BUSINESS PLAN · INDIA

Credit Co-operative Society

Member deposits and lending

BFSI

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Credit Co-operative Society** in India — a member-owned, mutual financial institution registered under a State (or Multi-State) Co-operative Societies Act that accepts **deposits from its members** and **lends to its members** within a defined common bond / area of operation, earning the **spread between deposit & lending rates** for the mutual benefit of members. It is fundamentally different from an NBFC or bank: it is **member-based & mutual** (not open to the general public), registered under co-operative law (Registrar of Co-operative Societies), and is **not an RBI-licensed NBFC/bank**. Because the sector has seen misuse, **strong governance, member trust, prudent lending & strict adherence to co-operative & deposit norms are non-negotiable** .

Credit co-operatives serve members — employees of an organisation, a community, a trade or an area — who pool savings & borrow from the common fund, providing accessible member credit & a savings avenue. A credit co-operative society is a **member-mutual, spread-based financial body**: capital is member share-capital + member deposits; it lends only to members; it earns the deposit-lending spread for members' benefit. It operates under co-operative law (Registrar), **must not accept deposits from or lend to non-members, must not act like a bank** (no use of "bank"/banking to the public), and must observe governance, audit, bye-laws & deposit-prudence norms. Economics rest on **member base, deposit & loan book, spread, asset quality & governance**; success rests on member trust, prudent lending/recovery, governance & regulatory compliance — it is member-, trust-, governance- & spread-driven. **Caution: the model is prone to misuse/Ponzi-type failures; this plan assumes a genuine, well-governed, compliant society.**

This is a member-mutual financial institution — funded by member share-capital & member deposits, lending to members. This plan models a genuine, well-governed credit co-operative building toward **₹18 crore member deposits** & a **₹15 crore member-loan book** by Year 3, on initial member share-capital & setup of **₹1.2 crore**, earning a prudent spread. *(Credit co-operative society; member deposits/loans, spread-driven, co-operative-law-governed, mutual — NOT an RBI NBFC/bank; figures illustrative; governance & compliance paramount.)*

2. Business Description, Vision & Legal Structure

Concept: A member-owned credit co-operative society - accepting member deposits & lending to members within a common bond/area under co-operative law, earning the spread for members' mutual benefit; not a bank/NBFC.

Vision: To provide members a trusted, mutual savings & credit institution.

Mission: Serve members with accessible credit & safe savings - prudent, transparent, well-governed & fully compliant.

Legal structure

- **Registration under a State Co-operative Societies Act** (or Multi-State Co-operative Societies Act if operating across states), via the Registrar of Co-operative Societies; member-owned, one-member-one-vote, bye-laws.
- **Not an RBI NBFC/bank:** deposits & loans restricted to members; must not use "bank"/do banking with the public.

> **Regulatory anchor:** a credit co-operative is governed by co-operative law (Registrar of Co-operative Societies; State or Multi-State Act), member-only deposits/loans, common-bond/area-of-operation, bye-laws, one-member-one-vote governance, statutory audit, deposit-prudence & reserve norms; it must NOT accept public deposits, use "bank"/banking, or operate beyond members (RBI/banking law prohibits it). Given sector misuse, **governance, member trust, prudent lending/recovery, transparency & strict compliance are paramount**. Member base, deposit/loan book, spread, asset quality & governance determine success; it is member-, trust-, governance- & spread-driven.

3. Promoter & Ownership

Member-owned & governed (one-member-one-vote), led by a promoter/committee with co-operative, finance or community-institution credibility. The elected managing committee oversees; staff handle deposits, lending, recovery, accounts & compliance. Ownership is mutual (members via share-capital) — **not promoter-profit-driven**; surplus benefits members. Governance, member trust & prudent management are the differentiators. Bye-laws & committee structure are editable inputs; co-operative-law governance applies.

4. Market Analysis — India

Credit co-operatives serve defined member communities — employees, trades, communities, areas — providing accessible member savings & credit where members prefer a mutual, familiar institution. Demand is member-/community-/common-bond-driven. The market (member base) rewards trust, governance, service, prudent credit & safety of deposits; it is trust-, governance-, member- & compliance-sensitive, and reputationally fragile (sector misuse elsewhere), met with governance, prudence, transparency & member service.

Demand drivers

- **Member savings & accessible credit** need.
- **Common bond / community** trust.
- **Mutual, member-benefit** model.
- **Familiarity & accessibility** (vs. banks).
- **Employee/trade/community** groups.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
Members	Eligible common-bond members	Defined pool
Deposits	Member deposit base	Scaling
Loans	Member loan book	Scaling (prudent)

Target members

- Employees of an organisation/sector.
- A community / trade / association.
- An area/locality (as bye-laws permit).
- Savers & small borrowers within the bond.

5. Competition & Competitive Advantage

Landscape: banks, NBFCs, other co-operatives & informal lending. The society competes (for member preference) on trust, accessibility, member-benefit rates, service & community familiarity — its edge is the mutual, common-bond relationship.

The society's edge

- **Member trust & common bond.**
- **Mutual, member-benefit** (surplus to members).

- **Accessibility & familiarity.**
- **Member-based low-default** (peer knowledge).
- **Governance & transparency (trust).**

6. Products & Revenue Model

Stream	Model	Basis
Member deposits (savings/recurring/FD)	Interest paid to members	Funding
Member loans (personal/business)	Interest from members	Core (spread)
Share capital (membership)	Member equity	Own funds
Surplus / dividend to members	Mutual benefit	Member return

> The society earns the **spread between member-lending rates & member-deposit rates**, on a book funded by member share-capital + member deposits; surplus (after reserves) benefits members (dividend/services) — it is **mutual, not promoter-profit**. Economics = loan book × spread − operating cost − provisions, with reserves & prudence; member base, deposit/loan book, spread, asset quality & governance drive it — the decisive co-operative levers (member-mutual, spread-based).

7. Go-to-Market — Membership & Growth

- **Member enrolment** within the common bond (employees/community/trade).
- **Trust & transparency** (governance, audited accounts).
- **Member-benefit rates & service.**
- **Prudent, member-based credit.**
- **Community engagement & retention.**

Growth approach

Enrol members within the common bond → build member deposits (trust/rates) → lend prudently to members (peer-known, low-default) → maintain reserves, asset quality & transparent governance → grow the mutual book & member benefit. Trust, governance, prudent credit & member service build a safe, sustainable co-operative — growth is always subordinate to prudence & compliance.

8. Operations Plan (member-mutual, governed)

- **Governance:** elected managing committee, one-member-one-vote, bye-laws, general body, statutory audit — the backbone of trust.
- **Deposits & lending:** member deposit products, member loan appraisal/sanction, recovery — prudent, member-based.
- **Prudence:** reserves, deposit-prudence, exposure limits, no non-member/public dealing, no bank-like conduct.
- **Compliance:** Registrar filings, audit, co-operative-law norms, KYC, transparency.
- **Tech:** core accounting/CBS-lite, member records, deposit/loan management, audit trail.

Society workflow

Stage	Activity	Metric
Enrol	Member/share-capital	Members
Deposit	Member savings/FD	Deposit book
Lend	Member loans (prudent)	Loan book/spread
Recover	Repayment/recovery	Asset quality
Govern	Audit/reserves/committee	Governance/compliance

9. Regulatory, Licences & Compliance (India)

- **Registration:** State Co-operative Societies Act (or Multi-State Act); Registrar of Co-operative Societies; bye-laws.
- **Member-only:** deposits & loans restricted to members; common bond/area; NO public deposits; NO use of "bank"/banking.
- **Prudence & governance:** reserves, deposit-prudence, statutory audit, managing-committee governance, general body, filings.
- **Conduct:** KYC/AML, transparency, no Ponzi/misuse; adherence to co-operative & applicable deposit norms.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Managing committee (elected, member)	—	—	—
Manager / CEO & accounts	2	3	5
Deposit & loan officers	4	8	14
Recovery, audit & compliance	2	4	7
Support & admin	2	3	5
Total (staff; committee is elected members)	**10**	**18**	**31**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–4	Registration, bye-laws, committee, members, systems
Launch	Month 4–12	Member deposits & loans, governance/audit, ₹5cr deposits
Build	Year 2	Member base & book, asset quality, reserves
Scale	Year 3	₹18cr member deposits, ₹15cr loan book, prudent spread

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. They are not projections of guaranteed results. A credit co-operative is a member-mutual, spread-based body — surplus benefits members (not promoter profit); prudence, reserves & asset quality are paramount; deposits/loans are member-only. This assumes a genuine, well-governed, compliant society.

12.1 Capital & funding structure (Year 3 illustrative)

Source of funds	₹
Member share capital	2,50,00,000
Member deposits (savings/RD/FD)	18,00,00,000
Reserves & surplus	1,20,00,000
Total funds	**21,70,00,000**
Deployed: member loan book	15,00,00,000
Deployed: liquid/statutory reserves & investments	6,70,00,000

12.2 Projected surplus (3 years)

Particulars	Year 1	Year 2	Year 3
Member deposits (closing)	5,00,00,000	11,00,00,000	18,00,00,000
Member loan book (closing)	4,00,00,000	9,00,00,000	15,00,00,000
Interest from member loans (~14%)	42,00,000	95,00,000	1,68,00,000
Interest paid on member deposits (~8%)	28,00,000	64,00,000	1,10,00,000
Net interest (spread) + fees	**18,00,000**	**37,00,000**	**66,00,000**
Operating expenses	14,00,000	24,00,000	38,00,000
Provisions (asset quality)	2,00,000	5,00,000	8,00,000
Surplus (before reserves/dividend to members)	**2,00,000**	**8,00,000**	**20,00,000**

Note: surplus (after statutory reserves) benefits members via dividend/services — this is a mutual body, not a promoter-profit venture.

12.3 Unit economics & key ratios

- **Spread (member lending − member deposit rate):** the society earns a prudent spread on the member loan book funded by member deposits + share-capital; surplus (after reserves) is member benefit — modest by design, not profit-maximising.
- **Asset quality & prudence:** member-based lending (peer knowledge) tends to low default, but prudent appraisal, recovery, reserves & deposit-prudence are essential; over-lending or mismatch is the classic failure mode.
- **Governance & trust:** the whole model rests on member trust & governance; transparency, audit & compliance protect deposits & reputation — the make-or-break, given sector misuse elsewhere.

12.4 Prudential & governance metrics (illustrative)

Metric	Year 1	Year 2	Year 3
Members	~800	~1,800	~3,000
Loan/deposit ratio (prudent)	~80%	~82%	~83%
NPA (member-based, low)	<2%	<2.5%	<2.5%
Reserves & liquidity	Maintained	Maintained	Maintained

> A credit co-operative is a member-mutual, spread-based, governance-dependent body: modest surplus benefits members, funded by member deposits & share-capital, lent prudently to members. Trust, governance, asset quality, reserves & compliance are paramount; the key risks are governance failure/misuse (the sector's cautionary tale), over-lending/liquidity mismatch, member-only-breach & regulatory non-compliance — met with strong governance, prudence, transparency, reserves & strict co-operative-law adherence.

12.5 Key Performance Indicators to Monitor

- **Members & book:** members; deposits; loan book; loan/deposit ratio.
- **Asset quality:** NPA; recovery; provisions; reserves.
- **Spread:** lending vs. deposit rate; net spread; surplus.
- **Governance:** audit; compliance; liquidity; member trust/transparency.

13. Funding Requirement & Setup (member-mutual)

A credit co-operative is **member-funded**: member share-capital + member deposits fund the loan book; there is no external promoter-profit capital in the NBFC sense. Initial setup (registration, systems, office, staff) of **~₹1.2 crore** is met from founding member share-capital & contributions. Its "bankability" is really **member trust & prudential soundness** — deposits are member funds that must be protected via prudent lending, reserves, liquidity & governance. Surplus (after reserves) benefits members. **This is not a promoter-profit venture & not an RBI NBFC/bank; genuine governance & strict co-operative-law compliance are prerequisites** (the sector has seen misuse, which this plan explicitly guards against). *(Business model, not financial/investment advice; deposit-taking is member-only & law-bound.)*

13.1 Setup fund utilisation (initial ₹1.2 crore)

Use of funds	₹	% of total
Core systems, CBS-lite & technology	40,00,000	33.3%
Office, branch & setup	35,00,000	29.2%
Registration, governance, audit & compliance	25,00,000	20.8%
Working capital & pre-operative	20,00,000	16.7%
Total	**1,20,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation

Governance failure / misuse (sector risk)	Strong governance, elected committee, audit, transparency, member oversight
Over-lending / liquidity mismatch	Prudent loan/deposit ratio, reserves, liquidity, ALM
Asset quality / member defaults	Prudent appraisal, member-based lending, recovery, provisions
Member-only breach / bank-like conduct	Strict member-only deposits/loans; no public/banking conduct; compliance
Regulatory / Registrar non-compliance	Co-operative-law adherence, filings, audit, bye-laws

15. SWOT Analysis

Strengths Member trust & common bond; mutual member-benefit; low-default member lending; accessible; member-funded.	**Weaknesses** Governance-dependent & reputationally fragile; member-only (limited pool); modest surplus; prudence-constrained.
Opportunities Member savings/credit needs; community/employee groups; financial inclusion within bond; digital member services.	**Threats** Sector misuse/reputation; governance/liquidity failures; regulatory tightening; competition (banks/NBFCs).

16. Recommended AiSevak Tools for This Business

This credit co-operative would use AiSevak's BFSI vertical tools in delivery:

- **Society ops:** member/deposit & loan-management, recovery/asset-quality & reserves/liquidity, core-accounting/audit-trail tools.
- **Governance & compliance:** co-operative-law/Registrar-filing & bye-laws/committee-governance, member-only-compliance & audit tools (with Legal & Finance verticals).
- **Practice:** Business Plan, spread/loan-deposit and prudential modelling tools to plan & govern the society.

17. Key Assumptions & Notes

- A credit co-operative is a MEMBER-MUTUAL body under co-operative law (Registrar; State/Multi-State Act) — member-only deposits & loans, common bond/area; NOT an RBI NBFC/bank; must not take public deposits or use "bank"/banking.
- Earns the spread (member lending − member deposit rate); surplus (after reserves) benefits members — mutual, NOT promoter-profit; member-funded (share-capital + deposits).
- Governance, member trust, prudent lending/recovery, reserves, liquidity & strict compliance are paramount — the sector has seen misuse, which this plan explicitly guards against.
- Member base, deposit/loan book, spread, asset quality & governance drive economics; figures illustrative; governance/compliance are prerequisites; business model, not financial/investment advice.