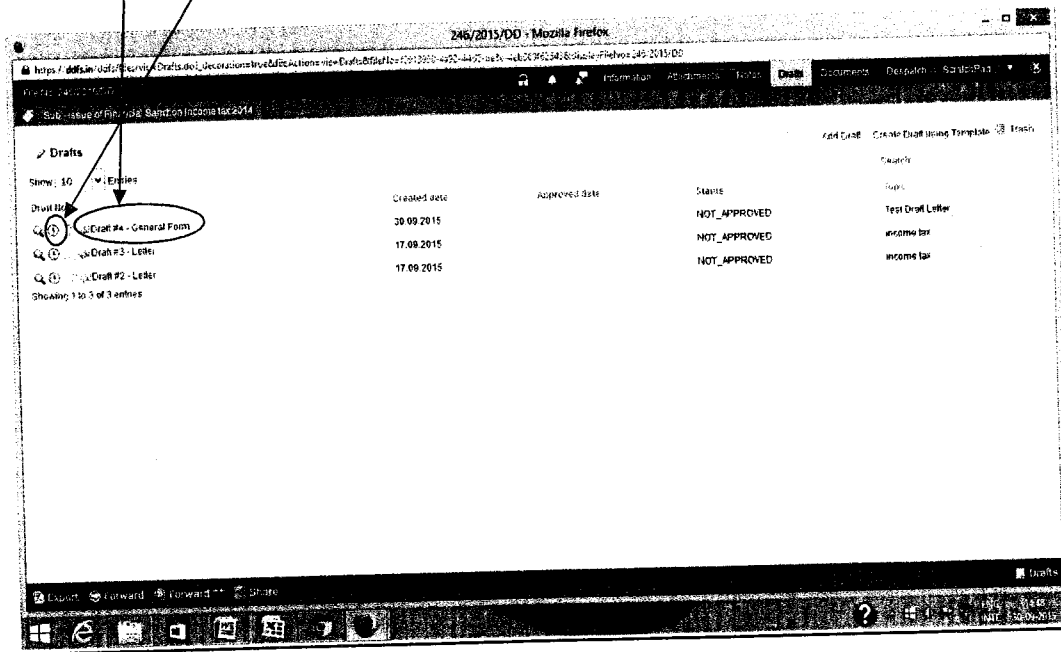


Step ii: You may write your comment in the blank editor. Click on Draft to see the list of drafts.

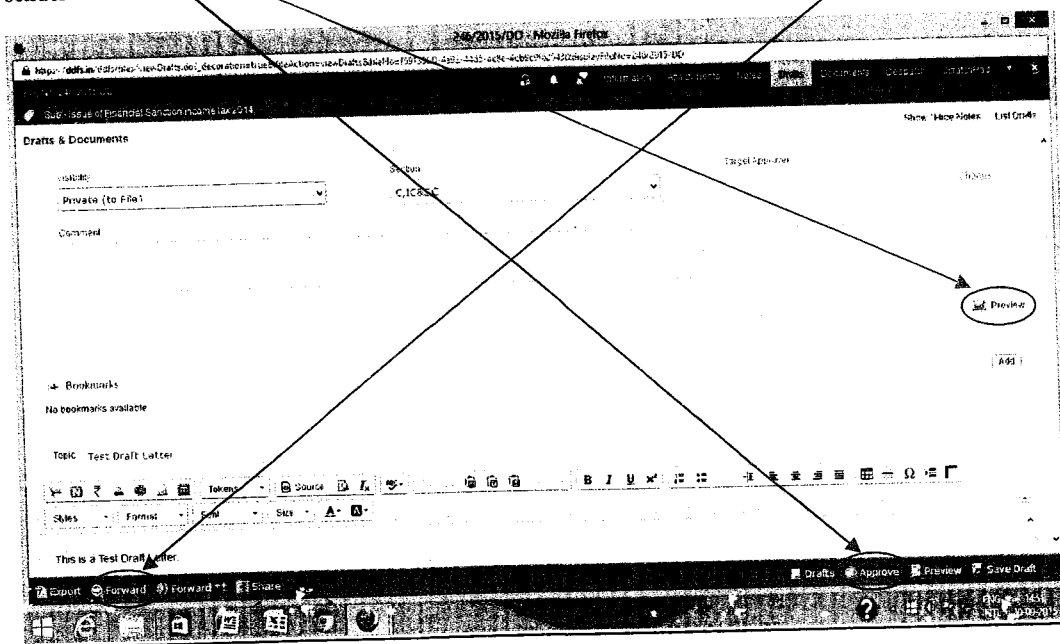


E-File (Digital Document Filing System)

Step iii: Click on a draft no. to view it, modify it (if required) and approve it. To see the different versions of draft click on Draft History.

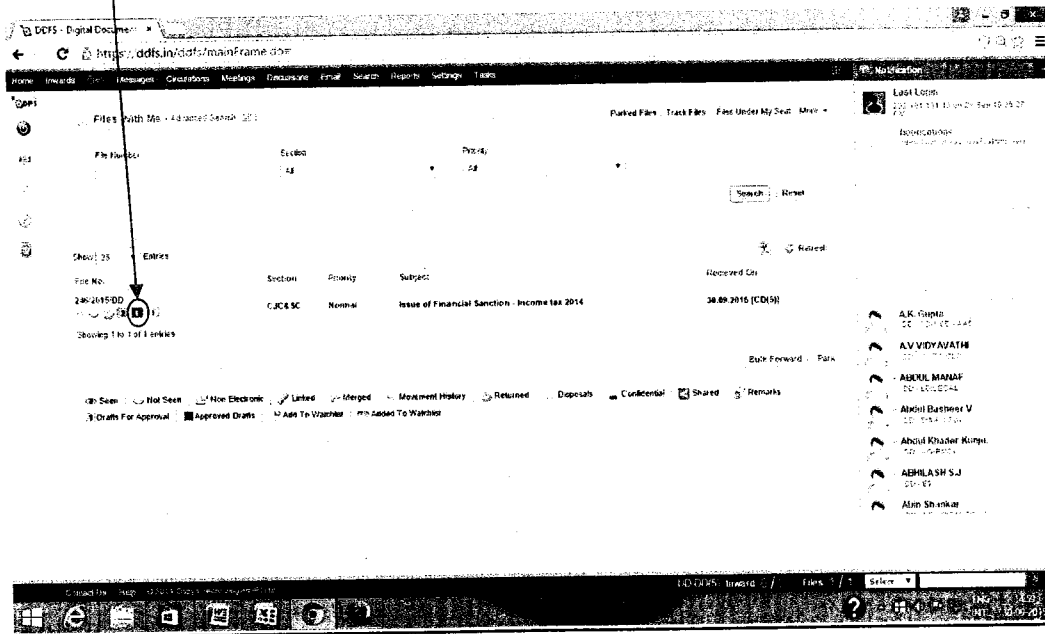


Step iv: Click on Approve button to approve the draft. Before approving the draft, you may preview it by clicking on Preview button. After approving the draft you may return the file to the sender to convert the draft in to document and despatch it to receipient.

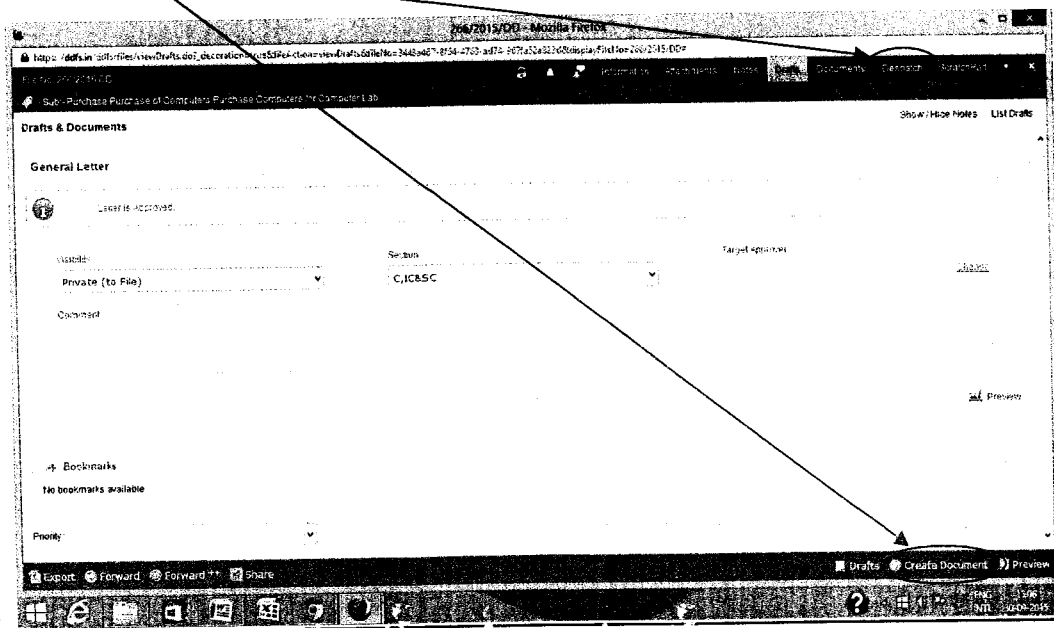


8. Creating document from draft and despatch the document:

Step i: Click on the Green Box to directly go and view the list of approved draft.

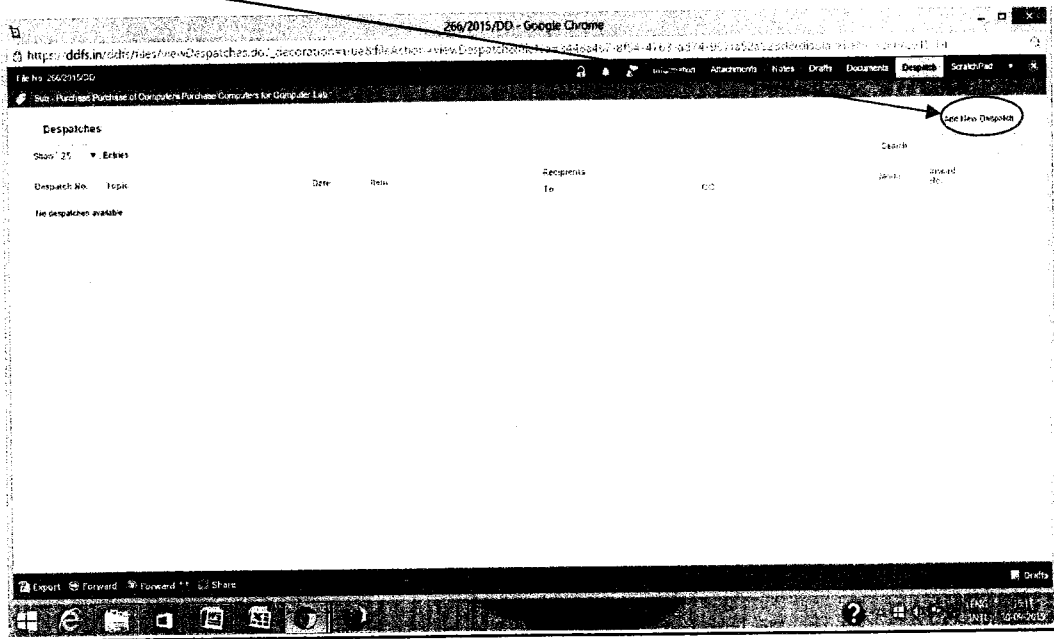


Step ii: Click on Create Document button to convert the draft into document (Non editable). After creating the document, click on Despatch.



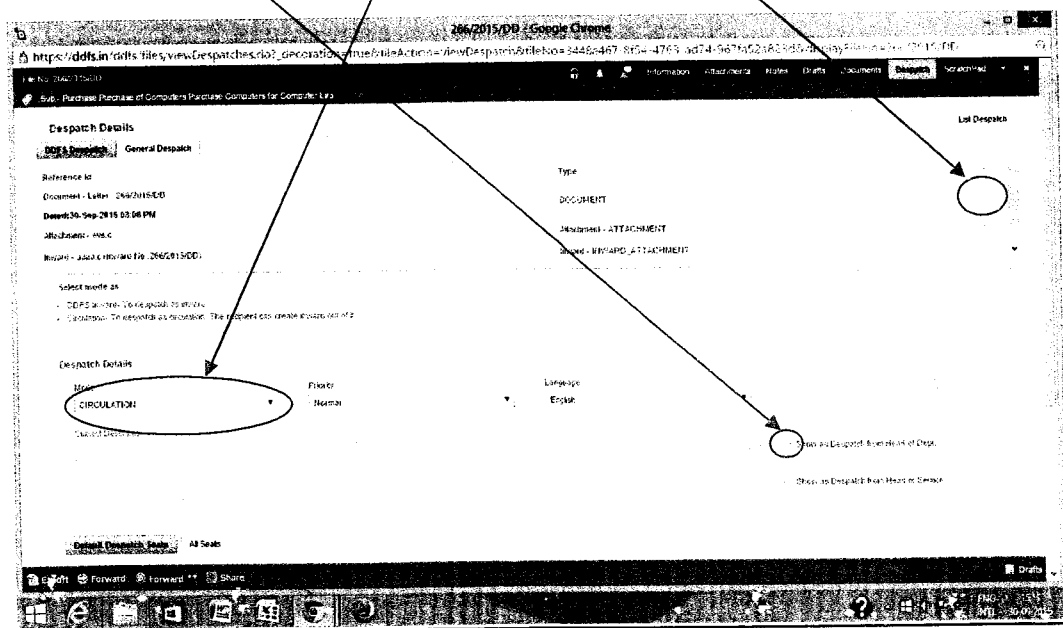
E-File (Digital Document Filing System)

Step iii: Click on Add New Despatch.



Step iv: A document may be despatched to DDFS user through DDFS Despatch option and to a non DDFS user through General Despatch option. Select the document to be despatched.

- a. Using DDFS Despatch: Mode may be selected as Circulation or DDFS Inward. Show as Despatch from Head of Dept. may be used so that recipient of document will see the sender of document as Head of Division / Regional Director.



E-File (Digital Document Filing System)

Recipient's seats may be selected from All Seats by selecting Department/Section. Select a seat from left side box and click on Add button. Click on Despatch button to send the document.

The screenshot displays a web application window titled "17/01/2015 - MMS - Mozilla Firefox". The main content area is titled "Default Despatch Send". It features a table with columns for "Department", "Section", and "Despatch Send". The table lists several roles, including "Head Office", "Section", "District Staff", and "DIR (SMS) Head Office". A red circle highlights the "Add SMS" button located below the table. Another red circle highlights the "Despatch" button at the bottom right of the page. Arrows indicate a flow from the "Add SMS" button to the table and then to the "Despatch" button.

- b. Using General Despatch: Mode may be selected as Postal or Email. Enter email ids separated by comma (,) , type your message and click on Despatch button. The document will be despatched to recipient's email.

[illegible]

ICD PROJECT – CONCEPT, OBJECTIVE, STRATEGY AND UNIQUE FEATURES

INTEGRATED COOPERATIVE DEVELOPMENT PROJECT (ICDP)
- CONCEPT, OBJECTIVES, STRATEGY AND UNIQUE FEATURES

1. BACKGROUND

NCDC has been providing financial assistance to cooperatives since its inception based on commodity or activity approach. On a review of NCDC schemes, it was felt that there was need to look at the business operations and financial requirements of a village society in its entirety and dovetail various schemes of NCDC to provide financial assistance in accordance with its needs. Development of PACS as a multi-purpose entity had been identified as one of the major objectives of the Seventh Plan. In view of the above, NCDC prepared a scheme for integrated development of PACS on the basis of an area-based project approach. The comprehensive scheme envisaged integrated development of primary cooperatives in the agricultural and allied sectors such as horticulture, sericulture, piggery, poultry, fishery, etc. as well as the non-farm sectors like handloom, rural industries and artisans so that these societies are strengthened to become a vibrant service and business organizations for bringing socio-economic transformation in the rural areas.

II. PROJECT OBJECTIVES

The scheme lays emphasis on the area based development in agriculture and allied activities and promotion of household business and enterprise with special focus on helping the weaker sections in selected district through cooperatives. The broad objectives of the scheme are:-

- (i) To undertake economic development of selected district through cooperative efforts, specially in the area of agriculture, agricultural related/allied activities, rural and household enterprises and cooperative banking /credit and deposit mobilization among rural populace.

- (ii) To strengthen the existing primary agricultural credit societies (PACS), primary cooperative marketing societies, other functional cooperatives such as fisheries, handloom weavers' etc. in the project area by providing infrastructural support and facilities, margin money for raising extra working capital to increase/diversify business and arranging for training and manpower development opportunities to build professional competence in the societies.
- (iii) To develop primary agricultural credit societies as multi-purpose societies to cater to the overall needs of the farming community, with special reference to credit, deposit mobilization, supply of agricultural inputs, consumer goods, irrigation facilities, extension facilities and other services for marketing of agricultural produce.
- (iv) To reorient the agricultural and other credit programme to cater to the needs of small and marginal farmers and weaker sections and strengthen organizational structure to meet timely credit requirements and development of a support system for timely recovery.
- (v) To prepare vertically integrated project for each selected district through backward and forward linkages between the primary societies and the district level and state level cooperative institutions.
- (vi) To review the existing cooperative structure and wherever necessary, revamp the structure/merge societies, dissolve societies and create new societies with a view to meet the needs of the members.
- (vii) To promote new functional cooperatives wherever not existing, for special commodities services and activities in the non-farm sector, particularly to provide services/supplies to members engaged in non-farm occupations and to generate employment opportunities.
- (viii) To strengthen the cooperative infrastructure in the project area to provide a wide range of integrated service for increasing production and productivity, employment, income and the cooperative delivery system to enable them to contribute their share towards the achievement of national targets.

Ultimately, the project must lend to strengthening of cooperatives in the district, make them more efficient and effective to help in improvement of socio-economic conditions of members.

III. BROAD STRATEGY

The broad strategy for implementation of the scheme is as follows:-

- (i) Creation of the infrastructural facilities both in farm and non-farm sector to facilitate diversified business activities (trading, marketing and processing).
- (ii) Strengthening the financial base by providing share capital and margin money assistance for activities such as marketing of agriculture and other produce, supply of consumer articles etc.
- (iii) Creation of small size units in processing of oil seeds, rice mills, Atta Chakki, Dal Mill, F&V units and service activities such as power generation, transport, hospitality & tourism, healthcare, rural housing and education etc.
- (iv) Preparation of a comprehensive business development plan for better goal orientation and effective utilisation of resources.
- (v) Streamlining of systems and procedures for better business and managerial efficiency.
- (vi) Training of society personnel, members of Board of Management and ordinary members to improve their skills and capability and create necessary awareness.
- (vii) Motivation through study visits and trainings and incentives for better performance.
- (viii) Implementation through a special created cell and project implementation team to achieve the targets in the stipulated period.
- (ix) Foster vertical, horizontal, backward and forward linkages to sustain and enhance the member's interest and business prospects of the societies.

IV. FUNDING

The funding is done as 75% - 85% loan component and 15% - 25% in the form of subsidy. Project subsidy is available to only cooperatively underdeveloped and least developed states, for all components related to agriculture and allied sector activities. However, in cooperatively developed states, subsidy @15% has been allowed for weaker section programmes only during the remaining period of 12th Five Year Plan. While subsidy is @ 20% in underdeveloped states, it is 25% in least developed states. Cost of project implementation i.e. PIT, manpower development & training, incentives, monitoring and DPR is provided as 100% grant in-aid (50% by NCDC from Central Sector and 50% by the concerned State Govt.). In case of special category states (North eastern and Hill States), 100% grants-in-aid is provided by NCDC from Central Sector for this component. Overall subsidy component including project implementation cost should not exceed 30% of the total project cost. Subsidy assistance is, however, subject to availability from Government of India.

V. IMPLEMENTATION

A multi-disciplinary expert group prepares a detailed project report, taking into account local resource endowment and potential for development through the existing cooperative set up. The existing development schemes and plans operating or proposed to be implemented in the district are also considered, based on which a perspective plan is made for the development of agriculture and allied sector, rural and industrial sector, consumer and banking sector. These are divided into sub-sectors like business planning, infrastructure planning, production planning, human resource planning and financial planning for a period of 4-5 years. The report also includes development of linkages, policy changes required, rationalization of rules and procedures etc. for effective implementation of the projects.

The State Government while sending the proposal for the selection of district also identifies the project implementing agency to be associated with the preparation of the project report in time as also for monitoring the implementation of the project after the same has been sanctioned.

The Project Implementing Agency through the constitution of a Project Implementation Team especially for execution of the project plan ensures:-

- i. To provide financial assistance to the cooperative societies covered under the scheme.
- ii. To assist the cooperative societies in formulation of Business Development Plans.
- iii. To provide management consultancy services and training for the elected and paid management of the society.
- iv. To monitor the implementation of the project.
- v. To ensure that the cooperative societies have democratically elected management.
- vi. To ensure proper training to the employees of the cooperative societies, craftsmen, artisans and other members in the project area.

Unique Features of ICDP

The concept of ICDP and its strategy whereby all possible and resources of cooperative development are integrated in one project is unique in the cooperative sector. It intends to provide, in a specific area the requisite support and assistance in a package form for all round and inclusive development of cooperatives by exploiting the available local resources in the best interest of farmer and non-farmer members. The main distinguishing features of ICDP are -

- Identification of gaps and needs of societies by an independent expert group based on field survey, analytical study and consultation with concerned authorities.
- Estimating the financial requirement to fill the gap and meet the requirements of societies in terms of infrastructure, machinery, facilities, working capital and training and manpower development through appraisal, scrutiny and due consultations.
- Focus on integration of linkages between DCCB and Primary Societies, societies at different tiers and horizontally placed primaries for sharing of resources/support and delivery systems in the interest of farming community and allied sector artisans promoting cooperative entrepreneurship.
- Special team (PIT) for execution of the Project plan within the stipulated period and allocated funds.

- Coordinated monitoring of implementation with involvement of all concerned authorities having stake in developmental process of the rural economy through cooperative efforts.
- Open-ended project to allow diversifications and modifications wherever and whenever required for better utilization of funds and improved results.
- Having features of integrated funding, integrated support, integrated implementation and integrated monitoring with a wider objective of integrated and inclusive development through increased businesses and employment generation on the one hand and strengthening cooperative institutions imbued with democratic and social values, on the other.
- For the coordination among various agencies/departments at the district and State level, a district level coordination committee under the chairmanship of District Collector having heads of various departments / agencies at district level as members and a State Level Coordination Committee under the Chairmanship of Registrar of Cooperative Societies, as Chairman and heads of concerned departments / agencies at the State level as members are constituted.
- During implementation for ascertaining the progress and problems of cooperatives and progress of project facilities at micro-level, the Project Implementation Team carries out regular monitoring in the project. As an integral part of the project, assistance is also provided for creation of a project monitoring cell preferably at the office of the RCS to coordinate and monitor the progress of various projects in the State.
- The monitoring at NCDC level is done through regular feedback from the projects in the prescribed monitoring proforma and also by review mission consisting of Senior Officers of NCDC.

Benefits of the Project

Based on the experiences on implementation of Integrated Cooperative Development Projects in various districts, following benefits have been observed:

- Increase in the active membership
- Increase in profit of PACS
- Increase in non-credit business
- Increase in Agri-input distribution, marketing and processing of agricultural produce
- Improvement and increase in distribution of credit
- Rise in investment through deposit mobilization in rural areas
- Improvement in loan recovery
- Increase in income of members
- Improvement in capacity and awareness of members

PATTERN OF ASSISTANCE

Pattern of funding under ICDP Scheme shall be as under :

SN	Activity	From NCDC to S/Govt.				From S/Govt. to Cooperatives			
		Loan	Sub	Total	Loan	S/cap.	Sub.	Total	
A. Cooperatively Least Developed States									
i)	Infrastructure Creation (Component I & II)	75%	25%	100%	50%	25%	25%	100%	
ii)	Margin money to beneficiaries societies	75%	25%	100%	100%	75%	25%	100%	
iii)	Share capital to DCCBs	100%	-	100%	100%	-	-	100%	
iv)	Manpower Development & Training	-	-	-	100%	-	-	100%	
v)	Managerial assistance to PIA and Monitoring	-	-	-	50% @	-	-	50%	
	Cell etc.	-	-	-	50% @	-	-	50%	
B. Cooperatively Under-Developed States									
i)	Infrastructure Creation (Component I & II)	80%	20%	100%	50%	30%	20%	100%	
ii)	Margin money to beneficiaries societies	80%	20%	100%	100%	80%	20%	100%	
iii)	Share capital to DCCBs	100%	-	100%	100%	-	-	100%	
iv)	Manpower Development & Training	-	-	-	100%	-	-	100%	
v)	Managerial assistance to PIA and Monitoring	-	-	-	50% @	-	-	50%	
	Cell etc.	-	-	-	50% @	-	-	50%	
C. Cooperatively Developed States									
i)	Infrastructure Creation (Component I)	85%	15%	100%	50%	35%	15%	100%	
ii)	Margin money to beneficiaries societies	85%	15%	100%	100%	35%	15%	100%	
iii)	Share capital to DCCBs	100%	-	100%	100%	-	-	100%	
iv)	Manpower Development & Training	-	-	-	100%	-	-	100%	
v)	Managerial assistance to PIA and Monitoring	-	-	-	50% @	-	-	50%	
	Cell etc.	-	-	-	50% @	-	-	50%	
d) Other than Weaker Section Programme / Activities									
i)	Infrastructure Creation (Component I & II)	100%	-	100%	50%	50%	-	100%	
ii)	Margin money to beneficiaries societies	100%	-	100%	100%	50%	-	100%	
iii)	Share capital to DCCBs	100%	-	100%	100%	-	-	100%	
iv)	Manpower Development & Training	-	-	-	100%	-	-	100%	
v)	Managerial assistance to PIA and Monitoring	-	-	-	50% @	-	-	50%	
	Cell etc.	-	-	-	50% @	-	-	50%	
Notes:									
Total subsidy component under any project shall, however, not exceed 30% of the total project cost									
Subsidy assistance available from any department / ministries / agencies shall be dovetailed for passing on to the cooperatives.									
The subsidy is shared between the NCDC and the State Government on 50:50 basis.									
In case of special category states indicated as @ in the table above, entire subsidy component is provided by the NCDC. The special category states are all North-Eastern States, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttar Pradesh.									

FINANCIAL ANALYSIS- APPRAISAL TECHNIQUES

Financial Analysis

- Understanding Financial Statements
- Interpretation of Financial Statements
- Ratio Analysis
- Financial Appraisal Techniques

UNDERSTANDING ANNUAL FINANCIAL STATEMENTS

Content of Financial Statements

Financial statements are generally limited to quantitative financial information about transactions and events as opposed to more qualitative statements regarding financial condition and well being. For example, a statement of operations may show an excess of expenses over revenue (i.e. a loss) of Rs.20,000 for the year. The statements will not comment on the future effect that the loss may have on the organization. It is up to the reader to interpret the information.

Financial statements are based on past rather than future transactions and events. Readers often look to historical information contained in financial statements to help predict the future cash flows of an organization. Predictions are, however, not an objective of the statements. Instead, the statements are intended to reflect what has already happened. In the example above, the existence of a loss does not provide sufficient information for a reader to determine if there is a serious cash flow problem or if the loss was an anomaly. The fact that a loss happened should, however, be reason for a reader to question whether a problem might exist in the future.

Financial statements form only a part of the financial reporting of an organization. Other important sources of financial information include annual reports, budgets and funding proposals. Readers wanting more information than that contained in the organization's financial statements will often be able to obtain it by referring to these other sources.

Financial statements are used to provide information about:

- what the organization owns and what it owes;
- the changes over the period in what the organization owns and what it owes;
- whether the organization operated at a surplus or a deficit over the period.

Owned or Owning

The statement of financial position (a.k.a. balance sheet or statement of net worth) contains information at a specific date – typically the fiscal year end of the organization – about:

- what the organization owns and what is owing to it (assets);
- what the organization owes (liabilities). This includes amounts owed to others or amounts to be spent on the operations of a future period (e.g. deferred grants).
- the accumulated surplus or deficit from prior years' operations (net assets/deficit). The difference between the assets and the liabilities is the amount of the net assets/deficit.

The statement provides a measure of the net worth or solvency of the organization. This snapshot of assets, liabilities and accumulated surplus (i.e., net worth) usually includes a comparative snapshot as at the prior year end.

Surplus or Deficit

The statement of operations (a.k.a. statement of revenue and expenses) contains information regarding:

- how much revenue was earned by the organization during the year. This will include both cash received and revenue earned but not yet collected (i.e. amounts receivable).
- the expenses the organization incurred such as those for wages, operating costs, etc.
- the difference between the revenue and expenses, which is the organization's surplus or deficit for the year.

If the statement of financial position presents a snapshot at the beginning and end of the fiscal year, the statement of operations paints a picture of the year itself.

The statement of operations contains information concerning where revenues come from and how they were spent. The excess (or deficiency) of revenues over expenses is the number that people refer to as the "bottom-line". This number tells readers whether the organization was able to match its expenses with revenue or if expenses outweighed revenues during the year.

Changes in What is Owned and Owed

The statement of cash flows provides information about how the organization generated and spent its cash during the year. It compliments the first two statements. The statements of financial position and operations provide a snapshot of the financial position of an organization at a specific date and a sense of its economic performance over the period but do not always clearly show why there were changes in assets, liabilities, and net assets. For example, an organization receiving a capital donation to buy a piece of land or a building would not normally reflect that donation as revenue. Instead, it would be shown as an increase in capital assets on the statement of financial position and, typically, shown as a direct increase in net assets. Another example is that of repayment of debt. If an organization pays off a bank loan, that payment is not an expense. It would result in a direct reduction of a liability. In both of these cases the transactions would be disclosed in a statement of cash flows.

Note that for many small operations, the changes in an entity's assets, liabilities, and net assets can generally be seen from the statement of operations. As a result, many not-for-profit organizations without significant debt, capital assets and deferred grant balances often do not prepare a statement of cash flows.

What Goes into Financial Statements

As discussed above the objective of financial statements is to provide users with an idea of an entity's financial position, its economic performance over a period and its changes in assets, liabilities, and net assets. We will now take a detailed look at the more common categories that appear in financial statements.

Assets

The first section of assets represents the current assets. Current assets comprise cash and other assets (e.g. short-term investments and accounts receivable) that would usually be converted into cash in the normal course of operations within the year.

Cash

Cash includes petty cash on hand, and cash in bank and credit union accounts. Note that the cash balance is adjusted for:

- cheques written before the year end that are not cashed until after the year end
- cash deposited in the bank after the year end that was received by the organization before the year end.

These two adjustments ensure that the cash balance represents the actual cash on hand and available to the organization at the reporting date.

Short-term investments

Short-term investments include items such as term deposits, guaranteed investment certificates, mutual fund money market holdings, and, in some cases stocks and bonds. It is important to note that, as with all other assets, these investments are recorded at their original cost to the organization. Subsequent gains are not recorded in the accounts. The notes to the statements often disclose market value of the investments. You should read the notes to see if the market value disclosed is greater than or less than the cost amount of the investments recorded in the statements.

If, in the eyes of the organization, an investment has suffered a permanent impairment in value (i.e., has declined in value below the original cost and the value is not expected to recover) then the securities will be written down in the financial statements to the now lower market value. Subsequent increases in market value will not be recognized in the statements.

Accounts receivable

Accounts receivable are amounts owing to the organization at a specific date for services rendered and goods sold. Examples of accounts receivable are amounts owed by parents for child care fees and workshop fees earned by an organization but not received until after the year end. Accounts receivable may also include other items due to the organization such as GST refunds, interest receivable on investments and grants receivable from government organizations for services rendered by the organization prior to the reporting date.

An important question to ask regarding accounts receivable is: "Will the amounts receivable actually be received by the organization?" An implicit assumption in financial statements is that the amounts included in accounts receivable will be recovered by the organization. Amounts on the organization's books that are not expected to be recovered are often either fully written off or are offset by an allowance for uncollectible debts.

Inventory

Inventory comprises goods and supplies (assets) held by the organization for resale. An implicit assumption in financial statements is that inventory can be sold at an amount at least equal to its cost to the organization. A question to ask regarding inventory is: "Is it saleable in the foreseeable future?" If the answer is no, then the inventory should not be included as an asset in the financial statements.

Capital assets

Capital assets are assets held for a period longer than one year and comprise items such as land, buildings, furniture and other equipment. Capital assets are held for use by the organization in delivery of its services and are not intended for sale in the ordinary course of operations. The financial statements reflect capital assets at their original purchase price. The statements do not attempt to disclose fair market value or disposable value or any type of value other than cost. Consequently, while capital assets may be listed at Rs.20,000, that is not to say that they could be sold for Rs.20,000 or that it would cost Rs.20,000 to replace them. The information disclosed is that the assets originally cost the organization Rs.20,000.

Accumulated amortization

Financial statements disclose not only the cost of capital assets but also an item called accumulated amortization. Assets are usually recorded as an expense over a number of years (e.g. three years or five years). This is the accountant's way of trying to spread the cost of an asset over its useful life. Accumulated amortization is the accounting term that explains how much of the assets have been recorded as an expense since their purchase. The excess of original cost over accumulated amortization of capital assets is termed "net book value". The net book value of capital assets represents the remaining value of assets to be written off as an expense in future years.

Note that land is not amortized as the usefulness of land generally does not diminish with time in the same way that, for example, a computer does.

Analysis of assets

When reading a balance sheet we recommend that you focus on the following:

- collectability of accounts receivable (i.e. will amount recorded actually be received);
- the difference between the market value of securities/investments and their recorded cost;
- if inventory on hand is saleable in the foreseeable future;
- whether all significant capital assets of the organization are recorded on the balance sheet
- whether the organization plans to or needs to replace capital assets in the future .

Liabilities

Like assets, liabilities are divided into current and long-term categories. Current liabilities are those which are owed and due to be paid within one business cycle, usually a year, such as accounts payable and accrued liabilities and deferred grant revenue. All other liabilities to be paid over a period longer than a year are classified as long-term liabilities.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations that have been incurred by the organization before the year end but have not yet been paid. The following are examples of some of the more common amounts payable:

- unpaid salaries and wages at the year end where the pay date does not fall on the year end date
- vacation pay earned but not taken by employees as at the year end
- goods and services such as utilities, food and professional fees that have been purchased and/or consumed by the year end but have not yet been paid for.

Liabilities are generally recorded at the amount that the organization expects to pay to discharge them. If a potential liability exists but it cannot be valued (e.g., in the case of an outstanding item such as a lawsuit whose outcome is in doubt at the year end) then this situation will often be disclosed in the notes to the financial statements. This is yet another example of why you should always refer to the notes when looking at a set of financial statements.

Deferred grant revenue

Deferred grant revenue represents grants received by an organization before the year end where the related expenses have not yet been incurred. As an example consider an organization that receives a salary grant in advance of the year end for salaries to be incurred the following year. The unspent portion of the grant at the year end would be recorded as deferred grant revenue in the liabilities section of the financial statements.

Loans, mortgages and other debt

This caption represents the amount of debt, such as mortgages and multi-year bank loans, owed by the organization to third parties. Again, reading the notes is very important for understanding the impact the debt will have on the future cash flows of the organization. The notes will generally disclose the loan payment terms, interest rates, and, very importantly, the security pledged by the organization. For example, if an organization pledged its accounts receivable and inventory as collateral for a bank loan then this will be disclosed in the notes to the financial statements.

Analysis of liabilities

- Compare current liabilities with current assets. The organization should have sufficient current assets (the sum of cash, inventory, accounts receivable, etc.) to cover its current liabilities. If it does not then you should question how the organization will pay the amounts owing in the upcoming year.
- Review the terms and conditions of loans and other debt to determine whether any large payments are due in the near future.
- Read the notes to the financial statements to determine whether there are any potential liabilities that could not be quantified as at the year end.

Net Assets

The next major caption in a balance sheet is that of net assets. This caption often appears as accumulated surplus (deficit), net worth, or funds. Regardless of the name, in all cases it represents the excess of the book value of what an organization owns (assets) less the book value of what the organization owes (liabilities).

Net assets are often subdivided based on the nature of the restrictions placed on the net assets by an organization's donors and funders. There are four common subdivisions of net assets: restricted, designated, invested in capital assets and unrestricted.

Restricted

This caption reflects assets given to the organization on which the funder or donor has placed explicit restrictions. The organization has a duty to use these funds in accordance with the specified purposes or the funds could have to be returned to the contributor. An example would be where donations have been given specifically to fund the purchase of a building. The organization must use the money to buy a building; it could not turn around and spend the money to cover operating or other non-building expenses.

Designated amounts

Designated amounts usually represent amounts the organization has set aside to fulfill a specific function. Designated amounts come to the organization without restrictions on their use but are subsequently designated for a specified use by the Board of Directors. A common example would be where an organization notionally or physically sets aside an amount to purchase a new asset such as a building or to repair or renovate an existing asset such as a playground. Designated amounts could also be set aside for possible costs in the event of wind up of an organization or to provide a cushion in the event of unexpected financial requirements.

It is important to note that, unlike funds with externally imposed restrictions, the requirements to spend designated amounts can be changed by the organization without the funds having to be returned to anyone.

Invested in capital assets

This amount represents the net book value of capital assets in the financial statements less the value of liabilities related to those assets. For example, if an organization had a building with a net book value of Rs.1,000,000 against which there was a Rs.250,000 mortgage then the amount reflected as "invested in capital assets" would be Rs.750,000.

Unrestricted funds

What is left over after restricted, designated and funds invested in capital assets are so called "unrestricted" funds. These are funds that can be used for the general operating purposes of the organization. Note that even though use of the funds is classified as unrestricted they must still be used in accordance with the legal mandate of the organization as set out in its incorporating statutes or similar documents.

The amount of unrestricted funds provides an indication of the solvency of an organization; solvency being the ability of an organization both to fulfil its current obligations and fund its future operations for the foreseeable future. For many not-for-profit organizations the combination of the unrestricted and designated net asset items should typically be within the range of one to three months of operating expenses. This is only a very general guideline. There are circumstances that would warrant a level of unrestricted and designated net assets outside of that range. Circumstances include extreme financial uncertainty (which could justify a level of net assets in excess of the range) or, on the other hand, excellent financial stability (which could justify a smaller than average level of net assets).

Analysis of net assets

- Compare restricted net assets with the level of current assets less current liabilities. Does the organization appear to have sufficient resources to cover these specified spending requirements?
- Review the total of unrestricted and designated surplus amounts. Compare this total with total operating expenses. If the combined surplus is less than a month's worth of operating expenses or more than three months' worth of operating expenses then you might question whether the surplus is appropriate.

Revenues

Revenues represent the earnings of an organization during the reporting period. For example, an organization entitled to receive Rs.1,000 in a year for providing services to its community would report the Rs.1,000 as revenue. It is important to note that the revenue would be recorded whether or not the organization actually received the cash. Note that any revenue earned by not received at the reporting date would be included in accounts receivable under current assets in the balance sheet.

Donation revenue

Donation revenue usually comprises donations actually received in the year. Donors do not enter into a contract with the organization when making a donation. The revenue is, therefore, generally only recognized in the reporting period in which the donations are actually received.

Pledges to donate that have not yet been honoured by the donor at the year end are generally not set up in the financial statements. Because the pledge agreement is not a legally enforceable contract the organization has no legal way to enforce collection. You should read the notes to the financial statements to see if the organization has a policy of recognizing as revenue donations pledged but not yet received at the year end.

Grant revenue

Grants, unlike donations, are generally characterized by a legally binding contract between the funder and the organization. Grant revenue comprises funds earned by virtue of the organization carrying out programs specified by the funder in a grant contract. Revenue earned does not necessarily equal cash received from funders during the year. For example, an organization receiving Rs.10,00,000 in cash before the year end for a program that was only three quarters over by the year end would typically record grant revenue of Rs.7,50,000 in the statement of operations. The remaining Rs.2,50,000 would be reflected as deferred grant revenue under the liabilities section of the statement of financial position. Consequently, grant revenue, unlike donation revenue, reflects grants "earned" by an organization and not just cash received.

Analysis of revenues

- Review changes in revenue from last year to this year. Management should be able to explain significant changes if the reasons for those changes are not evident from the financial statements themselves.
- Review accounts receivable in conjunction with revenue. A significant increase in accounts receivable might indicate either problems with collectability of revenue or a significant increase in activity toward the end of the fiscal year.

Expenses

Expenses during the year represent costs incurred by the organization to carry out its services. Again, as with revenue, it is important to note that expenses will include amounts for services provided or goods received that have not yet been paid for by the organization at the reporting date. Note that unpaid expenses will be reflected as part of accounts payable and accrued liabilities in the statement of financial position.

Salaries and wages

Salaries and wages are typically the single biggest expenditure item for most not-for-profit service-based organizations. Personnel related expenses should include the amount of any pay equity obligation for the year whether or not the organization has actually paid staff their pay equity entitlement. Organizations should also include the expense of unpaid vacation pay over the period if this is a significant item.

Analysis of expenses

- Compare the change in expenses from last year to this year. Review the notes to see if explanations for significant differences are noted.
- Review the notes to the financial statements to determine whether there are potential expenses that have not been recorded because the amounts were not reasonably determinable at the year end.

Statement of Cash Flows

This brings us to a review of the statement of cash flows. This statement is a very important one for organizations with a significant amount of deferred revenue, long-term debt and capital assets. The statement of cash flows categorizes and summarizes the actual cash receipts and cash disbursements for the year. Unlike the statement of operations, this statement excludes the effect of amounts receivable and amounts payable by the organization at the year end. The statement discloses, among other items, cash spent for purchase of capital assets together with cash spent to retire debt.

Cash transactions occurring in the year are typically divided into two captions:

Cash from operations

This caption includes cash received and cash spent during the year on an organization's operations. For example, if an organization receives a Rs.10,00,000 grant before year end but only spends Rs.7,50,000 of it by the year end then the statement of cash flows will reflect the full Rs.1,000,000 grant receivable under the caption cash received from operations. Cash used for operations will show the Rs.7,50,000 in cash spent.

Financing and investing

This caption includes cash received from and cash paid out for investments in the year such as marketable securities, equipment and land and buildings. These items would not appear in the statement of operations as they result from an exchange of one asset for another (i.e. cash for an investment) and are, therefore, not expenses. The statement also includes cash received from or paid to reduce debt. For example, if an organization paid Rs.2,50,000 to purchase a building, then the full amount of the Rs.2,50,000 would appear in the statement of cash flows as a building purchase.

Analysis of statement of cash flows

- Take net cash actually received or spent on operations from the statement of cash flows and compare it with the surplus or deficit for the year as recorded in the statement of operations. The two amounts should be similar unless liabilities or receivables have changed significantly over the year. If the two amounts do not closely correlate then ask why. Understanding a discrepancy is especially important when an organization with a healthy excess of revenue over expenses has received significantly less cash from operations. The discrepancy might indicate cash flow problems that could lead to financial difficulties.

Interpretation of Financial statements

Introduction

Financial statements on their own are of limited use. For example: if you were to identify that a business has made profits of Rs.10 million what does that tell you about the business? Does it suggest the business is a success? It might, but not if in the previous year they made profits of Rs.50 million and their closest rival earned profits of Rs.60 million.

It is important that users of financial statements can interpret the financial statements to be able to draw out valid conclusions. Typically this involves the use of comparisons to prior years, forecasts and competitors. Users can compare sales and expense figures, asset and liability balances and cash flows to perform this analysis.

Ratio analysis is widely used to support this process of comparison. Don't forget though that ratios are calculated using the figures already present in the financial statements. The raw data is equally useful when performing analysis. Ratios are simply a tool to try and assist understanding and comparison.

Users of financial statements

When interpreting financial statements it is important to ascertain who are the users of accounts and what information they need:

- shareholders and potential investors – primarily concerned with receiving an adequate return on their investment, but also with the stability/liquidity of the business
- suppliers and lenders – concerned with the security of their debt or loan
- management – concerned with the trend and level of profits, since this is the main measure of their success.

Other potential users include:

- financial institutions
- employees
- professional advisors to investors
- financial journalists and commentators.

Ratio analysis

Ratios use simple calculations based upon the interactions in sets of data. For example; changes in costs of sale are directly linked to changes in sales activity. Changes in sales activity also have an effect upon wages and

salaries, receivables, inventory levels etc. Ratios allow us to see those interactions in a simple, concise format.

Ratios are of limited use on their own, thus, the following points should serve as a useful checklist if you need to analyse data and comment on it:

- What does the ratio literally mean?
- What does a change in the ratio mean?
- What is the norm?
- What are the limitations of the ratio?

Focus of analysis

Traditionally financial statements analysis focuses on four key areas:

- profitability,
- liquidity,
- efficiency, and
- financial position.

When you are using financial statements as a management tool, you will need to learn how to interpret them. The same accounting data is used to prepare the three key reports of the financial statement, the cash flow statement, balance sheet, and income statement, but each takes a company's pulse in a different area.

12 Things You Need To Know About Financial Statements

Knowing how to work with the numbers in a company's financial statements is an essential skill for users. The meaningful interpretation and analysis of balance sheets, income statements and cash flow statements to discern a company's investment qualities is the basis for smart investment choices. However, the diversity of financial reporting requires that we first become familiar with certain general financial statement characteristics before focusing on individual corporate financials. In this article, we'll show you what the financial statements have to offer and how to use them to your advantage.

1. Financial Statements Are Scorecards

There are millions of individual investors worldwide, and while a large percentage of these investors have chosen mutual funds as the vehicle of choice for their investing activities, many others are also investing directly in stocks. Prudent investing practices dictate that we seek out quality companies with strong balance sheets, solid earnings and positive cash flows.

Whether you're a do-it-yourself or rely on guidance from an investment professional, learning certain fundamental financial statement analysis skills can be very useful. Almost 30 years ago, businessman Robert Follet wrote a book entitled "How To Keep Score In Business" (1987). His principal point

was that in business you keep score with dollars, and the scorecard is a financial statement. He recognized that "a lot of people don't understand keeping score in business. They get mixed up about profits, assets, cash flow and return on investment."

The same thing could be said today about a large portion of the investing public, especially when it comes to identifying investment values in financial statements. But don't let this intimidate you; it can be done. As Michael C. Thomsett says in "Mastering Fundamental Analysis" (1998):

"That there *is* no secret is the biggest secret of Wall Street and of any specialized industry. Very little in the financial world is so complex that you cannot grasp it. The fundamentals, as their name implies, are basic and relatively uncomplicated. The only factor complicating financial information is jargon, overly complex statistical analysis and complex formulas that don't convey information any better than straight talk."

2. What Financial Statements to Use

For investment analysis purposes, the financial statements that are used are the balance sheet, the income statement, the cash flow statement, the shareholders' equity and retained earnings. A word of caution: there are those in the general investing public who tend to focus on just the income statement and the balance sheet, thereby relegating cash flow considerations to somewhat of a secondary status. That's a mistake; for now, simply make a permanent mental note that the cash flow statement contains critically important analytical data.

3. Knowing What's Behind the Numbers

The numbers in a company's financials reflect real world events. These numbers and the financial ratios/indicators that are derived from them for investment analysis are easier to understand if you can visualize the underlying realities of this essentially quantitative information. For example, before you start crunching numbers, have an understanding of what the company does, its products and/or services, and the industry in which it operates.

4. The Diversity of Financial Reporting

Don't expect financial statements to fit into a single mold. Many articles and books on financial statement analysis take a one-size-fits-all approach. The less-experienced investor is going to get lost when he or she encounters a presentation of accounts that falls outside the mainstream or so-called "typical" company. Simply remember that the diverse nature of business activities results in a diversity of financial statement presentations. This is particularly true of the balance sheet; the income and cash flow statements are less susceptible to this phenomenon.

5. The Challenge of Understanding Financial Jargon

The lack of any appreciable standardization of financial reporting terminology complicates the understanding of many financial statement account entries. This circumstance can be confusing for the beginning investor. There's little hope that things will change on this issue in the foreseeable future, but a good financial dictionary can help considerably.

6. Accounting Is an Art, Not a Science

The presentation of a company's financial position, as portrayed in its financial statements, is influenced by management estimates and judgments. In the best of circumstances, management is scrupulously honest and candid, while the outside auditors are demanding, strict and uncompromising. Whatever the case, the imprecision that can be inherently found in the accounting process means that the prudent investor should take an inquiring and skeptical approach toward financial statement analysis.

7. Two Key Accounting Conventions

Generally accepted accounting principles (GAAP) or International Financial Reporting Standards (IFRS) are used to prepare financial statements. Both methods are legal in the United States, although GAAP is most commonly used. The main difference between the two is that GAAP is more "rule based," while IFRS is "principle based." Both have different ways of reporting asset values, depreciation, inventory and more.

8. Non-Financial Statement Information

Information on the state of the economy, industry and competitive considerations, market forces, technological change, and the quality of management and the workforce are not directly reflected in a company's financial statements. Investors need to recognize that financial statement insights are but one piece, albeit an important one, of the larger investment information puzzle.

9. Financial Ratios and Indicators

The absolute numbers in financial statements are of little value for investment analysis, which must transform these numbers into meaningful relationships to judge a company's financial performance and condition. The resulting ratios and indicators must be viewed over extended periods to reflect trends. Here again, beware of the one-size-fits-all syndrome. Evaluative financial metrics can differ significantly by industry, company size and stage of development.

10. Notes to the Financial Statements

It is difficult for financial statement numbers to provide the disclosure required by regulatory authorities. Professional analysts universally agree that a thorough understanding of the notes to financial statements is essential in order to properly evaluate a company's financial condition and performance. As noted by auditors on financial statements "the accompanying notes are an integral part of these financial statements." Take these noted comments seriously.

11. The Annual Report/10-K

Prudent investors should only consider investing in companies with audited financial statements, which are a requirement for all publicly-traded companies. Perhaps even before digging into a company's financials, an investor should look at the company's annual report and the 10-K. Much of the annual report is based on the 10-K, but contains less information and is presented in a marketable document intended for an audience of shareholders. The 10-K is reported directly to the SEC and tends to contain more details.

Included in the annual report is the auditor's report, which gives an auditor's opinion on how the accounting principles have been applied. A "clean opinion" provides you with a green light to proceed. Qualifying remarks may be benign or serious; in the case of the latter, you may not want to proceed.

12. Consolidated Financial Statements

Generally, the word "consolidated" appears in the title of a financial statement, as in a consolidated balance sheet. Consolidation of a parent company and its majority-owned (more than 50% ownership or "effective control") subsidiaries means that the combined activities of separate legal entities are expressed as one economic unit. The presumption is that a consolidation as one entity is more meaningful than separate statements for different entities.

XXXX

Financial Ratios

Top 5 Financial Ratios

The most cost commonly and top five ratios used in the financial field include:

1. Debt-to-Equity Ratio

The debt-to-equity ratio, is a quantification of a firm's financial leverage estimated by dividing the total liabilities by stockholders' equity. This ratio indicates the proportion of equity and debt used by the company to finance its assets.

The formula used to compute this ratio is

$$\text{Total Liabilities} / \text{Shareholders Equity}$$

2. Current Ratio

The current ratio is a liquidity ratio which estimates the ability of a company to pay back short-term obligations. This ratio is also known as cash asset ratio, cash ratio, and liquidity ratio. A higher current ratio indicates the higher capability of a company to pay back its debts. The formula used for computing current ratio is:

$$\text{Current Assets} / \text{Current Liabilities}$$

3. Quick Ratio

The quick ratio, also referred as the "acid test ratio" or the "quick assets ratio", this ratio is a gauge of the short term liquidity of a firm. The quick ratio is helpful in measuring a company's short term debts with its most liquid assets.

The formula used for computing quick ratio is:

$$(\text{Current Assets} - \text{Inventories}) / \text{Current Liabilities}$$

A higher quick ratio indicates the better position of a company.

4. Return on Equity (ROE)

The return on equity is the amount of net income returned as a percentage of shareholders equity. Moreover, the return on equity estimates the profitability of a corporation by revealing the amount of profit generated by a company with the money invested by the shareholders. Also, the return on equity ratio is expressed as a percentage and is computed as:

$$\text{Net Income} / \text{Shareholder's Equity}$$

The return on equity ratio is also referred as "return on net worth" (RONW).

5. Net Profit Margin

The net profit margin is a number which indicates the efficiency of a company at its cost control. A higher net profit margin shows more efficiency of the company at converting its revenue into actual profit. This ratio is a good way of making comparisons between companies in the same industry, for such companies are often subject to similar business conditions.

The formula for computing the Net Profit Margin is:

$$\text{Net Profit} / \text{Net Sales}$$

END

Ratios and Formulas in Customer Financial Analysis

Financial statement analysis is a judgmental process. One of the primary objectives is identification of major changes in trends, and relationships and the investigation of the reasons underlying those changes. The judgment process can be improved by experience and the use of analytical tools. Probably the most widely used financial analysis technique is ratio analysis, the analysis of relationships between two or more line items on the financial statement. Financial ratios are usually expressed in percentage or times. Generally, financial ratios are calculated for the purpose of evaluating aspects of a company's operations and fall into the following categories:

- *liquidity ratios* measure a firm's ability to meet its current obligations.
- *profitability ratios* measure management's ability to control expenses and to earn a return on the resources committed to the business.
- *leverage ratios* measure the degree of protection of suppliers of long-term funds and can also aid in judging a firm's ability to raise additional debt and its capacity to pay its liabilities on time.
- *efficiency, activity or turnover ratios* provide information about management's ability to control expenses and to earn a return on the resources committed to the business.

A ratio can be computed from any pair of numbers. Given the large quantity of variables included in financial statements, a very long list of meaningful ratios can be derived. A standard list of ratios or standard computation of them does not exist. The following ratio presentation includes ratios that are most often used when evaluating the credit worthiness of a customer. Ratio analysis becomes a very personal or company driven procedure. Analysts are drawn to and use the ones they are comfortable with and understand.

Liquidity Ratios

Working Capital

Working capital compares current assets to current liabilities, and serves as the liquid reserve available to satisfy contingencies and uncertainties. A high working capital balance is mandated if the entity is unable to borrow on short notice. The ratio indicates the short-term solvency of a business and in determining if a firm can pay its current liabilities when due.

Formula

Current Assets - Current Liabilities

Acid Test or Quick Ratio

A measurement of the liquidity position of the business. The quick ratio compares the cash plus cash equivalents and accounts receivable to the current liabilities. The primary difference between the current ratio and the quick ratio is the quick ratio does not include inventory and prepaid expenses in the calculation. Consequently, a business's quick ratio will be lower than its current ratio. It is a stringent test of liquidity.

Formula

$$\frac{\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable}}{\text{Current Liabilities}}$$

Current Ratio

Provides an indication of the liquidity of the business by comparing the amount of current assets to current liabilities. A business's current assets generally consist of cash, marketable securities, accounts receivable, and inventories. Current liabilities include accounts payable, current maturities of long-term debt, accrued income taxes, and other accrued expenses that are due within one year. In general, businesses prefer to have at least one dollar of current assets for every dollar of current liabilities. However, the normal current ratio fluctuates from industry to industry. A current ratio significantly higher than the industry average could indicate the existence of redundant assets. Conversely, a current ratio significantly lower than the industry average could indicate a lack of liquidity.

Formula

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Cash Ratio

Indicates a conservative view of liquidity such as when a company has pledged its receivables and its inventory, or the analyst suspects severe liquidity problems with inventory and receivables.

Formula

$$\frac{\text{Cash Equivalents} + \text{Marketable Securities}}{\text{Current Liabilities}}$$

Profitability Ratios

Net Profit Margin (Return on Sales)

A measure of net income dollars generated by each dollar of sales.

Formula

$$\frac{\text{Net Income} *}{\text{Net Sales}}$$

* Refinements to the net income figure can make it more accurate than this ratio computation. They could include removal of equity earnings from investments, "other

income" and "other expense" items as well as minority share of earnings and nonrecurring items.

Return on Assets

Measures the company's ability to utilize its assets to create profits.

Formula

$$\frac{\text{Net Income} *}{(\text{Beginning} + \text{Ending Total Assets}) / 2}$$

Operating Income Margin

A measure of the operating income generated by each dollar of sales.

Formula

$$\frac{\text{Operating Income}}{\text{Net Sales}}$$

Return on Investment

Measures the income earned on the invested capital.

Formula

$$\frac{\text{Net Income} *}{\text{Long-term Liabilities} + \text{Equity}}$$

Return on Equity

Measures the income earned on the shareholder's investment in the business.

Formula

$$\frac{\text{Net Income} *}{\text{Equity}}$$

Du Pont Return on Assets

A combination of financial ratios in a series to evaluate investment return. The benefit of the method is that it provides an understanding of how the company generates its return.

Formula

$$\frac{\text{Net Income} *}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

Gross Profit Margin

Indicates the relationship between net sales revenue and the cost of goods sold. This ratio should be compared with industry data as it may indicate insufficient volume and excessive purchasing or labor costs.

Formula

$$\frac{\text{Gross Profit}}{\text{Net Sales}}$$

Financial Leverage Ratio

Total Debts to Assets

Provides information about the company's ability to absorb asset reductions arising from losses without jeopardizing the interest of creditors.

Formula

$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Capitalization Ratio

Indicates long-term debt usage.

Formula

$$\frac{\text{Long-Term Debt}}{\text{Long-Term Debt} + \text{Owners' Equity}}$$

Debt to Equity

Indicates how well creditors are protected in case of the company's insolvency.

Formula

$$\frac{\text{Total Debt}}{\text{Total Equity}}$$

Interest Coverage Ratio (Times Interest Earned)

Indicates a company's capacity to meet interest payments. Uses EBIT (Earnings Before Interest and Taxes)

Formula

$$\frac{\text{EBIT}}{\text{Interest Expense}}$$

Long-term Debt to Net Working Capital

Provides insight into the ability to pay long term debt from current assets after paying current liabilities.

Formula

$$\frac{\text{Long-term Debt}}{\text{Current Assets} - \text{Current Liabilities}}$$

Efficiency Ratios

Cash Turnover

Measures how effective a company is utilizing its cash.

Formula

$$\frac{\text{Net Sales}}{\text{Cash}}$$

Sales to Working Capital (Net Working Capital Turnover)

Indicates the turnover in working capital per year. A low ratio indicates inefficiency, while a high level implies that the company's working capital is working too hard.

Formula

$$\frac{\text{Net Sales}}{\text{Average Working Capital}}$$

Total Asset Turnover

Measures the activity of the assets and the ability of the business to generate sales through the use of the assets.

Formula

$$\frac{\text{Net Sales}}{\text{Average Total Assets}}$$

Fixed Asset Turnover

Measures the capacity utilization and the quality of fixed assets.

Formula

$$\frac{\text{Net Sales}}{\text{Net Fixed Assets}}$$

Days' Sales in Receivables

Indicates the average time in days, that receivables are outstanding (DSO). It helps determine if a change in receivables is due to a change in sales, or to another factor such as a change in selling terms. An analyst might compare the days' sales in receivables with the company's credit terms as an indication of how efficiently the company manages its receivables.

Formula

$$\frac{\text{Gross Receivables}}{\text{Annual Net Sales} / 365}$$

Accounts Receivable Turnover

Indicates the liquidity of the company's receivables.

Formula

$$\frac{\text{Net Sales}}{\text{Average Gross Receivables}}$$

Accounts Receivable Turnover in Days

Indicates the liquidity of the company's receivables in days.

Formula

$$\frac{\text{Average Gross Receivables}}{\text{Annual Net Sales} / 365}$$

Days' Sales in Inventory

Indicates the length of time that it will take to use up the inventory through sales.

Formula

$$\frac{\text{Ending Inventory}}{\text{Cost of Goods Sold} / 365}$$

Inventory Turnover

Indicates the liquidity of the inventory.

Formula

$$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Inventory Turnover in Days

Indicates the liquidity of the inventory in days.

Formula

$$\frac{\text{Average Inventory}}{\text{Cost of Goods Sold} / 365}$$

Operating Cycle

Indicates the time between the acquisition of inventory and the realization of cash from sales of inventory. For most companies the operating cycle is less than one year, but in some industries it is longer.

Formula

$$\text{Accounts Receivable Turnover in Days} + \text{Inventory Turnover in Day}$$

Days' Payables Outstanding

Indicates how the firm handles obligations of its suppliers.

Formula

$$\frac{\text{Ending Accounts Payable}}{\text{Purchases} / 365}$$

Payables Turnover

Indicates the liquidity of the firm's payables.

Formula

$$\frac{\text{Purchases}}{\text{Average Accounts Payable}}$$

Payables Turnover in Days

Indicates the liquidity of the firm's payables in days.

Formula

$$\frac{\text{Average Accounts Payable}}{\text{Purchases} / 365}$$

Additional Ratios

Altman Z-Score

The Z-score model is a quantitative model developed in 1968 by Edward Altman to predict bankruptcy (financial distress) of a business, using a blend of the traditional financial ratios and a statistical method known as multiple discriminant analysis.

The Z-score is known to be about 90% accurate in forecasting business failure one year into the future and about 80% accurate in forecasting it two years into the future.

Formula

$$\begin{aligned} Z = & 1.2 \quad \times (\text{Working Capital} / \text{Total Assets}) \\ & +1.4 \quad \times (\text{Retained Earnings} / \text{Total Assets}) \\ & +0.6 \quad \times (\text{Market Value of Equity} / \text{Book Value of Debt}) \\ & +0.999 \times (\text{Sales} / \text{Total Assets}) \\ & +3.3 \quad \times (\text{EBIT} / \text{Total Assets}) \end{aligned}$$

<u>Z-score</u>	<u>Probability of Failure</u>
less than 1.8	Very High
greater than 1.81 but less than 2.99	Not Sure
greater than 3.0	Unlikely

Bad-Debt to Accounts Receivable Ratio

Bad-debt to Accounts Receivable ratio measures expected uncollectibility on credit sales. An increase in bad debts is a negative sign, since it indicates greater realization risk in accounts receivable and possible future write-offs.

Formula

$$\frac{\text{Bad Debts}}{\text{Accounts Receivable}}$$

Bad-Debt to Sales Ratio

Bad-debt ratios measure expected uncollectibility on credit sales. An increase in bad debts is a negative sign, since it indicates greater realization risk in accounts receivable and possible future write-offs.

Formula

$$\frac{\text{Bad Debts}}{\text{Sales}}$$

Book Value per Common Share

Book value per common share is the net assets available to common stockholders divided by the shares outstanding, where net assets represent stockholders' equity less preferred stock. Book value per share tells what each share is worth per the books based on historical cost.

Formula

$$\frac{(\text{Total Stockholders' Equity} - \text{Liquidation Value of Preferred Stocks} - \text{Preferred Dividends in Arrears})}{\text{Common Shares Outstanding}}$$

Common Size Analysis

In vertical analysis of financial statements, an item is used as a base value and all other accounts in the financial statement are compared to this base value.

On the balance sheet, total assets equal 100% and each asset is stated as a percentage of total assets. Similarly, total liabilities and stockholder's equity are assigned 100%, with a given liability or equity account stated as a percentage of total liabilities and stockholder's equity.

On the income statement, 100% is assigned to net sales, with all revenue and expense accounts then related to it.

Cost of Credit

The cost of credit is the cost of not taking credit terms extended for a business transaction. Credit terms usually express the amount of the cash discount, the date of its expiration, and the due date. A typical credit term is 2 / 10, net / 30. If payment is made within 10 days, a 2 percent cash discount is allowed; otherwise, the entire amount is due in 30 days. The cost of not taking the cash discount can be substantial.

Formula

$$\frac{\% \text{ Discount}}{100 - \% \text{ Discount}} \times \frac{360}{\text{Credit Period} - \text{Discount Period}}$$

Example

On a \$1,000 invoice with terms of 2 / 10 net 30, the customer can either pay at the end of the 10 day discount period or wait for the full 30 days and pay the full amount. By waiting the full 30 days, the customer effectively borrows the discounted amount for 20 days.

$$\$1,000 \times (1 - .02) = \$980$$

This gives the amount paid in interest as:

$$\$1,000 - 980 = \$20$$

This information can be used to compute the credit cost of borrowing this money.

$$\begin{aligned} & \frac{\% \text{ Discount}}{100 - \% \text{ Discount}} \times \frac{360}{\text{Credit Period} - \text{Discount Period}} \\ &= \frac{2}{98} \times \frac{360}{20} = .3673 \end{aligned}$$

As this example illustrates, the annual percentage cost of offering a 2/10, net/30 trade discount is almost 37%.

Current-Liability Ratios

Current-liability ratios indicate the degree to which current debt payments will be required within the year. Understanding a company's liability is critical, since if it is unable to meet current debt, a liquidity crisis looms. The following ratios are compared to industry norms.

Formulas

$$\text{Current to Non-current} = \frac{\text{Current Liabilities}}{\text{Non-current Liabilities}}$$

$$\text{Current to Total} = \frac{\text{Current Liabilities}}{\text{Total Liabilities}}$$

Rule of 72

A rule of thumb method used to calculate the number of years it takes to double an investment.

Formula

$$\frac{72}{\text{Rate of Return}}$$

Example

Paul bought securities yielding an annual return of 9.25%. This investment will double in less than eight years because,

$$\frac{72}{9.25} = 7.78 \text{ years}$$



Illustrations of Calculations under Various Financial

Appraisal Techniques

Calculations for Payback Period, Rate of Return, Debt Services Coverage Ratio, Break Even Point, Net Present Value, Benefit Cost Ratio, Internal Rate of Return are illustrated as per following details.

1. Cost of project	-	Annexure – I
2. Projected profitability	-	Annexure – II
3. Pay back period	-	Annexure – III
4. Rate of Return (ROR)	-	Annexure – IV
5. Debt Service Coverage Ratio (DSCR)	-	Annexure – V
6. Break Even Point (BEP at 80% CU)	-	Annexure – VI
7. Net Present Value (NPV)	-	Annexure–VII
& Benefit Cost Ratio (BCR)		
8. Internal Rate of Return (IRR)	-	Annexure- VIII
9. Compounding Factor	-	Annexure – IX
10. Discounting Factor	-	Annexure – X

ANNEXURE-I

ABC Garment Manufacturing Unit

COST OF PROJECT

(RS. IN LAKHS)

SL. NO.	DETAILS	AMOUNT	
1.	LAND & LAND DEVELOPMENT		4.86
2.	CIVIL WORKS		79.50
3.	PLANT & MACHINERY		191.02
4.	MISCELLANEOUS FIXED ASSETS		12.85
5.	PROVISION FOR CONTINGENCY		14.17
6.	PRE-OPERATIVE EXPENSES		11.61
7.	MARGIN MONEY FOR WORKING CAPITAL		35.99
	TOTAL		350.00
	LOAN FROM NCDC	50.00%	175.00
	S/C FROM S/GOVT. TO SOCIETY	40.00%	140.00
	S/C FROM SOCIETY	10.00%	35.00
	SUBSIDY FROM NCDC	0.00%	0.00
	TOTAL	100.00%	350.00

									ANNEXURE-II
ABC Garment Manufacturing Unit									
PROJECTED PROFITABILITY AND CASH FLOW STATEMENT									
									(Rs. in Lakhs)
SL.NO.	PARTICULARS	I	II	III	IV	V	VI	VII	VIII
1	CAPACITY UTILISATION	70%	80%	80%	80%	80%	80%	80%	80%
2	PRODUCTION (LAKH PIECES.)	2.54	3.30	3.30	3.30	3.30	3.30	3.30	3.30
3	WORKING DAYS	300	300	300	300	300	300	300	300
	COST OF PRODUCTION								
4	RAW MATERIAL	227.90	293.30	293.30	293.30	293.30	293.30	293.30	293.30
5	STORES, SPARES & REPRS.	6.92	8.90	8.90	8.90	8.90	8.90	8.90	8.90
6	UTILITIES	6.47	8.32	8.32	8.32	8.32	8.32	8.32	8.32
7	PACKING MATERIAL	16.78	21.60	21.60	21.60	21.60	21.60	21.60	21.60
8	WAGES	188.70	198.14	208.04	218.45	229.37	240.84	252.88	265.52
9	SALARIES	23.37	24.54	25.76	27.05	28.40	29.82	31.32	32.88
10	OVERHEAD & SELG. EXP.	13.45	17.31	17.31	17.31	17.31	17.31	17.31	17.31
11	INSURANCE	7.77	10.00	10.00	10.00	10.00	10.00	10.00	10.00
12	INTEREST ON WKG. CAPL.	10.91	14.04	14.04	14.04	14.04	14.04	14.04	14.04
13	TOTAL COST OF PRODN.	502.25	596.14	607.28	618.97	631.24	644.13	657.66	671.87
14	SALES REALISATION	608.39	730.80	730.80	730.80	730.80	730.80	730.80	730.80
15	INT. ON TERM LOAN	22.31	22.31	19.12	15.94	12.75	9.56	6.37	3.19
16	DEPRICIATION	28.06	28.06	28.06	28.06	28.06	28.06	28.06	28.06
17	PBITD	106.14	134.66	123.52	111.83	99.56	86.67	73.14	58.92
18	PROFIT BEFORE TAX	55.76	84.28	76.34	67.84	58.75	49.85	38.70	27.68
19	TAX(30%+3% SURCHARGE)	17.23	26.04	23.59	20.96	18.15	15.13	11.96	8.55
20	PROFIT AFTER TAX	38.53	58.24	52.75	46.87	40.59	33.79	26.74	19.13
21	CASH ACCRUALS	66.59	86.30	80.81	74.94	68.66	61.95	54.80	47.19
22	FUNDS AVAILABLE FOR D.S	88.91	108.61	99.94	90.87	81.41	71.52	61.18	50.38
23	DEBT SERVICE	22.31	47.31	44.12	40.94	37.75	34.56	31.37	28.49
24	D.S.C.R.	3.98	2.30	2.26	2.22	2.16	2.07	1.95	1.79
25	AVG.D.S.C.R.				2.28				
26	IRR				18.90%				
27	BEP%				53.33				

NON - DISCOUNTED TECHNIQUES

Annexure -III

Pay Back Period

Years	Out flows	Rs. in lakh	
		Inflows	Cumm.Inflows
0	-350.00	0	0
1		88.91	88.91
2		108.61	197.52
3		99.94	297.46
4		90.87	388.33
5		81.41	469.74
6		71.52	541.25
7		61.18	602.43
8		50.38	652.81

Payback Period

Years	2
Months	1
Days	20

Annexure -IV

ROR (Rate Of Return)

		Rs. In Lakhs
Total Outlay	350.00	
Total Inflows	652.81	
No. Of Years	8	
Average Inflow	81.60	
 ROR (%)	 (Average Inflow/Total Outlay)*100	
	(67.66/350.00)*100 :	23.31%

Annexure -V**DSCR**

Rs. In lakh

Years	1	2	3	4	5	6	7	8	
Cash Accruals	88.91	108.61	99.94	90.87	81.41	71.52	61.18	50.38	652.81
Repayment (P+I)	22.31	47.31	44.12	40.94	37.75	34.56	31.37	28.19	286.56
DSCR	3.98	2.30	2.26	2.22	2.16	2.07	1.95	1.79	
ADSCR	2.28								

Annexure -VI

BEP at 80% CU

Rs. In lakh

A.	REVENUE	730.80
B.	COST OF PRODUCTION	
	1. RAW MATERIAL	293.30
	2. PACKING MATERIAL	21.60
	3. STORES & SPARES	3.90
	4. UTILITIES	8.32
	5. SELLING EXPENSES & WAGES	215.35
	6. INTEREST ON WORKING CAPITAL	14.04
	TOTAL OF (B)	556.51
C.	CONTRIBUTION (A-B)	174.29
D.	FIXED EXPENSES	
	1. INSURANCE	10.00
	2. SALARIES	25.76
	3. FAC. & ADMN. OVERHEAD	10.00
	4. INTEREST ON TERM LOAN	19.12
	5. DEPRICIATION	28.06
	TOTAL OF (D)	92.95
	BREAK-EVEN POINT AS in CU% (D/C)	53.33%

DISCOUNTED TECHNIQUES

Annexure -VII

NPV & BCR

Years	Rs. In lakh					Rs. In lakh			
	0	1	2	3	4	5	6	7	8
Present Value of Outlay	350.00								
Inflows	0	88.91	108.61	99.94	90.87	81.41	71.52	61.18	50.38
DF at 15%		0.87	0.756	0.658	0.572	0.497	0.432	0.376	0.327
Discounted Inflows		77.35	82.11	65.76	51.98	40.46	30.89	23.00	16.47
Total Discounted Inflows		388.03							
NPV (TDI-PVO)		38.03							
BCR (TDI/PVO)		1.11							

Annexure -VIII

IRR

(Rs. In 000)

Years	Outflows	Inflows	DF 15%	DI 15%	DF 16%	DI 16%
0	100.00	0.00				
1		30.00	0.87	26.10	0.86	25.86
2		30.00	0.76	22.68	0.74	22.29
3		40.00	0.66	26.40	0.64	25.64
4		45.00	0.57	25.65	0.55	24.84
				100.83		98.63

Absolute Difference

Minimum 0.83

Maximum 1.37

Total 2.20

Ratio of Minimum to total 0.38

IRR 15.38%

Table A.1 Future Value Interest Factor (FVIF)
 $FVIF(k, n) = (1 + k)^n$

Period n	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%
0	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1	1.010	1.020	1.030	1.040	1.050	1.060	1.070	1.080	1.090	1.100	1.110	1.120	1.130
2	1.020	1.040	1.061	1.082	1.102	1.124	1.145	1.166	1.188	1.210	1.232	1.254	1.277
3	1.030	1.061	1.093	1.125	1.158	1.191	1.225	1.260	1.295	1.331	1.368	1.405	1.443
4	1.041	1.082	1.126	1.170	1.216	1.262	1.311	1.360	1.412	1.464	1.518	1.574	1.630
5	1.051	1.104	1.159	1.217	1.276	1.338	1.403	1.469	1.539	1.611	1.685	1.762	1.842
6	1.062	1.126	1.194	1.265	1.340	1.419	1.501	1.587	1.677	1.772	1.870	1.974	2.082
7	1.072	1.149	1.230	1.316	1.407	1.504	1.606	1.714	1.828	1.949	2.076	2.211	2.353
8	1.083	1.172	1.267	1.369	1.477	1.594	1.718	1.851	1.993	2.144	2.305	2.476	2.658
9	1.094	1.195	1.305	1.423	1.551	1.689	1.838	1.999	2.172	2.358	2.558	2.773	3.004
10	1.105	1.219	1.344	1.480	1.629	1.791	1.967	2.159	2.367	2.594	2.839	3.105	3.395
11	1.116	1.243	1.384	1.539	1.700	1.898	2.105	2.332	2.580	2.853	3.152	3.479	3.836
12	1.127	1.268	1.426	1.601	1.796	2.012	2.252	2.518	2.813	3.138	3.498	3.896	4.335
13	1.138	1.294	1.469	1.665	1.886	2.133	2.410	2.720	3.066	3.452	3.883	4.363	4.898
14	1.149	1.319	1.513	1.732	1.980	2.261	2.579	2.937	3.342	3.797	4.310	4.887	5.535
15	1.161	1.346	1.558	1.801	2.079	2.397	2.759	3.172	3.642	4.177	4.785	5.474	6.254
16	1.173	1.373	1.605	1.873	2.183	2.540	2.952	3.426	3.970	4.595	5.311	6.130	7.067
17	1.184	1.400	1.653	1.948	2.292	2.693	3.159	3.700	4.328	5.054	5.895	6.866	7.986
18	1.196	1.428	1.702	2.026	2.407	2.854	3.380	3.996	4.717	5.560	6.544	7.690	9.024
19	1.208	1.457	1.754	2.107	2.527	3.026	3.617	4.316	5.142	6.116	7.263	8.613	10.197
20	1.220	1.486	1.806	2.191	2.653	3.207	3.870	4.661	5.604	6.728	8.062	9.646	11.523
25	1.282	1.641	2.094	2.666	3.386	4.292	5.427	6.848	8.623	10.835	13.585	17.000	21.231
30	1.348	1.811	2.427	3.243	4.322	5.743	7.612	10.063	13.268	17.449	22.892	29.960	39.116

(Contd.)

Table A.1 (Contd)

Period n	14%	15%	16%	17%	18%	19%	20%	24%	28%	32%	36%	40%
0	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1	1.140	1.150	1.160	1.170	1.180	1.190	1.200	1.240	1.280	1.320	1.360	1.400
2	1.300	1.322	1.346	1.369	1.392	1.416	1.440	1.538	1.638	1.742	1.850	1.960
3	1.482	1.521	1.561	1.602	1.643	1.685	1.728	1.907	2.097	2.300	2.515	2.744
4	1.689	1.749	1.811	1.874	1.939	2.005	2.074	2.364	2.684	3.036	3.421	3.842
5	1.925	2.011	2.100	2.192	2.288	2.386	2.488	2.892	3.436	4.007	4.653	5.378
6	2.195	2.313	2.436	2.565	2.700	2.840	2.986	3.635	4.398	5.290	6.328	7.530
7	2.502	2.660	2.826	3.001	3.185	3.379	3.583	4.508	5.629	6.983	8.605	10.541
8	2.853	3.059	3.278	3.511	3.759	4.021	4.300	5.590	7.206	9.217	11.703	14.758
9	3.252	3.518	3.803	4.108	4.435	4.785	5.160	6.931	9.223	12.166	15.917	20.661
10	3.707	4.046	4.411	4.807	5.234	5.695	6.192	8.549	11.806	16.060	21.647	28.925
11	4.226	4.652	5.117	5.624	6.176	6.777	7.430	10.657	15.112	21.199	29.439	40.496
12	4.818	5.350	5.936	6.580	7.288	8.064	8.916	13.215	19.343	27.983	40.037	56.694
13	5.492	6.153	6.886	7.692	8.599	9.596	10.699	16.386	24.759	36.937	54.451	79.372
14	6.261	7.076	7.988	9.007	10.147	11.420	12.839	20.319	31.961	48.757	74.053	111.120
15	7.138	8.137	9.266	10.539	11.974	13.590	15.407	25.196	40.565	64.359	100.712	155.568
16	8.137	9.358	10.748	12.330	14.129	16.172	18.488	31.243	51.923	84.954	136.969	217.795
17	9.276	10.761	12.468	14.426	16.672	19.244	22.186	38.741	66.461	112.139	186.278	304.914
18	10.575	12.375	14.463	16.879	19.748	23.214	26.623	48.039	85.071	148.023	253.388	426.879
19	12.056	14.263	16.777	19.748	23.214	27.252	31.948	59.568	108.890	195.391	344.540	597.630
20	13.743	16.367	19.461	23.106	27.393	32.429	38.338	73.864	139.380	257.916	468.574	836.683
25	26.462	32.919	40.874	50.558	62.669	77.388	95.396	216.542	478.905	1033.590	2180.081	4499.880
30	50.950	66.212	85.850	111.065	143.371	184.675	237.376	634.820	1645.504	4142.075	10143.019	24201.432

Annexure-X

Table A.3 Present Value Interest Factor $PVIF(k, n) = (1 + k)^{-n}$

Period n	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%
0	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901	0.893	0.885
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	0.812	0.797	0.783
3	0.971	0.924	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	0.731	0.712	0.693
4	0.961	0.924	0.889	0.855	0.823	0.792	0.763	0.735	0.708	0.683	0.659	0.636	0.613
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	0.593	0.567	0.543
6	0.942	0.888	0.838	0.790	0.746	0.705	0.666	0.630	0.596	0.564	0.535	0.507	0.480
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	0.482	0.452	0.425
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	0.434	0.404	0.376
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	0.391	0.361	0.333
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	0.352	0.322	0.295
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	0.317	0.287	0.261
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	0.286	0.257	0.231
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	0.258	0.229	0.204
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	0.232	0.205	0.181
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	0.209	0.183	0.160
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218	0.188	0.163	0.141
17	0.844	0.714	0.605	0.513	0.436	0.377	0.311	0.270	0.231	0.198	0.170	0.146	0.125
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180	0.153	0.130	0.111
19	0.828	0.686	0.570	0.475	0.396	0.331	0.276	0.232	0.194	0.164	0.138	0.116	0.098
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149	0.124	0.104	0.087
25	0.780	0.610	0.478	0.375	0.295	0.233	0.184	0.146	0.116	0.092	0.074	0.059	0.047
30	0.742	0.552	0.412	0.308	0.231	0.174	0.131	0.099	0.075	0.057	0.044	0.033	0.026

(Contd.)

Table A.3 (Contd)

Period n	14%	15%	16%	17%	18%	19%	20%	24%	28%	32%	36%	40%
0	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1	0.877	0.870	0.862	0.855	0.847	0.840	0.833	0.806	0.781	0.758	0.735	0.714
2	0.769	0.756	0.743	0.731	0.718	0.706	0.694	0.650	0.610	0.574	0.541	0.510
3	0.675	0.658	0.641	0.624	0.609	0.593	0.579	0.524	0.477	0.435	0.398	0.364
4	0.592	0.572	0.552	0.534	0.516	0.499	0.482	0.423	0.373	0.329	0.292	0.260
5	0.519	0.497	0.476	0.456	0.437	0.419	0.402	0.341	0.291	0.250	0.215	0.186
6	0.456	0.432	0.410	0.390	0.370	0.352	0.335	0.275	0.227	0.189	0.158	0.133
7	0.400	0.376	0.354	0.333	0.314	0.296	0.279	0.222	0.178	0.143	0.116	0.095
8	0.351	0.327	0.305	0.285	0.266	0.249	0.233	0.179	0.139	0.108	0.085	0.068
9	0.308	0.284	0.263	0.243	0.226	0.209	0.194	0.144	0.108	0.082	0.063	0.048
10	0.270	0.247	0.227	0.208	0.191	0.176	0.162	0.116	0.085	0.062	0.046	0.035
11	0.237	0.215	0.195	0.178	0.162	0.148	0.135	0.094	0.066	0.047	0.034	0.025
12	0.208	0.187	0.168	0.152	0.137	0.124	0.112	0.076	0.052	0.036	0.025	0.018
13	0.182	0.163	0.145	0.130	0.116	0.104	0.093	0.061	0.040	0.027	0.018	0.013
14	0.160	0.141	0.125	0.111	0.099	0.088	0.078	0.049	0.032	0.021	0.014	0.009
15	0.140	0.123	0.108	0.095	0.084	0.074	0.065	0.040	0.025	0.016	0.010	0.006
16	0.123	0.107	0.093	0.081	0.071	0.062	0.054	0.032	0.019	0.012	0.007	0.005
17	0.108	0.093	0.080	0.069	0.060	0.052	0.045	0.026	0.015	0.009	0.005	0.003
18	0.095	0.081	0.069	0.059	0.051	0.044	0.038	0.021	0.012	0.007	0.004	0.002
19	0.083	0.070	0.060	0.051	0.043	0.037	0.031	0.017	0.009	0.005	0.003	0.002
20	0.073	0.061	0.051	0.043	0.037	0.031	0.026	0.014	0.007	0.004	0.002	0.001
25	0.038	0.030	0.024	0.020	0.016	0.013	0.010	0.005	0.002	0.001	0.000	0.000
30	0.020	0.015	0.012	0.009	0.007	0.005	0.004	0.002	0.001	0.000	0.000	0.000

Time Value of Money

Future Value of Money

$$\text{FV}_{(\text{after } n \text{ years})} = \text{PV}(1+r)^n$$

$$\text{PV}_{(\text{after } n \text{ years})} = \text{FV} * [1/(1+r)^n] \text{ or}$$

$$\text{PV}_{(\text{after } n \text{ years})} = \text{FV} * (1+r)^{-n}$$

FV=Future Value

PV=Present Value

r=Rate of interest

n=Number of years

Example:

Find out Future Value of Rs.1000/- after 3 years at 12% rate of interest p.a.

$$\text{FV}=1000(1+.12)^3$$

$$=1000(1.12*1.12*1.12)$$

$$=1000*1.405$$

$$= \text{Rs.1405/-}$$

If frequency of compounding is more than 1.

$$\mathbf{FV_{(after\ n\ years)} = PV(1+r/m)^{m*n}}$$

m= Frequency of compounding e.g. m=2

$$\mathbf{=1000(1+.12/2)^{2*3}}$$

$$\mathbf{=1000(1.06)^6}$$

$$\mathbf{=1000(1.06*1.06*1.06*1.06*1.06*1.06)}$$

$$\mathbf{=1000*1.418}$$

$$\mathbf{=1418/-}$$

Effective Rate of Interest(ER) and Stated Rate of Interest (SR)

Compounding - semi-annual

$$\mathbf{ER=[(1+SR/m)^m]-1}$$

$$\mathbf{=[(1+.12/2)^2]-1}$$

$$\mathbf{=[(1+.06)^2]-1}$$

$$\mathbf{=(1.06*1.06)-1}$$

$$\mathbf{=1.1236-1}$$

$$\mathbf{=0.1236\ i.e\ 12.36\%}$$

Compounding - Quarterly

$$\text{ER} = [(1 + \text{SR}/m)^m] - 1$$

$$= [(1 + .12/4)^4] - 1$$

$$= [(1 + .03)^4] - 1$$

$$= (1.03 * 1.03 * 1.03 * 1.03) - 1$$

$$= 1.1255 - 1$$

$$= 0.1255 \text{ i.e. } 12.55\%$$

Frequency	SR (%)	m	Formula	ER(%)
Annual	12	1	$= [(1 + .12/1)^1] - 1$	12.00
Semi-annual	12	2	$= [(1 + .12/2)^2] - 1$	12.36
Quartely	12	4	$= [(1 + .12/4)^4] - 1$	12.55
Monthly	12	12	$= [(1 + .12/12)^{12}] - 1$	12.68
Weekly	12	52	$= [(1 + .12/52)^{52}] - 1$	12.73
Daily	12	365	$= [(1 + .12/365)^{365}] - 1$	12.75