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2025
International Year of Cooperatives
Cooperatives Build a Better World

GOVERNMENT OF GOA
DEPARTMENT OF COOPERATION
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Sub: Business guidelines on charging of interest and other charges on loan advanced by the Resource Societies.

CIRCULAR

(Under section 69 of the Goa Co-operative Societies Act, 2001 (Goa Act 36 of 2001)

This circular is to bring to the attention of all the Primary Agricultural Credit Societies (PACS) and all other Resource Societies registered under the Goa Co-operative Societies Act, 2001 about the accounting practices stipulated under Rule 48 of the Goa Co-operative Societies Rules, 2003.

As per the aforementioned rule, it is mandatory for societies to prepare their annual financial statements in accordance with the mercantile accounting system and to adhere to the accounting standards issued by the Institute of Chartered Accountants of India, as incorporated in the Chartered Accountants Act of 1949 (38 of 1949).

Furthermore, in lines with the Ministry of Co-operation, Government of India's initiative to enhance the operational efficiency of PACS across the country, computers and necessary software have been allocated to 58 PACS in Goa. This initiative aims to facilitate real-time management of financial data, maintain financial discipline and improve transparency in financial reporting.

The national level PACS software vendor has successfully developed an programme designed specifically for PACS, which will facilitate the day-to-day entries of financial data and transactions. This system aims to

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streamline the operations of PACS, improve accuracy and ensure timely reporting of financial information.

To ensure a smooth transition and effective utilisation of this new software, the services of System Integrator team is engaged and their role is to assist in feeding the basic data on PACS into the software, ensuring that all necessary information is accurately captured and integrated into the system.

However, it is observed by the System Integrator and System Auditor that many societies are currently charging compound interest on the total outstanding loan balance, alongwith additional charges such as postage, recovery legal charges and other incidental charges being added to the principal loan balance. This practice needs to cease.

In light of the above findings, directions are hereby issued under section 69 of the Goa Co-operative Societies Act, 2001 to all the PACS and other resource societies to adhere to fair lending practice with effect from July 1st, 2025 by complying following guidelines:

A. Implementation of Fair Lending Practices:

i. Interest shall be charged/calculated solely on the principal amount outstanding as per loan agreement. The policy of income recognition has to be objective and base on the record of recovery. Income from Non Performing Assets (NPA) is not recognized on accrual basis but is booked as income only when it is actually received. Therefore, societies should not charge and take to income account interest on any NPA accounts;

ii. Shall desist from adding any additional or incidental charges related to loan recovery to the principal loan account;

iii. Shall create a separate accounting head for parking any accumulated amounts, ensuring transparency and a true and fair view of the overall financial statements. Those amounts should be recovered from loanee members before issuing any "No Due Certificate";

iv. Shall continue to follow the existing practise of charging interest until June 30th, 2025 and shall cease charging interest on interest and other incidental expenses upon the day-end process on June 30th, 2025;

v. In case of NPAs, the interest accrued may be debited to the 'Interest Receivable' account and credited to 'Interest Income'. However, an equivalent amount shall be transferred to the 'Overdue Interest Reserve (OIR)' to ensure that unrealised interest is not treated as distributable income. Further, interest shall be charged only on the principal outstanding;

vi. In case of loans extended to activities in agriculture and allied sector, which includes inter alia KCC/Cash Credit/Medium Term/Long Term, simple interest shall be levied.

To ensure compliance with fair lending practices, the society shall NOT:

Follow any practice that results in the principal outstanding amount exceeding the sanctioned amount.

Treatment of Interest Accrued

In cases where interest has accrued on the sanctioned amount, the same shall be:

1) Shown under the head "Interest Receivable". (Assets side of Balance sheet);
2) Credited to "Overdue Interest Reserve". (Liability side of Balance Sheet).

This treatment ensures that the society maintains accurate accounting records and avoids charging interest on excess amounts beyond the sanctioned limit till loan account turn into NPA.

B. Modification in ePACS Software Entries:

i. Entries in the ePACS software shall continue to follow the exiting practice of charging interest until June 30th, 2025;

ii. The system shall cease charging interest on other incidental expenses upon reaching the day-end process upto June 30th, 2025.

C. Adjustment of Sanction Limits for NPAs:

i. In cases where the existing practise leads to the disbursed amount exceeding the sanctioned limit, particularly for NPAs, the SI shall be permitted to modify the sanction limit (only to the extent of total outstanding) through the backend;

ii. This adjustment shall be allowed solely to incorporate the necessary accounting entries under the current practise and will be applicable only until the day-end process on June 30th, 2025.

These directives are issued to ensure compliance with the established accounting standards and to promote transparency.

Any deviation from the above directives shall be viewed seriously and may be considered an offence under section 118 of the Goa Co-operative Societies Act, 2001 and consequentially, action under section 119 of the Act shall be initiated against any violators.

Given under the seal of this Office.

REGISTRAR OF CO-OP. SOCIETIES
PANAJI-GOA

01/07/25

(Ashutosh Apte)
Registrar of Cooperative Societies,
Ex-Officio Joint Secretary (Cooperation),
Government of Goa, Panaji, Goa.

18/7/25

To,
The Director of Printing & Stationary, Government Printing Press, Panaji, Goa for publication in the next issue of Official Gazette.

Copy to: -

1) The National Bank For Agricultural And Rural Development, Panaji – Goa;
2) The System Integrator, The National Bank For Agricultural And Rural Development, Panaji – Goa;

3) All the PACS in the State of Goa through their respective Unit Incharge ARCS or CO in the respective Zonal Offices;
4) The Dy. Registrar of Coop. Societies (Tech)/DLI (North), O/o. RCS, Patto, Panaji;
5) The Dy. Registrar of Coop. Societies (Admin)/DLI(South), O/o. RCS, Patto, Panaji;
6) ARCS incharge of Wings I to V, H.O., O/o.RCS, Patto Plaza, Panaji, Goa;
7) C.O. of Wings I to V, H.O., O/o.RCS, Patto Plaza, Panaji, Goa;
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9) Office File;
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