Anand Sinha: Perspectives on co-operation

Valedictory address by Mr Anand Sinha, Deputy Governor of the Reserve Bank of India, at the International Conference on Cooperatives, organised by College for Agriculture Banking, Pune 16–17 November 2012.

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Ms. Meena Hemchandra, Principal, Mr. R L Sharma, Vice-Principal, College for Agricultural Banking (CAB), Mr. Karuppasamy, the Executive Director, Mr. A. Vaidyanthan, a luminary in the field of development economics, distinguished participants from both India and abroad, my colleagues from Reserve Bank and the print and electronic media.

It is both a pleasure as well as a privilege for me to address this august gathering today. The International Conference on Co-operatives, organized by the CAB, is a part of international initiatives celebrating the spirit of co-operation in the year 2012, declared by the United Nations as the International Year of Co-operatives. The theme of the International Year of Co-operatives, "*Cooperative enterprises build a better world*", represents, quite aptly, the very important role played by co-operatives in poverty reduction, employment generation and social integration, eventually leading to a better world. The role of co-operation in social development and empowerment is well acknowledged and its role is only going to be more vital in future.

The theme "*Leveraging Co-operative Advantage*" chosen for this conference is very contextual, especially in the backdrop of a much weakened global economy. I am very happy to note that the distinguished co-operators, scholars and academicians present here had very intense discussion and fruitful deliberation on different facets of co-operative movement during the last one and half days.

Before I delve into the core of my address today, let me touch upon a few aspects of co-operation, its evolution and, most importantly, its relevance in current turbulent times.

Concept of co-operation

Co-operation is a basic and innate quality which prompts us to work together, live together and help one another in times of crisis for mutual welfare and betterment. Co-operation is as old as the human society and, I must say, is the bedrock of any civilization. Co-operation enables people to leverage on their collective strengths and overcome individual weaknesses. I am reminded of a quote "*If you want to be incrementally better, be competitive; but if you want to be exponentially better, be cooperative"*. While competition is good, excessive competition can lead to a downward spiral or a race to the bottom as seen in the unfolding of the current crisis. Excessive competition leads to perverse incentive structures and reckless innovation which needs to be managed through a self-regulatory mechanism with the regulatory framework providing a backstop. It is evident that the self-regulatory mechanism is actually a co-operation framework. And it is to the benefit of all. Social and economic progress would have not been possible without co-operation amongst people.

The concept of co-operation is not just restricted to human beings. The flock formation of birds is attributed to co-operative food hunting, information exchange and protection from predators. The formations adopted by birds while flying together are aerodynamically very efficient taking advantage of the changing wind patterns and the current created by the birds' wings. Further, birds that have discovered good feeding sites are found to lead other birds by forming flocks. It is also observed that information exchange is quite developed in species such as honey bees. Thus, co-operative principles are universal and all pervasive.

Evolution of co-operative movement in India

Co-operative movement as an economic concept is more than 100 year old in India. The co-operative movement in India emerged as a Government policy to address the distress and discontent in the agricultural sector in the latter part of the nineteenth century due to famine conditions and the absence of institutional arrangements to provide finance to farmers. The Co-operative Credit Societies Act, 1904 envisaged formation of agricultural co-operatives. The subsequent legislations provided for the formation of co-operatives in other activities and ensured strengthening and further development of co-operative sector. The impetus provided by the Government was evident in the emphasis placed on co-operation in the five year plans. The first five year plan underscored the adoption of the co-operative method of organization to cover all aspects of community development. The second plan emphasised "*building up a cooperative sector as part of a scheme of planned development*" as being one of the central aims of National Policies and aimed at enabling co-operatives to increasingly become the principal basis for organization of economic activity.[1]

Co-operation is not necessarily restricted to financial activities, though we bankers tend to think of co-operatives more as credit co-operatives. Co-operation embraces non-economic activities such as production, processing, marketing distribution, transport, irrigation, labour, etc., and what better example than the Warana Bazaar story that was very beautifully narrated to us this morning.

Co-operative credit structure in India

The co-operative credit structure in India can broadly be divided into two segments viz. rural and urban. The Urban co-operative structure comprises of Urban (Primary) Co-operative Banks numbering 1618 with 8235 branches spread over 328 districts in the country as at the end March 2012. The rural co-operative structure in India, on the other hand, comprises about 94531 co-operatives categorized into short term and long term. The short-term rural co-operative credit structure (STCCS) comprises State Co-operative Bank at the apex (State) level, Central Co-operative Banks at the intermediate (district) level and Primary Agricultural Credit Societies at the ground (village) level. The long term co-operative credit structure (LTCCS) comprises State Co-operative Agriculture and Rural Development Banks (SCARDBs) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs). The latter structure does not come under the regulatory jurisdiction of Reserve Bank as it is not covered under the Banking Regulation Act, 1949 (AACS).

Recognising the deep-rooted integration of the co-operative structure in the Indian socio-economic system, policy makers have accorded great significance to its development and strengthening. A Task Force on Revival of Short-Term Rural Co-operative Credit Institutions was constituted by the Government of India under the chairmanship of Professor A. Vaidyanathan in August 2004 to formulate a practical and implementable plan of action to rejuvenate short term rural co-operative credit structure. Based on the recommendations of the Task Force and in consultation with the State Governments, the Government of India has approved a package for revival of the short-term rural co-operative credit structure. The package seeks to

- provide financial assistance to bring the system to an acceptable level of health;
- introduce legal and institutional reforms necessary for its democratic, self-reliant and efficient functioning; and
- take measures to improve the quality of management.

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[1] Report of the High Powered Committee on Cooperatives (May 2009), Ministry of Agriculture, Government of India

As regards development of long term credit co-operatives, the work was entrusted to the Task Force under the Chairmanship of Prof. A .Vaidyanathan to suggest, inter alia, a comprehensive strategy for institutional financing of long term agriculture and the role the Co-operative structure can play in implementing that strategy consistent with prudent financial management. Subsequently, another Task Force (Chairman: Shri G C Chaturvedi) was constituted to look into various aspects of the long-term co-operative credit structure, the report of which is under the consideration of Government of India.

Let me now turn to Urban Co-operative banks, the regulation of which is my direct responsibility.

Growth of urban co-operative banks

In the earlier phase, the Banking Companies Act, 1949 had specifically excluded co-operative banks from its purview as they are not banking companies. When the Banking Regulation Act was made applicable to UCBs in 1966, there were about 1100 UCBs with deposits and advances of ₹.1.67 billion and ₹.1.53 billion respectively. Since then there has been phenomenal growth in terms of their numbers, size and scale of operations. As at the end of 1996, the number of UCBs increased to 1501 and their deposits and advances rose significantly to ₹.241.61 billion and ₹.179.27 billion. The UCBs continued to grow at a fast pace till 2003, when their number increased to 1941 and their deposits and advances to ₹.1015.46 billion and ₹.648.80 billion respectively. Subsequently, the number of UCBs declined in 2006 to 1853 due to the consolidation efforts we have undertaken to address the weaknesses in the UCB sector. Resultantly the sector is in a much better shape than before. As on March 2012 there were 1618 UCBs with total deposits of ₹.2385 billion and advances of ₹.1580 billion.

Salient features of the UCB sector – heterogeneity

The UCB sector is unique in that there is a significant degree of heterogeneity among the banks in this sector in terms of size, geographical distribution, performance and financial strength. There is also diversity among the urban co-operative banks in the levels of professionalism, standards of corporate governance and adoption of technology.

While on the one hand, there are a number of small neighbourhood banks functioning for mutual interest of their members, on the other, there are several large UCBs with a wide network of branches, large number of depositors and borrowers, many of whom are medium/large corporates. In the latter kind of UCBs, the co-operative structure remains only as an organizational arrangement and their business model and goals are more akin to commercial banks. Let me quote a few aspects of heterogeneity as examples.

Size-wise distribution

The UCBs are disparate in their size as measured by the size of their deposits and advances. 2.4% of the UCBs have a deposit base of above ₹.10 billion and account for 45.35% of the total deposits of UCB sector, while 15.9% of the UCBs have a deposit base of less than ₹.100 million and account for only 0.7% of deposits of the sector. Further, 1.2% of the UCBs have advances of more than ₹.10 billion and account for 36.5% of the total advances of the sector while 28.4% of the UCBs have advance of less than ₹.100 million and account for only 1.8% of the aggregate advances of the sector.

Geographical distribution

The geographical distribution of urban co-operative banks across the country is also skewed, with significant concentration in southern and western regions. Out of 28 states in India 78% of the branches of UCBs are concentrated in only 5 states. There are eighteen states which have less than twenty UCBs operating.

Licensing of new UCBs: setting up of expert committee (Malegam Committee)

An Expert Committee on licensing of new Urban Co-operative Banks (Malegam Committee) was constituted in December 2010 by the Reserve Bank with a view to increasing the coverage of banking services amongst local communities and for studying the advisability of granting new urban co-operative banking licenses. The terms of reference of the Committee also included reviewing the role and performance of UCBs over the last decade, reviewing the need for organization of new UCBs in the context of the existing legal framework for UCBs, a thrust on financial inclusion in the economic policy and proposed entry of new commercial banks into the banking space. The recommendations of the Committee are being examined by the Reserve Bank.

Let me now touch upon a few issues related to co-operative institutions in general and UCBs in particular.

Relevance of co-operative structures in the globalised world

Often one hears the argument that co-operative structures are more suited for small and developing economies and that they may not have great relevance in the globalised world. But I feel co-operatives do have their role to play, and will continue to remain relevant, even in a globalised world. With globalization, many new avenues are created which co-operatives could use to make their presence felt. The Report of the High Powered Committee on Co-operatives (May 2009) has highlighted that globalization creates additional opportunities in newer areas which are very important for people and communities but are not regarded as commercially viable. The report suggested that traditional areas of social sector such as education, health, transportation, water supply, forest management, electricity are some of the areas where "*cooperative solutions could be superior to either public or private approaches to utility management*". There is ample scope for co-operatives to emerge as independent and self-reliant institutions for self-help and collective good.

Co-operatives in post-crisis world

The world economy is yet to recover from the crisis which struck the financial sector. Barring certain growth pockets, general slowdown in economy continues unabated. Earlier, there was a very strong belief that the emerging and developing economies (EDEs) were decoupled from the developed countries and that the shocks arising from these developed economies will not adversely impact the EDEs. The global financial crisis has proved these assumptions wrong. Even while not having the features which led to the crisis, the EDEs did experience slow down due to the transmission of crisis through trade, finance and confidence channels.

While the slowdown has hit all segments of the society hard, its effect is particularly severe on the weaker segments. In the ensuing recession, the global economy has lost more than USD 4 billion in output and almost 28 million jobs. This has sharpened the focus on inclusive growth and equitable development. The world is wiser with the realization that growth and development, bereft of equity and inclusiveness, may not fetch to the mankind sustainable peace and happiness, the ultimate goals of all human endeavours. This is so because in the absence of financial inclusion, it would be hard to maintain financial stability because, it is no secret that exclusion breeds unrest and social turmoil leading to instability.

Financial institutions' role is to serve the real economy and not to become the master of it. It is true that financial engineering does help in creating a vibrant financial market but unlike material science where innovations lead us to definite products and services, the innovations in financial markets, at times, give us complex products with uncertain results and benefit the employees rather than the shareholders and the society. Co-operative institutions built on the principles of self-help and mutual co-operation inasmuch as they enable inclusive growth by involving even less privileged, engage in basic banking and that is where they should stay. They clearly have a greater role to play in the post crisis world.

In fact, the lessons from the global financial crisis veer us towards keeping the basic banking separate from the investment banking or casino banking as it is more popularly being called of late. While casino banking has its own place, the criticality of basic banking and the importance of keeping it separate from more risky investment banking has been emphatically argued in the aftermath of the crisis. The regulatory framework as suggested by Volker rule in the US and the Vickers' report in the UK recommend this separation. In India, however, the regulations and the organisational structure of banks have ensured that the risky activities of investment banking segment are contained and do not impact the basic banking segment adversely.

Contribution of co-operative institutions

The contribution of Co-operative Banks and other credit co-operatives has generally been evaluated in economic terms. These institutions have often been lauded and, at times, criticized in the context of their usefulness (or lack of it) in the economic upliftment of people of smaller means. But the point which has often been missed out is their very profound contribution to the democratization of social behaviour in general and the democratization of economic behaviour in particular. In a society, where joint family system is disintegrating fast, co-operatives may also be looked upon as an alternative social support mechanism.

Democracy vs efficiency

Many of the practitioners and thinkers of co-operative structure are facing the dilemma of finding a delicate balance between democracy and efficiency as the two are often considered mutually exclusive of each other. But in order to restore the credibility of co-operatives in the eyes of the public, it is essential to get our priorities right. A co-operative institution essentially is "...*an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate*." Any attempt to infuse efficiency by sacrificing democracy, appears to me, a non co-operative solution to a co-operative problem.

The success of co-operative institutions depends on active member involvement and economic participation. It has, however, been observed that member participation is very low in the election process of credit co-operatives. A recent study conducted by College of Agricultural Banking, Pune on UCBs also corroborates this fact where it reveals that voting percentage is as low as 5 to 10% of total membership in many of the Co-operative banks. This puts a question mark on the true democratic character of the co-operative organization. One can hardly dispute that it is democracy and member control which are the hallmark of co-operatives which distinguish Co-operative banking from commercial banking. Self-governing bodies like NAFCUB and state federations may involve themselves more pro-actively in ensuring higher member participation.

Participation of depositors

While borrowers are required to become members of the UCB and have voting rights, depositors are not required to become members. Resultantly, the depositors who are major stakeholders of the UCBs are made to become nominal or associate members without voting rights, and are left out of the decision making. As observed by the Expert Committee on Licensing of new UCBs (Malegam Committee), this practice has led to limited member participation in UCBs , even while having a large number of members as most of them do not have voting rights. The Committee observed that the control of UCBs should shift from borrowers to depositors and that 50 per cent in value of deposits to be held by voting members.

Size and cooperativeness conundrum

Despite the professed philosophy of co-operative banking to grow organically with a focus on community service, there is a dilemma between size and cooperativeness. The co-operative group is strongest when it is small, while the co-operative enterprise also needs a certain size to be economically viable. But economization often turns into commercialization and resultantly the members of co-operatives are reduced to the status of mere customers or mere shareholders without any opportunity or interest to participate actively in the goal setting and control of the organisation.

The membership in large co-operative societies is composed of heterogeneous sub-groups, residing in different areas belonging to different social-economic strata and having different economic profiles. In such co-operatives the social cohesion of members, their feeling of group solidarity and their interest in active participation could be a casualty.

Multiplicity of credit delivery channels

Thanks to the combined efforts of all stakeholders, commercial banks and regional rural banks in this country have started playing an important role in financial inclusion and financial literacy. Their outreach has also increased through banking correspondents (BCs). In such a scenario, some may argue against the multiplicity of formal credit delivery channels in general and existence of Co-operative banks in particular. But keeping in view the vast unbanked and heterogonous population of this country, there are stronger arguments in favour of giving people a menu of choices. The co-operative banking channel, being essentially a community based banking model, is more suited to design customized products and services to cater to the specific needs of different ethnic and social groups that exist in this country. The existence of different forms of non-formal credit channels and chit funds, particularly in the north eastern provinces, clearly underscores the need for customized banking products and services for different population groups. The commercial banks have had to undertake this responsibility in the absence of adequate efforts by the co-operative banking systems. I underscore the huge business opportunity for the co-operative banking in this segment.

Accessibility and availability of financial services

Although the issues of accessibility and availability of financial services in rural vis-a-vis urban areas are hugely different, unfortunately, the scenario of financial exclusion, more or less, remains the same. While in remote areas, banking services are neither adequately available nor accessible; in urban areas, however, they are available in good measure but are not accessible by the poor. People living in urban slums are as financially excluded as their counterparts living in unbanked villages. This brings into focus the demand side issues of financial inclusion. I believe credit co-operatives, being member driven organisations, are more suited to handle the demand side issues like financial literacy and skill development. In fact, education, training and information is one of the internationally accepted principles of co-operation and addressing the demand side issues would go a long way in achieving our goal of financial inclusion.

Co-operatives for people of small means

Indian co-operative banks are characterised by huge asymmetry of size ranging from balance sheet size of a few lakhs of rupees to thousands of crores. However, whether big or small, co-operative institutions are by default meant for people of small means. The market segments commercial banks are catering to, as part of their priority sector obligations, credit co-operatives are supposed to have them as their niche markets. If this noble cause is served by smaller entities among co-operatives, one may be tempted to say “small is beautiful”.

I have mentioned earlier that Co-operative banks essentially engage in basic banking and they remain in that space. However, co-operative banks, particularly the bigger ones, like commercial banks, often get allured to high value loans and bulk deposits to achieve “economies of scale”. In a country like India, where there is a large chunk of unbanked population, the co-operative banks need to also keep serving the marginal participants as one of their primary objectives and should not be carried away in the race to grow big.

Governance and regulation of co-operative banks

I find from the programme schedule that the conference started with deliberations on “Policy, laws, governance & enabling environment”. Reserve Bank, as a regulator of banking sector is involved with the regulation and supervision of Co-operative banks. I would, therefore, prefer to deal with governance and regulatory issues in a greater detail.

Corporate governance and principles of co-operation

Corporate Governance relates to a system in which the interests of the whole gamut of stakeholders are recognized and conflicts among them are sought to be reconciled. The concept of corporate governance is not much different than the internationally accepted principles of co-operation. One of the cardinal principles of co-operation as accepted by International Co-operative Alliance (IAC) is “member economic participation” indicating contributing equitably to, and controlling democratically, the capital of co-operative by the members. Equitable appropriation of surplus is one such fine balancing act of reconciling conflicting interest of various stakeholders. Unlike commercial entities, profit making is not the goal or end in itself for co-operatives, but it is just a means to achieve the noble objectives of equitable economic development of the society.

If a shareholder of a Co-operative Bank is looking for higher and higher return on equity (RoE) it may imply that although he is a shareholder of a co-operative institution, his behaviour is more of a shareholder of a commercial entity. On the other hand, if a shareholder of commercial entity has belief in Corporate Governance and Corporate Social Responsibility (CSR) he may technically be a shareholder of a commercial entity; his behaviour would be more akin to a co-operator. What I intend to say is that the word “co-operation” is, perhaps, more of a state of mind than something structural and material.

Professionalism in governance structure

There can hardly be a debate on the desirability of a higher degree of professionalism in the governance structure of co-operative institutions. Dual control of State Government (under State Co-operative Societies Act) and the RBI has been identified by many as one of the ills of Co-operative Banks. The institutional mechanism of Task Force for Urban Co-operative Bank (TAFCUB), to resolve the dual control issues, has worked satisfactorily and helped in phasing out the weak players in a non-disruptive manner. The RBI has directed Co-operative Banks to ensure election/ co-option of at least two Professional Directors on their Boards. The Expert Committee on Licensing of New Urban Co-operative Banks has recommended creation of a professional Board of Management structure in between the Board of Directors and the CEO as a pre-condition for licensing of new urban co-operative banks. A final roadmap will be prepared after issues relating to governance arrangements are resolved with the Government.

Criticality of management quality

Robust co-operative laws are a necessary precondition for co-operative success. I am, however, reminded of Aristotle who said “It is better for a city to be governed by a good man than good laws". In the context of co-operative management, I believe that more than good laws, we need good implementation of laws and a robust governance systems. Credit co-operatives need to build strong governance systems and actively associate the members in the decision making process.

Basel II and urban co-operative banks

Internationally, Basel II norms are applicable for Co-operative banks in many of the advanced countries. Reserve Bank of India has adopted a calibrated and gradual approach towards application of Basel standards for various regulated entities keeping in view their systemic importance and availability of skill sets. As of now, UCBs have been subjected to Basel I requirements for computation of capital. Certain elements of market risk management contained in the amendment to Basel I Accord and largely carried forward to Basel II, have been made applicable for bigger UCBs conducting forex transactions. Keeping in view the heterogeneity in size and sophistication of Indian UCBs, RBI would take a considered view in due course in regard to application of Basel II norms on the sector. At present there is no empirical study to suggest the likely impact of Basel II on Indian UCBs.

However, the quantitative impact study done in certain European countries suggest that in view of the high incidence of retail exposures and residential mortgage loans of co-operative institutions, the new regulations should bring about positive effects in terms of lower requirement regulatory capital. These results are confirmed by a study of wide range of Italian co-operative banks. The study, however, reveals that an improvement in terms of capital requirements vis-a-vis credit risk might be eroded by the introduction of a 150 per cent risk weight on loans that are overdue for more than 90 days.[2] Incidentally, as per the latest figures, the gross NPA of Indian UCBs is still pegged at a high of 7.0% of total advances. Although the exposure of the Indian co-operative banks to real estate sector is limited, the other exposures are risky and may require higher capital. In the context of applying Basel II standards in India, it is worthwhile to mention that, unlike the credit unions elsewhere in the world, the Indian co-operative banks would find it difficult to raise capital. Though, through policy initiatives, co-operative banks have been permitted to raise capital through some innovative instruments, not many banks have been successful in augmenting capital by using these instruments.

A counterview in regard to the impact of Basel II framework on co-operative banks is that with a view to reducing regulatory costs, the standardised approach would spur credit off take of co-operative banks to higher-rated enterprises. Most of the customers of co-operative banking system, however, fall within the category of small, unrated enterprises, for which the risk weight is 100 per cent.

Regardless of the approach under the Pillar I, adoption of pillar II of Basel II appears desirable for systemically important UCBs from risk management perspective. The Accord's second pillar lays stress on the importance of bank's own assessment of the degree of exposure to risk, the determination of capital adequacy to face risk, and in the provision of an effective risk-management and control system. Although not mandated by the regulator, bigger UCBs may, for better risk management and improved internal governance, voluntarily, consider adopting the Internal Capital Adequacy Assessment Process (ICAAP) as envisaged under Pillar II of Basel II which helps them in the self-evaluation of their resilience to stress.

The disclosure requirements under Pillar III of Basel II are desirable for any public entity, more so in an organisation which is member driven and the customers in general are shareholders as well. Relevant information could be disclosed voluntarily as soon as it is

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[2] S. Cosma, S; The impact of Basel II on Co-operative Banking

available. However, in the case of small-size banks characterised by steady risk profiles, such information disclosure could be yearly.

Adoption of technology – financial inclusion

I mentioned earlier that the co-operative institutions by virtue of their business model are better equipped to further financial inclusion initiatives. The organizational structure (member driven), the largely local clientele, easy access and the reputation as a friendly neighbourhood bank are the strengths of UCBs which enable them in widening and deepening financial inclusion. A number of measures have been taken to facilitate financial inclusion by UCBs: The measures include (i) introduction of No-frills account with nil or low minimum balance, (ii) relaxation of Know Your Customer (KYC) requirements for small accounts, (iii) Constitution of an expert committee for studying the advisability of granting licences to new urban co-operative banks, (iv) Exempting UCBs maintaining minimum CRAR of 12% on continuous basis from the mandatory share linking norms, (v) Revising the permitted credit limits for individual housing loans, (vi) Extension of area of operations by UCBs, (vii) Liberalising norms for opening of new branches by UCBs, (viii) Permitting well managed banks to set up off-site ATMs, (ix) permitting use of Business Correspondents (BCs) and Business Facilitators (BFs) by UCBs, (x) permitting lending to Self Help Groups (SHGs) and Joint Lending Groups (JLGs) etc.

Technology forms a critical component of financial inclusion initiatives as use of IT reduces the cost of financial transactions, improves the allocation of financial resources and increases the competitiveness and efficiency of the financial institutions. In India we have adopted a bank led model for financial inclusion which seeks to leverage on technology. The commercial banks and Regional Rural Banks were advised to adopt Core Banking Solutions for all their branches by September 2011 for the purpose. The multi-channel approach adopted for financial inclusion in the country envisages financial inclusion through Multiple channels like handheld devices, mobiles, cards, Micro-ATMs, Branches, Kiosks, etc. The front end devices used for the purpose have to be seamlessly integrated with the Core Banking Solutions (CBS) of the banks. UCBs were, therefore, advised to scale up their financial inclusion efforts by utilizing appropriate technology.

UCBs have a low level of technology adoption and only 267 UCBs had adopted CBS as on March 31, 2012, which is a lowly 16.5%. The low level of profits in these banks, the high cost of implementation of CBS, lack of IT awareness, technical as well as vendor management skill, have held then back from adopting CBS.

Having stated all the constraints of UCBs in adopting CBS I have no doubt about the fact that CBS would play an important role in financial inclusion. Being late entrants in the areas of both CBS and Financial inclusion the UCBs are at an advantage as they can reap the benefits of the latest technology for both CBS and financial inclusion. They need not face the problems faced by commercial banks in integrating their existing CBS platforms with the front end devices such as hand held devices and mobile technology offering CBS. RBI is seriously looking at introduction of CBS across the sector in a time bound manner.

Conclusion

Co-operation is an age old concept which survived the vagaries of time and has served the society well. I am sure co-operation will continue to remain relevant in the times to come. With changing times, however, there would arise a need for it to reorient itself to suit the changing needs and requirements of the financial system. Conferences of this kind provide an ideal platform for deeper and focussed deliberations on issues confronting the co-operative sector and help chart out the road ahead. I am sure the deliberations in this conference would help the policy makers and all other stakeholders to invigorate the co-operative sector in leveraging its advantages. I wish great success to all credit and non-credit co-operatives in the country.

I would end by quoting Franklin D Roosevelt "*Competition has been shown to be useful up to a certain point and no further, but cooperation, which is the thing we must strive for today, begins where competition leaves off*".

THANK YOU