29.08.2023
(Review 16.10.23)

Loan Policy

Functions of Urban Cooperative Banks are becoming increasingly diversified and their operations likewise complex. Their goals are no longer limited to serving small community of people. Doors of Urban Banks are now open to all classes of people requiring financial assistance for any eligible purpose. Urban banks have to identify the needs of the people in their area of operations and assist them in a constructive way. Thus, the new role of Urban Co-operative Banks includes mobilization of share capital and deposits from savings of the people and giving loans and advances for productive purpose, especially for growth of **Priority Sector** - **MSME**, **Education Loans, Housing Loans, Loan for Export Credit** (**pre and post shipment**), **Social Infrastructure, Renewable Energy, Weaker Sections**, etc. as per GOI / RBI guidelines.

Basic requirement would be to have knowledge of areas where potentiality for such loans exists. This calls for appropriate survey in the area of operation of the Bank. Urban Co-operative Banks can extend finance for Priority Sector as well as for Trading and Non-Priority Sectors keeping in view of Targets under Priority Sector.

Loan / Overdraft against Bank's own deposit, Gold Loan, LIC, etc. be reported in Priority Sector / Weaker Section / SC/ST / Minority Community will also be reported in respective head. Therefore while granting Loan / Overdraft against Bank's own deposit, Gold Loan, LIC, etc. purpose will be recorded.

Taking into consideration the stipulations of the Reserve Bank of India under various directives and also assessing need of development of industries in the area of operation of the bank, Loans & Advances Policy of the Bank has been formulated along with Rules and Regulations.

Bank's advances to priority sector will not be less than 60% of total advances by March 2023 and 75% of total advances by March 2024 and out of this, not less than 11.50% of total advances by March 2023 and 12% of total advances by March 2024 will be extended to weaker section.

It will be borne in mind that the guidelines about each type of Loan & Advance given hereunder are **only illustrative and not exhaustive**. The Branch Officials will have to process the Advance proposal on the merits of each case and within the directives of Reserve Bank of India.

1. Objective

This policy is aimed at the following objectives.

A. Loaning is an important function of the banking business and it will be done in systematic way.
B. To set up a proper system for the purpose of judicious deployment of bank's funds in light of the directives of RBI.
C. To define norms to extend credit for various purposes.

D. To guide operational units in lending procedure.
E. NPA Management is one of the key parameters observed by the RBI while judging the health of the loan assets of the bank. In order to strengthen the system of NPA Management at all level the Recovery Policy is designed with a view to keep the level of stressed assets at minimum level leading to healthy credit portfolio. The basic objective of the Recovery Policy is to maximize recovery of dues under the NPA portfolio of the Bank through effective monitoring and follow up and taking various legal and other actions to maximize recovery in Non-Performing Assets (NPAs).

2. Eligible persons to borrow

A. To avail financial assistance from the Bank, a person / firm / society / company or any other entity will be the customer and a **shareholder of the Bank**.
B. A person / entity who has been a **willful defaulter** of the Bank / FIs in the past will not be granted any new loan / advance irrespective of whether the previous advance has been recovered or not.
C. To avail financial assistance from the Bank, a person / firm / society / company or any other entity having **CIBIL score of minimum 600 marks**.
D. Criterion for becoming **Shareholder** of our Bank is defined at Bye-laws point 8 Members read as under –
a. An individual may be admitted as a member if he is an adult competent to contract and **resides** within the area of operation of the bank **OR is gainfully engaged therein**.
b. Any persons as defined under Bye-laws 4 (ix) having office and / or conducting business and / or holding property within the area of operation of the bank may be admitted as a member,

Provided that –
i. The individual or any partnership firm is not convicted of any criminal offence involving moral turpitude.
ii. The individual or the person is not engaged in a business competing with or conflicting with the business of the bank.
iii. The individual or the person has subscribed to and fully paid at least 40 shares of the Bank and paid entrance fee of Rs.20/- and his application has been duly approved by the Board of Directors."

E. Reserve Bank of India vide its circular RBI/2021-22/179 DOR.CAP.REC.92/09.18.201/2021-22 dated March 08, 2022 clarified that "UCBs are permitted to raise share capital, as hitherto, by way of (i) issue of shares to **persons within their area of operation, in accordance with the provisions of their bye-laws**, and (ii) **issue of additional shares to the existing members."**

F. From the above criterion we can consider the proposals of the persons **who are residing within our area of operation OR who are gainfully engaged within our area of operation**. This gives vast opportunity for canvassing good number of loan quality proposals in broader area of operation.

3. Extent of finance (Exposure Norms)

A. The exposure to an individual borrower does not exceed 15 per cent of capital funds, and the exposure to a group of borrowers does not exceed 40 per cent of capital funds.

B. Bank has also fixed sector wise caps as follows –

a. Auto Finance - 5% on Total Advances as of 31st March.

b. Metal Advances - 15% on Total Advances as of 31st March

c. Housing Loan & Clean Loan - as per RBI norms

C. As per RBI directives, the financial assistance will be extended only within the exposure limit of the Bank (i.e. exposure ceiling to individual / group of borrowers as prescribed by RBI). This limit will be calculated on the basis of capital funds of the Bank and will be revised periodically in light of the RBI guidelines issued from time to time. Credit exposure will include funded and non-funded credit limits / loans, but will not include loans/advances granted against Bank's own term deposits. The sanctioned limit (funded or non-funded) or outstanding whichever is higher will be reckoned for arriving at credit exposure limit. In respect of consortium / multiple banking / syndication, the level of the Bank's share will be governed by single borrower / group exposure as stated above.

D. Bank will always ensure that, the credit extended to priority sector would always be 60% of the total advances and the weaker section will be sanctioned advance to the extent of 12% of the total advances in light of RBI directives. At no point of time, Bank will exceed loanable funds.

4. How to apply

A. Every loan application will be made in the prescribed application form printed by the Bank for various types of loans. Every loan application will be accompanied by photograph of the borrowers and co-borrowers along with necessary papers / documents for establishing identity of the persons. Each application will be supported by financial papers to establishing the purpose and quantum of the financial assistance required. Bank would provide check list of the documents to be submitted along with the application for the convenience of the borrower.

B. Appropriate declaration will be taken in the application forms for grant / renewal / enhancement of credit facilities so as to ensure that the position regarding the statutory dues is disclosed therein or NIL declaration.

5. Term wise Classification of Loans

Bank will sanction credit for short term / medium term / long term loans as well as working capital finance.

A. The loans sanctioned for a period up to 12 months would be called as short term loans.
B. Loans sanctioned for a period between 12 to 36 months would be called as Medium Term Loans.
C. Loans granted for a period above 36 months would come under the category of Long Term Loans.
D. Working capital finance would be in the form of cash credit / Overdraft limits which may be renewed on due dates on request of the borrower and after acceptance of sanctioned conditions.
E. Ad-hoc limits / temporary overdrafts may be considered to the C/C A/c holders on submission of written application along with supportive documents justifying the requirements. Bank may decide on the quantum and period for granting ad-hoc limit to the borrowers to meet the contingencies based on merits of the individual cases subject to the prescribed exposure / ceiling.

6. Pre-Sanction Appraisal

A. **Borrower Interview** – Borrower will be interviewed for understanding his requirements, securities offered and other financials.

B. **KYC** – Bank to obtain all KYC documents & verify from original to establish proper identity. Identity will be verified beyond doubt.
C. **Pre-sanction Inspection** – Branch official to carry out pre-sanction inspection of the Borrower / Unit / Shop / Property proposed for mortgage on receipt of application for credit facility (**Fresh / Increase**) and submit report. Scope of the activity, Credential, Credit worthiness and market report about proposed borrower to be verified at the time of pre-inspection and to be reported. Pre-sanction Inspection is must for every proposal for any credit facility.
D. **NOC from Builder / Society** – In the cases of security of Immovable Property NOC from Builder / Society to be obtained for creation of Bank/s charge after disbursement of credit facility. In

NOC it will also be confirmed by Builder / Society that there is no any earlier charge is created on the property.

E. **Customers of Other Bank**

Following guidelines will be applicable for the customers of the other Banks/FIs.

a. Bank will not finance a Borrower already availing credit facility from another bank without obtaining a 'No Objection Certificate' from the existing financing bank.
b. Bank will not insist for 'No Objection Certificate' from proposed Borrower if he / she is not enjoying credit facility from any Bank / Financial Institution and gives undertaking that he/she is not availing any credit facility from other Banks / Financial Institution and also CIBIL Report does not indicate any existing Borrowings.
c. Bank will not insist for obtaining of Confidential Reports from existing bankers as a general rule. Bank will rely on Passbook or Statement of Accounts for period of preceding 12 months of existing banks for judging credentials of the proposed customer (Firm/company and its Proprietor/Partners/Directors).

F. **Financial Appraisal** – ITRs, Form 16, Salary Slips, GST Returns, Financial statements (Last three years and projection for next year) including statement of accounts received from the proposed borrower be examined with view to various financial parameters viz. DSCR, Current Ratio, Profitability, Sales, repayment capacity etc. as per our lending norms and satisfy that Loans granted to proposed borrower will be repaid in time.

Reset of Equated Monthly Instalment (EMI)

At the time of sanction of EMI based floating rate loans, Bank is required to take into account the repayment capacity of borrowers to ensure that adequate headroom/ margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the benchmark rate during the tenor of the loan.

a. At the time of sanction, Bank will clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above will be communicated to the borrower immediately through appropriate channels.
b. At the time of reset of interest rates, Bank will provide the option to the borrowers to switch over to a fixed rate maximum **three times** during the tenor of the loan.
c. The borrowers will also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of

both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty will be subject to extant instructions.

d. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options will be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Bank from time to time.
e. Bank will ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
f. Bank will share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which will at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. Bank will ensure that the statements are simple and easily understood by the borrower.

Bank will ensure that the above instructions are extended to the existing as well as new loans suitably by December 31, 2023. All existing borrowers will be sent a communication, through appropriate channels, intimating the options available to them.

G. **Credit Rating** – Since our bank is financing for small amount therefore external credit rating is not necessitated but whenever large proposals are to be considered External credit rating may also be taken. Internal Credit Rating will be done as per Bank's prescribed format. Proposals having Credit Rating **below 'C'** are to be **rejected** instantly.

H. **Valuation** – Valuation of the asset is to be done from our Empanelled Valuer as per schedule prescribed herein. Valuer will report Market Value, Realisable Value and Distress Sale Value. In valuation Report status of Boundary, Neighbourhood, Age, Residual Life, Accessibility, Quality of Construction etc. be mentioned.

I. **Title Search Report** – Title Search Report from empaneled advocate about non encumbrance, ownership and clear marketable title be obtained with search for last minimum 12 years.

J. **Computation Of Working Capital**

a. The Board of Directors will be empowered to prescribe various norms as regards fixation of margin, quantum of finance, prime security, collateral security, repayment period, moratorium, type of charge, documentation etc. and it will prescribe / modify such norms from time to time by passing appropriate resolution in this regard.

b. The working capital requirement is to be assessed at 25% of the projected turnover to be shared between the borrower and the bank, viz. borrower contributing 5% of the turnover as net working capital (NWC) and bank providing finance at a minimum of 20% of the turnover. Projected turnover may be interpreted as 'Gross Sales' including excise duty.

c. The bank may, at its discretion, carry out the assessment based on projected turnover basis or the traditional method. If the credit requirement based on traditional production / processing cycle is higher than the one assessed on projected turnover basis, the same may be sanctioned, as borrower must be financed up to the extent of minimum 20 per cent of their projected annual turnover. The projected annual turnover would be estimated on the basis of annual statements of accounts or other documents such as returns filed with sales-tax / revenue authorities. Actual drawls may be allowed on the basis of drawing power to be determined by Bank after excluding unpaid stocks.

K. **Procedural Aspects**

a. **Issuance and acceptance of loan application form** – Loan application forms to be issued by the Branch Manager or the employee authorized by the Branch Manager to an acceptable party on payment of prescribed form fee by the prospective borrower after duly satisfying about the purpose for which the loan or advance is required. KYC will be done as per banks policy. Applicant will be provided with a checklist of papers / documents to be submitted along with the loan application form. Loan application to be accepted only at the branch, by the Branch Manager or authorized official after ensuring that it is completely filled in and necessary documents/papers are enclosed with it.

b. Action against defaulters – It will include issuance of legal notices, resorting to action under arbitration 1996 of multi State co-op act, u/s 138 of N.I. Act 1881, action under Securitization Act 2002, execution of decrees etc. Such actions will be taken by officials authorized by the Board of Directors in this regard and as per the directives of Board from time to time.

c. Issuance of No Due Certificate – On complete repayment of borrowers A/c along with interest, No Due Certificate will be issued by the branch to the borrower.

d. **Handing over of security documents** – The documents submitted by the borrowers as security will be released and returned to the borrower only on complete repayment of the loan / limit along with the interest thereon, after seeking permission from the Head Office and proper acknowledgement to be accepted.

7. Credit Administration

A. **Opening of current account**

a. In case the borrower is already enjoying any credit facility from any other commercial / co-operative bank, the bank opening a current account will duly inform the lending bank(s) concerned and also specifically insist on obtaining a "No Objection Certificate" from them. In case of a prospective customer who is a corporate or large borrower enjoying credit facilities from more than one bank, the bank may inform the consortium leader, if under consortium, and the banks concerned, if under multiple banking arrangement. In case a facility has been availed from a co-operative bank / society, it is essential for the bank to comply with the requirements of the Co-operative Societies Act / Rules of the state concerned in regard to membership and borrowings.

b. Bank may open current accounts of prospective customers in case no response is received from the existing bankers after a minimum **waiting period of a fortnight**. If a response is received within a fortnight, banks will assess the situation with reference to information provided on the prospective customer by the bank concerned and are not required to solicit a formal no objection, consistent with true freedom to the customer of banks as well as needed due diligence on the customer by the bank.

c. Certification of Accounts of Non-Corporate Borrowers by Chartered Accountants - As per the Income Tax Act, 1961, filing of audited balance sheet and Profit & Loss Account is mandatory for certain types of non-corporate entities. Therefore, the bank must insist on the audited financial statements from the borrowers enjoying large limits; since such borrowers would, in any case, be submitting audit certificate to the income-tax authorities, based on audit of their books of accounts by a Chartered Accountant.

B. **Exchange of information** –

Lending under Consortium Arrangement / Multiple Banking Arrangements

Bank will keep information back-up about the borrowers enjoying credit facilities from multiple banks.

a. At the time of granting fresh facilities, bank will obtain declaration from the borrowers about the credit facilities already enjoyed by them from other banks. In the case of existing lenders, bank may seek a declaration from their existing borrowers availing sanctioned limits of ₹5 crore and above or wherever, it is in the knowledge that their borrowers are availing credit facilities from other banks, and have a system of exchange of information with other banks as indicated above.

b. Subsequently, bank will exchange information about the conduct of the borrowers' accounts with other banks at least at quarterly intervals.
c. Obtain regular certification by a professional, preferably a Company Secretary / Cost Accountant / Chartered Accountant regarding compliance of various statutory prescriptions that are in vogue.
d. Make greater use of credit reports available from Credit Information Companies [Credit Information Bureau (India) Limited (CIBIL), M/s Experian Credit Information Company of India Private Ltd., Equifax Credit Information Services Pvt. Ltd. and High Mark Credit Information Services Pvt. Ltd.].
e. Bank will incorporate clauses in the loan agreements in future (at the time of next renewal in the case of existing facilities) regarding exchange of credit information.

C. **Monitoring Operations in Loan Accounts**

a. Post-Sanction Monitoring

i. It is the primary responsibility of bank to be vigilant and ensure proper end use of bank funds / monitor the funds flow. It is, therefore, necessary for bank to ensure that drawals from cash credit / overdraft accounts are strictly for the purpose for which the credit limits are sanctioned.

ii. Post sanction follow-up of loans and advances should be effective so as to ensure that the security obtained from borrowers by way of hypothecation, pledge, etc. are not tampered with in any manner and are adequate.

iii. Accounts showing sign of turning into NPAs - Stringent safeguards are to be taken, especially where accounts show sign of turning into NPAs. In such cases bank press upon Borrowers that sale proceeds are routed through the accounts maintained with the bank.

b. **Diversion of Funds**

Branches to monitor end use of funds. Wherever diversion is observed, Bank will take appropriate action including recalling the loans, reduction of sanctioned limits, charging penal interest etc. to protect the bank's interest. Bank will keep a proper vigil over requests of the clients for cash withdrawals from the accounts for large amounts. Whenever stocks under hypothecation to cash credit and other loan accounts are found to have been sold but the proceeds thereof not credited to the loan account, such action should normally be treated as a fraud. In such cases, banks may take immediate steps to secure the remaining stock so as to prevent further erosion in the value of the available security as also other action as warranted.

Diversion of funds would be construed to include any one of the under-noted occurrences:

i. Utilisation of short-term working capital funds for long-term purposes not in conformity with the terms of sanctions;
ii. deploying borrowed funds for purposes / activities or creation of assets other than those for which the loan was sanctioned;
iii. transferring funds to the subsidiaries / group companies or other corporates by whatever modalities;
iv. routing of funds through any bank other than the lender bank or members of consortium without prior permission of the lender;
v. investment in other companies by way of acquiring equities / debt instruments without approval of lenders;
vi. shortfall in deployment of funds vis-à-vis the amounts disbursed / drawn, and the difference not being accounted for.

c. **Siphoning of funds** should be construed to have occurred if any funds borrowed are utilised for purposes unrelated to the operations of the borrower, to the detriment of the financial health of the entity or of the lender. The decision as to whether a particular instance amounts to siphoning of funds would have to be a judgement of the Bank based on objective facts and circumstances of the case.
d. **A wilful default** would be deemed to have occurred if any of the following events is noted:

i. The unit has defaulted in meeting its payment / repayment obligations to the lender even when it has the capacity to honour the said obligation.
ii. The unit has defaulted in meeting its payment / repayment obligation to the lender and has not utilized the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
iii. The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the fund so that the funds have not been utilized for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.
iv. The unit has defaulted in meeting its payment / repayment obligation to the Bank and has also disposed of or removed the movable fixed assets or immovable property given by it for the purpose of securing a term loan, without the knowledge of the bank.

e. **Penal measures**

It has also been decided that the following measures should be initiated against the willful defaulters:

i. No additional facilities be granted to the listed wilful defaulters. In addition, the entrepreneurs / promoters of companies where banks have identified siphoning / diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions should be debarred from institutional finance for floating new ventures for a period of 5 years from the date the name of the wilful defaulter is published in the list of wilful defaulters by the Reserve Bank of India.
ii. The legal process, where warranted, against the borrowers / guarantors and foreclosure of loans should be initiated expeditiously. Bank may also initiate criminal proceedings against wilful defaulters, wherever necessary.

D. **Restructure**

Normally, restructuring cannot take place unless alteration / changes in the original loan agreement are made with the formal consent / application of the debtor. However, the process of restructuring can be initiated by the bank in deserving cases subject to customer agreeing to the terms and conditions.

No account will be taken up for restructuring by the bank unless the financial viability is established and there is a reasonable certainty of repayment from the borrower (may be assessed from the past record of repayment history or otherwise), as per the terms of restructuring package. The viability will be determined by the bank based on the acceptable viability benchmarks determined, which may be applied on a case-by-case basis, depending on merits of each case. Illustratively, the parameters may include the Return on Capital Employed, Debt Service Coverage Ratio, Gap between the Internal Rate of Return and Cost of Funds and the amount of provision required in lieu of the diminution in the fair value of the restructured advance. The accounts not considered viable should not be restructured and bank will accelerate the recovery measures in respect of such accounts. Any restructuring done without looking into cash flows of the borrower and assessing the viability of the projects / activity financed by bank will be treated as an attempt at ever greening a weak credit facility.

8. Interest

A. The authority to decide the interest rates on various loans will be vested with the Board of Directors and the Board will prescribe rates in accordance with the RBI directives issued from time to time. The Board will decide prime lending rate (PLR) which will be subject to revision periodically as it deems fit. Interest rates would also be made applicable on the basis of credit rating only to such accounts as the Board may prescribe from time to time. The type of interest rate would be **either fixed rate or floating rate** on case to case basis as per sanction as decided by the Board. The interest rate would be mentioned in the sanction letter and to be acknowledged by the borrower. Any changes made in the interest rates would be notified to the borrowers and will be binding upon all the borrowers.

B. Interest will be applied on monthly basis. In case of Cash Credit and Overdraft / Loan accounts, the interest will be applied on daily product method. In case of cheque discounting, the interest will be charged for the actual days of utilization of funds.

C. The Board of Directors are authorized to consider reduction in Rate of Interest up to 2% of the applicable rate in deserving cases if the borrowers are fulfilling any one of following criteria.

i. CIBIL Score is above 650

ii. Collateral Liquid Security is above 50%

iii. Facility against prime security of LIC, NSC, Govt. RBI Securities.

iv. Realisable Value of Immovable Property mortgaged is 100% of Credit Facility.

v. Past satisfactory conduct of account for the last 5 years.

(Point C added by Board on 16.10.2023)

9. Penal Interest

A. Penal interest will be charged in respect of all over dues and over-drawings irrespective of the type of account for the period of default / overdraft. The rate of penal interest will be as prescribed by the Board of Directors from time to time.

B. Foreclosure Charges / Prepayment Penalty - With effect from June 26, 2014 it has been decided that UCBs will not be permitted to charge foreclosure charges / prepayment penalties on all **floating rate term loans** sanctioned to individual borrowers.

C. In the case of loans to borrowers under priority sector, no penal interest will be charged for loans up to ₹25,000. Penal interest may be levied for reasons such as default in repayment, non-submission of financial statements, etc. However, the policy on penal interest will be governed by well-accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of customers.

D. **Fair Lending Practice - Penal Charges in Loan Accounts**

The intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest. Bank to observe following norms to comply with RBI guidelines.

a. Penalty, if charged, for non-utilization of limit (Commitment Charges), for non-compliance of material terms and conditions of loan contract by the borrower will be treated as 'penal charges' and will not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There will be no capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
b. Bank will not introduce any additional component to the rate of interest.
c. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', will not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
d. The quantum and reason for penal charges will be clearly disclosed by Bank to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Bank website under Interest rates and Service Charges.
e. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges will be communicated. Further, any instance of levy of penal charges and the reason therefor will also be communicated.

Above instructions will come into effect from January 1, 2024. In the case of existing loans, the switchover to new penal charges regime will be ensured on next review or renewal date or six months from January 1, 2024, whichever is earlier.

E. **Responsible Lending Conduct – Release of Movable / Immovable Property**

Action point for branches

i. Branches to release original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.
ii. Clearly mention in Sanction Letter about timeline and place of return of original documents movable / immovable property.
iii. Start obtaining Authority Letter from the Borrower / Guarantor (owner of movable / immovable property) to whom (Legal Heirs / Nominee) original documents of movable / immovable property to be returned in case of the contingent event of demise of the sole borrower or joint borrowers or guarantors (owner of movable / immovable property).
iv. It will be joint responsibility of Credit In-charge & Branch Manager to follow above guidelines. In case of any default or loss

of documents Penalty, Compensation and Expenses claimed by Borrower / Guarantor (owner of movable / immovable property) will be recovered from the concerned staff.

(Point E added by Board on 16.10.2023)

10. Processing Fees - Processing fees @ 0.50% of Credit Facility (Fund/Non-Fund) will be recovered from all type of borrowers except Loan / Overdraft against Bank's own deposit. No loan related and ad hoc service charges/inspection charges will be levied on priority sector loans up to ₹25,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole. Processing fees can be waived fully or partially after taking approval from the competent authority.

11. Sanction & Acceptance - Proposals found suitable & viable be sanctioned by competent authority as per Discretionary Lending Powers and conveyed to proposed borrower with detail terms & conditions in writing along with repayment schedule (Amortization Schedule). Sanction letter will be duly accepted by the proposed borrower.

12. Oral Sanction

The higher authorities at various levels will desist from the unhealthy practice of conveying sanction of advances orally or over telephone. Only in exigencies, where sanctions are made over telephone / oral instructions of higher functionaries or sanctions beyond discretionary resorted to, the following steps will be taken.

a. Record of such instructions / sanctions will be maintained by the sanctioning / disbursing authorities explaining the circumstances under which sanctions were made.

b. Written confirmation of the competent sanctioning authority will be obtained by the disbursing authority / official within a week / fortnight.

c. Sanctions within discretionary powers will also be reported to Head Office within a stipulated time and Head Office will meticulously follow up receipt of such returns.

d. Head Office will diligently scrutinize the statements / returns and will initiate stringent action against erring functionary (ies) if he is / they are / found to have indulged in unauthorized sanctioning.

13. Membership & Share Linkage

A. **Subscriptions**

a. Borrowings is at present linked and will be continued to Shareholdings of Borrowing Members as under as our Bank is having above regulatory CRAR criteria of 9 per cent and a Tier I CRAR of 5.5 per cent.

i. Bank will continue making every Borrower as member of the bank and collecting 1.5 per cent of Borrowings as member of the bank.

ii. In case of secured borrowings by Micro and Small Enterprises (MSEs), 1.5 per cent of the borrowings, of which 1 per cent is to be collected initially and the balance of 0.5 per cent is to be collected in the course of next 2 years.

iii. If borrowers from Micro and Small Enterprises (MSEs) sectors desires to subscribe shares up to 1.5 per cent of the borrowings at initial stage may be allowed to do so.

b. In case Bank's CRAR falls below minimum regulatory CRAR criteria of 9 per cent and a Tier I CRAR of 5.5 per cent as per latest audited financial statements and the last CRAR as assessed by RBI during statutory inspection following norms will be applicable.

i. 5 per cent of the borrowings, if borrowings are on unsecured basis.

ii. 2.5 per cent of the borrowings, if borrowings are on secured basis.

iii. In case of secured borrowings by Micro and Small Enterprises (MSEs), 2.5 per cent of the borrowings, of which 1 per cent is to be collected initially and the balance of 1.5 per cent is to be collected in the course of next 2 years.

iv. If borrowers from Micro and Small Enterprises (MSEs) sectors desires to subscribe shares up to 2.5 per cent of the borrowings at initial stage may be allowed to do so.

v. In case of increase in the existing facility subscription will be reckoned on entire facility at the rates prescribed above and shortfall if any will be collected with as additional subscription, required as per new guidelines.

vi. Perpetual Non-Cumulative Preference Shares held by members / subscribers, may be treated as shares for the purpose of compliance with the extant share linking to borrowing norms.

vii. The above Share linking norms will be applicable for member's shareholdings up to the limit of 5 per cent of the total paid up capital of the Bank. Where a member is already holding 5 per cent of the total paid up capital of the Bank, it would not be necessary for him / her to subscribe to any additional share capital on account of the application of extant share linking norms.

c. **Exception** – In case of Loan / Overdraft against the security of Gold 40 Shares of Rs.25/- each will only be insisted upon. Borrower may subscribe more Shares at his choice.

14. Prohibitions

A. Bank will not provide any facility to stock brokers.

B. Bank will not finance for speculative purpose.
C. Bank will not provide financial assistance for any activity / purpose prohibited by RBI.
D. Bank will not grant finance against its own shares.
E. In light of RBI directives, Bank will not grant any financial assistance to its Directors and their relatives (as listed in the RBI directives) and to the firms in which they are interested.
F. Bank will not finance against immovable properties governed by HIBA (Muslim Law) / oral transfer or gifts.
G. Advances to builders / contractors – The Bank will always observe the discipline in this regard as prescribed by the RBI.
H. The grant of bridge loan / interim finance to any company (including finance companies) is totally prohibited.
I. Bank is not permitted to finance non-banking financial companies (NBFCs), other than those engaged in hire purchase / leasing. Even financing the Companies involved in Leasing and hire purchase business by Bank on a large scale is not favoured by the Reserve Bank of India, since the banks are basically required to cater to the credit needs of the people of small means.
J. Bank is under **Supervisory Action Framework (SAF)** and RBI has imposed restrictions on Loans carrying Risk Weight more than 100%. As per Capital Adequacy, consumer credit {Consumer credit refers to the loans given to individuals, which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use)} including personal loan has Risk Weight of 125%.

15. Secured Advances & Unsecured Advances

A. Loans/Overdraft granted against tangible securities is secured advances.
B. If there is no security of any kind the advance will be treated as unsecured. Advance against salary is also unsecured.

C. The total unsecured loans and advances (with surety or without surety or for cheque purchase) granted by a bank will not exceed 10 per cent of its total assets as per the audited balance-sheet as on 31 March of the preceding financial year. However in view of the supervisory action frame work bank will not give any unsecured loan till the supervisory frame work is lifted.

D. Limits for Individual Borrower and Group Borrower for unsecured advances.

i. UCBs having CRAR equal to or more than 9% Rs.5.00 lakh

ii. UCBs having CRAR less than 9% Rs.2.00 lakh

16. Type of Credit Facilities

A. **Loans** - Usually granted against Fixed Assets such as Flat, Factory premises, Machineries, Vehicles, Gold, Self-liquidating assets, Rent Receivables, etc., repayable within a specified time by monthly installment together with interest.

B. **Overdraft / Cash Credit** –

a. **Hypothecation** - To be granted against Tangible goods (moveable) wherein the ownership is with the Bank and the possession remains with the Borrower. To be renewed every year.

b. **Pledge** - Loan & Overdraft can be granted against Gold & Tangible moveable goods wherein the ownership & possession will be with the Bank.

c. **Guarantees -** This is a non-fund based facility. Stipulated margin and if possible, collateral security to be obtained to cover up the amount of Guarantee to be issued as per RBI Directives from time to time.

d. **Bills discounting under Letter of Credit (Inland) -** Bank may discount LC’s of the bank whose credit worthiness is good. LC’s can be discounted for the customers who are not enjoying any credit facility with them. These LC’s will be restricted with The Jain Sahakari Bank Ltd., Bank will ensure that transactions under the LC are genuine trade transactions. Bank will use Structured Financial Messaging System (SFMS) for bill to be discounted under LC.

17. End use of Fund

Bank will ensure End-use of Bank funds in following ways –

A. Payment for purchase of Fixed Assets is to be made directly to the supplier as per quotation through RTGS/NEFT/PO.

B. Name of our Bank as financier is to be ensured on Bills / RC for Vehicle Finance.

C. Obtaining Bills / Receipt for payment of Fixed Assets.

D. Bank’s lien to be noted with Society / Builder / Registrar for immovable property wherever applicable.

E. Post Sanction inspection will be carried out to ensure the end use of funds.

F. Monthly Stock/Book Debts Statement to be obtained for working capital finance. List with amount of Debtors & Creditors to be obtained with Stock/Book Debts Statement.

G. Half Yearly Book Debts statement will be certified by Chartered Accountant for accounts having credit limit of Rs.50 lacs and above.
H. Meaningful scrutiny of monthly stock/book debts statement will be carried out by the branches.
I. Audited (Wherever applicable) Balance Sheet and other financial statement to be obtained annually.
J. Copy of GST returns to be obtained.
K. Chartered Accountant certificate to be obtained to ensure end-use in large project financing cases.

18. Pre- Post Disbursement Inspection

In Term Loan cases no disbursement before onsite pre-disbursement inspection. Every disbursement will be followed by Post-Disbursement Inspection. All the reports of Pre- Post Disbursement Inspection will be kept in files.

19. Inspection of Securities

A. **Stocks & Book Debts** – Quarterly

B. **Movable Fixed Assets** – Yearly
C. **Immovable Property** – Once in a Three year. In case of NPA accounts yearly.
D. **Stock Audit** - Stock Audit for Working Capital Limits of Rs.2 crores and above once in TWO years by External / Concurrent Auditors where CA Certified Book-Debts Statements & GST Returns are not submitted by the party.

20. Valuation

Valuation of Fixed assets is to be done by our empaneled valuer as under.

A. **Old Machinery** – At the time of Purchase by proposed borrower.

B. **Old Vehicle** - At the time of Purchase by proposed borrower.
C. **Immovable Property** –

a. In Home Loan cases Registered Agreement Value can be taken and no valuation is required.
b. In all other cases first time at the time of sanctioning credit facility and thereafter in every five years.
c. In NPA accounts repetition of valuation is not to be insisted in every three years but valuation will be done at the time of sale process of the property. Next valuation will be taken from the valuer other than previous one.

21. Insurance

Insurance of the assets charged to the Bank is to be obtained as under.

A. Board will be Competent Authority for policy decision for obtaining / waiving of Insurance of securities charged to bank.

B. Bank will obtain Insurance of securities charged to the bank at the cost of Borrower except otherwise exempted in this policy or approved by the competent authority.
C. Insurance for security of Steel & Iron will not be insisted upon. However Insurance for securities of Machines & parts will be obtained invariably.
D. Cost of Land will not be included for Insurance of Immovable Property.
E. Insurance of Stocks will be taken for average for last 12 months.
F. Insurance Policy must have Bank Clause of our Bank as Loss Payee/Financier.
G. Chairman is authorized to waive Insurance on recommendation of Branch that waiver of Insurance will not jeopardize Bank's interest for recovery of advance on merit of individual case, after satisfying the genuineness.

22. CERSAI

Government of India has set up the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under the provisions of the SARFAESI Act, 2002, with the objective of preventing frauds in loans involving multiple lending from different banks on the same immovable property. UCBs, accordingly were advised file with CERSAI, in their own interest, records of equitable mortgages created by them. Filing of the following types of security interest on the CERSAI portal: i. Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage other than mortgage by deposit of title deeds. ii. Particulars of creation, modification or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future. iii. Particulars of creation, modification or satisfaction of security interest in intangible assets, being know how, patent, copyright, trademark, licence, franchise or any other business or commercial right of similar nature. iv. Particulars of creation, modification or satisfaction of security interest in any 'under construction' residential or commercial or a part thereof by an agreement or instrument other than mortgage. It has also been advised to file the charges relating to all current transactions with CERSAI on an on-going basis.
Exception – No CERSAI registration is required where security is a Vehicle as lien is noted by RTO.

23. Post Sanction monitoring

A. Bank will be vigilant and ensure proper use of Banks fund.

B. Effective post sanction follow-up of loan and advances to be ensure. This is to be done to ensure that security obtained from borrower by way of hypothecation are not tempered with in any manner and are adequate
C. Accounts showing sign to turning into NPA. Branch will monitor monthly or by monthly turnover in the accounts were the working capital facility are sanctioned and if the turnover is not satisfactory they will immediately inspect the Godown and ensure that the sales proceeds are routed through borrowers account maintain with the Bank.
D. Withdrawal against clearing cheques will be sanctioned only inspect of first class customer.
E. Cheque against which withdrawal will represent genuine trade transaction and strict virulence will be observed against kite flying operation.
F. In case of Term Loan branches will generate monthly overdue statement and will follow up with the borrower for the overdue installments. Branches will also visit the borrower unit and ensure that the monthly installments are recovered through the business proceeds.
G. Transaction in account will be scrutinized regularly to watch on diversion / siphoning of funds.

24. Ad hoc Credit Limit

The release of ad hoc / additional credit for meeting temporary requirements may be considered by the bank only after the borrower has fully utilised / exhausted the existing limit. Adhoc will not be sanctioned in un-reviewed account. Adhoc will not be granted frequently. In such cases regular review with increase may be considered as per financial.

25. Review / Renewal of Working Capital Limits

A. Due date of next Review / Renewal of existing facilities be synchronized within 2 months of the immediate due dates of ITR filing so that borrower can submit Audited Financials and other returns timely and Review / Renewal can be done by Bank on or before due dates. It will facilitate bank to Review / Renewal of facility on actual financial. Review / Renewal dates will automatically extended for the period Government of India extend due date of filing. Borrowal accounts will be treated regular till the extended dates.

B. In such arrangements first Due date may occur before 12 months of original sanction. Therefore, Processing Charges may be recovered on prorate basis.
C. This will facilitate branches to review / monitor the credit facilities sanctioned, on the basis of provisional financial of the borrower, on basis of Audited Financials at an early stage.
D. If Borrower could not file returns due to justifiable genuine reasons bank may do **regular** Review / Renewal of facility on the basis of Provisional Financial supported by GST Returns filed by the borrower from the last audited Balance Sheet to the preceding month/quarter of review/renewal looking to the satisfactory operation in the account for existing limit without any increase / additional facility and on same Terms & Conditions. Branch to verify audited Financial with provisional financial on receipt of final Audited financials.
E. Even if Borrower could not file returns due to pandemic or otherwise justifiable genuine reasons, bank may consider maximum 2 Short Review / Renew of credit facility of 3 months only. Short Review / Renewal of credit facility can be done on the basis of GST Returns filed by the borrower from the last audited Balance Sheet to the preceding month/quarter of review/renewal. In such cases next due date of Review / Renewal of existing facilities be synchronized within 2 months after the immediate due dates of ITR filing only.
F. Short Review / Renewal arrangements may be used sparingly as it creates extra work at branches and Head Office.

26. Income Recognition, Asset Classification, Provisioning and Other Related Matters

A. **Classification of Assets as Non-Performing (NPA)**

A non-performing asset will be a loan or an advance where:

a. Interest and / or instalment of principal remain overdue for a period of more than 90 days in respect of a Term Loan.
b. The account remains 'Out of order' @ for a period of more than 90 days, in respect of an Overdraft / Cash Credit (OD/CC).
c. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
d. Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts. * Any amount due to the bank under any credit facility, if not paid by the due date fixed by the bank becomes overdue. @ "An account will be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days or credits are not enough to cover the

interest debited during the same period, these accounts will be treated as 'out of order’

e. Banks will ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Considering the practical difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power will not be older than three months. The outstanding in the account based on drawing power calculated from **stock statements older than three months would be deemed as irregular**. A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days.

f. An account where the regular / ad-hoc credit limits have not been reviewed or have not been renewed within 90 days from the due date / date of ad-hoc sanction will be treated as NPA. In case of constraints such as non-availability of financial statements and other data from the borrowers, the branch will furnish evidence to show that renewal / review of credit limits is already on and would be completed soon.

B. **Income Recognition**

a. Income recognition has to be objective and based on the record of recovery. Income from non-performing assets (NPA) will not be recognised on accrual basis but is booked as income only when it is actually received. Therefore, we will not take in to income account interest on non-performing assets on accrual basis.

b. However, interest on advances against term deposits, NSCs, IVPs, KVPs and Life policies may be taken to income account on the due date, provided adequate margin is available in the accounts.

c. Fees and commissions earned by us as a result of renegotiations or rescheduling of outstanding debts will be recognised on an accrual basis over the period of time covered by the re-negotiated or rescheduled extension of credit.

C. **Reversal of Income on Accounts Becoming NPAs**

a. If any advance including bills purchased and discounted becomes NPA as at the close of any year, interest accrued and credited to income account in the corresponding previous year, will be reversed or provided for if the same is not realised.

b. In respect of NPAs, fees, commission and similar income that have accrued will cease to accrue in the current period and will be reversed with respect to past periods, if uncollected.

D. **Insurance and Other Expenses related to NPAs**

In case of NPA A/c bank will not debit any insurance amount or any charges including legal expenses to the Loan / Over Draft in NPA accounts. **Insurance is to be taken only where asset is in possession of the Bank**. The amount will be debited to the Insurance Receivable and Charges Receivable in NPA Account. Whenever the Borrower repay the amount or comes to close the account amount lying in receivable accounts will be recovered first.

E. **Partial Recovery of NPAs**

Interest realised on NPAs may be taken to income account provided the credits in the accounts towards interest are not out of fresh / additional credit facilities sanctioned to the borrower concerned.

F. **Interest Application**

a. In case of NPAs where interest has not been received for 90 days or more, as a prudential norm, bank will not debit the said account by interest accrued in subsequent quarters and taking this accrued interest amount as income of the bank as the said interest is not being received.
b. The interest accrued in respect of performing assets may be taken to income account as the interest is reasonably expected to be received. However, if interest is not actually received for any reason in these cases and the account is to be treated as an NPA at the close of the subsequent year, then the amount of interest so taken to income in the corresponding previous year will be reversed or will be provided for in full.
c. With a view to ensuring uniformity in accounting the accrued interest in respect of both the performing and non-performing assets, the following guidelines will be adopted notwithstanding the existing provisions in the respective State/multistate Co-operative Societies Act.

i. Interest accrued in respect of non-performing advances will not be debited to borrowal accounts but shown separately under 'Interest Receivable Account' on the 'Property and Assets' side of the balance sheet and corresponding amount shown under 'Overdue Interest Reserve Account' on the 'Capital and Liabilities' side of the balance sheet.

ii. In respect of borrowal accounts, which are treated as performing assets, accrued interest can alternatively be debited to the borrowal account and credited to Interest account and taken to income account. In case the accrued interest in respect of the borrowal account is not actually realised and the account has become NPA as at the close of subsequent year, interest accrued and credited to income account in the corresponding previous year, will be reversed or provided for.

iii. In the above context, it is clarified that overdue interest reserve is not created out of the real or earned income received by the bank and as such, the amounts held in the Overdue Interest Reserve Account cannot be regarded as 'reserve' or a part of the owned funds of the banks. It will also be observed that the Balance Sheet format prescribed under the Third Schedule to the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) specifically requires the banks to show 'Overdue Interest Reserve' as a distinct item on the 'Capital and Liabilities' side vide item 8 thereof.

G. **Norms for Provisioning on Loans & Advances**

In conformity with the prudential norms, provisions will be made on the non-performing assets on the basis of classification of assets into prescribed categories as detailed above. Taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged to the bank, the banks will make provision against loss assets, doubtful assets and sub-standard assets as below.

a. **Loss Assets**

i. The entire assets will be written off after obtaining necessary approval from the competent authority and as per the provisions of the Co-operative Societies Act / Rules. If the assets are permitted to remain in the books for any reason, 100 per cent of the outstanding will be provided for.

ii. In respect of an asset identified as a loss asset, full provision at 100 per cent will be made if the expected salvage value of the security is negligible.

b. **Doubtful Assets**

i. Provision will be for 100 per cent of the extent to which the advance is not covered by the realisable value of the security to which the bank has a valid recourse will be made and the realisable value is estimated on a realistic basis.

ii. In regard to the secured portion, provision may be made on the following basis, at the rates ranging from 20 per cent to 100 per cent of the secured portion depending upon the period for which the asset has remained doubtful: Tier I and Tier II Banks Period for which the advance has remained in 'doubtful' category Provision Requirement Up to one year 20 per cent One to three years 30 per cent Advances classified as 'doubtful for more than three years' on or after April 1, 2010 100 percent.

c. **Provision on Standard Assets**

i. Bank will make a general provision of a minimum of 0.40 per cent on standard assets. However, direct advances to agricultural and SME sectors which are standard assets, would attract a uniform provisioning requirement of 0.25 per cent of the funded outstanding on a portfolio basis, as hitherto.

ii. The provisions towards "standard assets" need not be netted from gross advances but shown separately as "Contingent Provision against Standard Assets" under "Other Funds and Reserves" {item.2 (viii) of Capital and Liabilities} in the Balance Sheet.

iii. If due to changes in the regulatory requirements on provisions to be maintained by bank, the provisions held by bank exceeds what is required to be held by bank, such excess provisions would not be reversed. In future, if by applying the revised provisioning norms, any provisions are required over and above the level of provisions currently held for the standard category assets; these will be duly provided for.

iv. In case bank is already maintaining excess provision than what is required / prescribed by Statutory Auditor / RBI Inspection for impaired credits under Bad and Doubtful Debt Reserve, additional provision required for Standard Assets may be segregated from Bad and Doubtful Debt Reserve and the same may be parked under the head "Contingent Provisions against Standard Assets" with the approval of their Board of Directors. Shortfall if any, on this account may be made good in the normal course.

v. The above contingent provision will be eligible for inclusion in Tier II capital. (v) Higher Provisions There is no objection if the banks create bad and doubtful debts.

d. **Higher Provisions**

There is no objection if the banks create bad and doubtful debts higher than the requirement.

H. **Assets Classification**

Identification of Assets - The system will ensure that identification of NPAs is done on an on-going basis and doubts in asset classification due to any reason are settled through specified internal channels within one month from the date on which the account would have been classified as NPA as per prescribed norms. Bank will also make provisions for NPAs as at the end of each calendar quarter i.e as at the end of March / June / September / December, so that the income and expenditure account for the respective quarters as well as the P&L account and balance sheet for the year end reflects the provision made for NPAs.

a. **Standard Assets -** Standard Asset is one which does not disclose any problems and which does not carry more than normal risk attached to the business. Such an asset will not be an NPA.

b. **Sub-standard Assets**

i. An asset would be classified as substandard if it remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrowers / guarantors or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such assets will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

ii. An asset where the terms of the loan agreement regarding interest and principal have been re-negotiated or rescheduled after commencement of production, will be classified as sub-standard and will remain in such category for at least 12 months of satisfactory performance under the re-negotiated or rescheduled terms. In other words, the classification of an asset will not be upgraded merely as a result of rescheduling, unless there is satisfactory compliance of this condition.

c. **Doubtful Assets - An asset is required to be classified as doubtful, if it has remained NPA for more than 12 months. As in the case of substandard assets, rescheduling does not entitle the bank to upgrade the quality of an advance automatically. A loan classified as doubtful has all the weaknesses inherent as that classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.**

d. **Loss Assets: A loss asset is one where loss has been identified by the bank or internal or external auditors or by the Co-operation Department or by the Reserve Bank of India inspection but the amount has not been written off, wholly or partly. In other words, such an asset is considered un-collectible and of such little value that its continuance as**

a bankable asset is not warranted although there may be some salvage or recovery value.

I. Charging of Interest

a. Bank will charge interest at monthly rests in the context of adoption of 90 days norm for recognition of loan impairment w.e.f. from the year ended March 31, 2004 and consequential need for close monitoring of borrowers' accounts. However, the date of classification of an advance as NPA as stated in preceding paras, will not be changed on account of charging of interest at monthly basis.

b. The existing practice of charging / compounding of interest on agricultural advances would be linked to crop seasons and the instructions regarding charging of interest on monthly rests will not be applicable to agricultural advances.

c. While compounding interest at monthly rests bank will ensure that in respect of advances where administered interest rates are applicable, will re-align the rates suitably keeping in view the minimum lending rate charged by the bank (in view of the freedom given for fixing lending rates) so comply with the same. In all other cases also, bank will ensure that the effective rate does not go up merely on account of the switchover to the system of charging interest on monthly rests.

d. Banks will take into consideration due date/s fixed on the basis of fluidity with borrowers and harvesting / marketing season while charging interest and compound the same if the loan / installment becomes overdue in respect of short duration crops and allied agricultural activities.

J. **Treatment of Accounts as NPAs**

a. **Record of Recovery**

i. The treatment of an asset as NPA will be based on the record of recovery. Bank will not treat an advance as NPA merely due to existence of some deficiencies which are of temporary in nature such as non-availability of adequate drawing power, balance outstanding exceeding the limit, non-submission of stock statements and the nonrenewal of the limits on the due date, etc. Where there is a threat of loss, or the recoverability of the advances is in doubt, the asset will be treated as NPA.

ii. A credit facility will be treated as NPA as per norms given in paragraph above. However, where the accounts of the borrowers have been regularized by repayment of overdue amounts through genuine sources (not by sanction of additional facilities or transfer of funds between accounts), the accounts need not be treated as NPAs. In such cases, it will, however, be ensured that the accounts remain in order subsequently and a solitary credit entry made in an account on or before the balance sheet date which extinguishes the overdue amount of interest or installment of principal is not reckoned as the sole criteria for treatment of the account as a standard asset.

b. **Borrower-wise and not Facility-wise**

i. In respect of a borrower having more than one facility with a bank, all the facilities granted by the bank will have to be treated as NPA and not the particular facility or part thereof which has become irregular.

ii. However, in respect of consortium advances or financing under multiple banking arrangements, bank may classify the borrowal accounts according to its own record of recovery and other aspects having a bearing on the recoverability of the advances.

c. **Appropriation of Recovery in NPA Accounts**

i. Recovery in Non-Performing Advances will be appropriated first towards the interest lying in Interest /receivable A/c in case Term Loan & De-recognized interest in case of CC/OD A/c and thereafter towards

- The arrears of instalments in Term Loan.
- The principal irregularity in other account.

ii. However recovery in case of suit filed / Decree Accounts / Compromise cases is first appropriated towards principal as per terms of Decree / Settlement.

27. Exposure Norms

Individual / Group Exposure norms will be applicable as per RBI guidelines and Bank’s financial position. Bank will follow restrictions and prohibition imposed by RBI under Supervisory Action Framework (SAF) from time to time.

28. Various Schemes of Financing

Various schemes of financing are produced hereunder for operational convenience of branches which are not exhaustive. Branches may receive / canvass any other viable proposals for consideration of Board.

A. **Priority Sector** –

i. **Micro, Small and Medium Enterprises Sector -** An enterprise will be classified as a Micro, Small or Medium enterprise on the basis of the following criteria, namely – a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees; a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and **a** medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees).

ii. **Education Loans** - to individuals up to Rs.20 lacs.

iii. **Housing Loans** to individuals up to ₹35 lakh in metropolitan centres (with population of ten lakh and above) and up to ₹25 lakh in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed ₹45 lakh and ₹30 lakh respectively and Loans up to ₹10 lakh in metropolitan centres and up to ₹6 lakh in other centres for repairs to damaged dwelling units conforming to the overall cost of the dwelling unit as prescribed.

iv. **Loan for Export Credit (pre and post shipment)** - Incremental export credit over corresponding date of the preceding year, up to 2 per cent of ANBC or CEOBE whichever is higher, subject to a sanctioned limit of up to ₹ 40 crore per borrower.

v. **Social Infrastructure** - Loans up to a limit of ₹5 crore per borrower for setting up schools, drinking water facilities and sanitation facilities including construction/refurbishment of household toilets and water improvements at household level, etc. and loans up to a limit of ₹10 crore per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres. In case of UCBs, the above limits are applicable only in centres having a population of less than one lakh.

vi. **Renewable Energy** - Loans up to a limit of ₹30 crore to borrowers for purposes like solar based power generators, biomass-based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities, viz., street lighting systems and remote village electrification etc., will be eligible for Priority Sector classification. For individual households, the loan limit will be ₹10 lakh per borrower.

vii. **Others** - Loans not exceeding ₹1.00 lakh per borrower provided directly by banks to individuals and individual members of SHG/JLG, provided the individual borrower's household annual income in rural areas does not exceed ₹1.00 lakh and for non-rural areas it does not exceed ₹1.60 lakh, and loans not exceeding ₹2.00 lakh provided directly by banks to SHG/JLG for activities other than agriculture or MSME, viz., loans for meeting social needs, construction or repair of house, construction of toilets or any viable common activity started by the SHGs, Loans to distressed persons [other than distressed farmers indebted to noninstitutional lenders] not exceeding ₹1.00 lakh per borrower to prepay their debt to non-institutional lenders, Loans sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organisations and Loans up to ₹50 crore to Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India that are engaged in activities other than Agriculture or MSME.

viii. **Weaker Section** - Priority sector loans to the borrowers (Small and Marginal Farmers, Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh, Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS), Scheduled Castes and Scheduled Tribes, Beneficiaries of Differential Rate of Interest (DRI) scheme, Self Help Groups, Distressed farmers indebted to non-institutional lenders, Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders, Individual women beneficiaries up to ₹1 lakh per borrower (For UCBs, existing loans to women will continue to be classified under weaker sections till their maturity/repayment), Persons with disabilities and Minority communities as may be notified by Government of India from time to time.

B. **Micro Finance of Loans**

a. **Definition of Microfinance Loan –** A microfinance loan is defined as a collateral-free loan (Loans backed by hypothecation of any security will not be treated as microfinance loans) given from 01.04.2022 to a household having annual household income up to ₹3,00,000. For this purpose, the household will mean an individual family unit, i.e., husband, wife and their unmarried children. All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, will be considered as microfinance loans. To ensure collateral-free nature of the microfinance loan, the loan will not be linked with a lien on the deposit account of the borrower.

b. **Assessment of Household Income -** Methodology for Household Income Assessment - For undertaking the income assessment of a low-income household, information related to following parameters may be captured by the Bank.

   i. **Household profile** – Number of earning members, Number of non-earning members, Type of accommodation (owned/ rented, etc.), Availability of basic amenities (electricity, water, toilet, sewage, LPG connection, etc.) & Availability of other assets (land, livestock, vehicle, furniture, smartphone, electronic items, etc.).

   ii. **Household income** – Sector of work (Agriculture & allied activities, trading, manufacturing, services, etc.), Nature of work (Self-employed or salaried, regular or seasonal, etc.), Frequency of income (daily/ weekly/ monthly), Months/ days of employment over last one year, Self-reported monthly income, Other sources of income (Remittance, Rent / Lease, Pension, Government transfer, Scholarship etc.) & Average monthly income. Further, household income may also be verified from other sources (bank account statements of the borrowers, group members, other references in the vicinity, etc.).

   iii. The income assessment as above may be carried out for all earning members with respect to all sources of income. While assessing income of all members from all sources, it may be ensured that there is no double counting of income such as counting of salary income of one migrant member also as remittance income for the household. While the income computation may be done on a monthly basis, the income assessment for all members and sources may be carried out over a period of minimum one year to ascertain the stability of the household income.

   iv. **Household expenses** - Regular monthly expenses (food, utilities, transport, house/ shop rent, clothing, regular medical costs, school/ college fees, etc. & irregular expenses over last one year (medical expenses, house renovation, purchase of household goods, functions, etc.)

   v. Bank will mandatorily submit information regarding household income to the Credit Information Companies (CICs). Reasons for any divergence between the already reported household income and assessed household income will be specifically ascertained from the borrower/s before updating the assessed household income with CICs.

c. **Limit on Loan Repayment Obligations of a Household -** This will be subject to a limit of maximum 50 per cent of the monthly household income. The computation of loan repayment obligations will take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income will include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration. Existing loans, for which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50 per cent, will be allowed to mature. However, in such cases, no new loans will be provided to these households till the prescribed limit of 50 per cent is complied with. Bank will provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness. Besides, Bank will also ascertain the same from other sources such as declaration from the borrowers, their bank account statements and local enquiries.

d. **Pricing of Loans -** Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters; The range of spread of each component for a given category of borrowers; and A ceiling on the interest rate and all other charges applicable to the microfinance loans. Interest rates and other charges / fees on microfinance loans should not be usurious. These will be subjected to supervisory scrutiny by the Reserve Bank. Bank will disclose pricing related information to a prospective borrower in a factsheet as per Annexure A. Any fees to be charged to the microfinance borrower by Bank and / or its partner/ agent will be explicitly disclosed in the factsheet. The borrower will not be charged any amount which is not explicitly mentioned in the factsheet. The factsheet will also be provided for other loans (i.e., collateralized loans) extended to borrowers from low-income households. There will be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment will be applied on the overdue amount and not on the entire loan amount. Bank will prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/pamphlets) issued by it and details on its website. This information will also be included in the supervisory returns and subjected to supervisory scrutiny. Any change in interest rate or any other charge will be informed to the borrower well in advance and these changes will be effective only prospectively.

e. **Conduct towards Microfinance Borrowers**

i. There will be a standard form of loan agreement (Current Loan Agreement can be used till finalisation of new one) for microfinance loans in a language understood by the borrower. Bank will provide a loan card to the borrower which will incorporate - Information which adequately identifies the borrower; Simplified factsheet on pricing; All other terms and conditions attached to the loan; Acknowledgements by Bank of all repayments including instalments received and the final discharge; and Details of the grievance redressal system, including the name and contact number of the nodal officer of Bank. All entries in the loan card should be in a language understood by the borrower. Issuance of non-credit products will be with full consent of the borrowers and fee structure for such products will be explicitly communicated to the borrower in the loan card itself.

ii. **Training of Staff** - Training to employees will include programs to inculcate appropriate behaviour towards customers. Field staff will be trained to make necessary enquiries regarding the income and existing debt of the household. Training, if any, offered to the borrowers will be free of cost. Outsourcing of any activity by Bank does not diminish its obligations. A declaration that Bank will be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and will provide timely grievance redressal, will be made in the loan agreement and also in the FPC displayed in its office/ branch premises/ website.

iii. **Recovery of Loans** - Recovery will be made at a designated/ central designated place decided mutually by the borrower and Bank. However, field staff will be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions. Bank or its agent will not engage in any harsh methods towards recovery. Use of threatening or abusive language, Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m., Harassing relatives, friends, or co-workers of the borrower, Publishing the name of borrowers, Use or threat of use of violence or other similar means to harm the borrower or borrower’s family/ assets/ reputation and Misleading the borrower about the extent of the debt or the consequences of non-repayment, are treated as harsh.

iv. **Engagement of Recovery Agents** - Bank will have a due diligence process for engagement of recovery agents, which will, inter alia, cover individuals involved in the recovery process. Bank will ensure that the recovery agents engaged by them carry out verification of the antecedents of their employees, which will include police verification. Bank will also decide the periodicity at which re-verification of antecedents will be resorted to. To ensure due notice and appropriate authorization, Bank will provide the details of recovery agents to the borrower while initiating the process of recovery. The agent will also carry a copy of the notice and the authorization letter from Bank along with the identity card issued to him by Bank or the agency. Further, where the recovery agency is changed by Bank during the recovery process, in addition to Bank notifying the borrower of the change, the new agent will carry the notice and the authorization letter along with his identity card. The notice and the authorization letter will, among other details, also include the contact details of the recovery agency and Bank. The up-to-date details of the recovery agencies engaged by Bank will also be hosted on Bank's website.

f. **Factsheet on Pricing of Microfinance Loans**

Branch: Date:

Borrower Name:

SN	Parameter	Details
i	Loan amount (amount disbursed to the borrower) (in Rupees)	
ii	Loan amount (amount disbursed to the borrower) (in Rupees)	
iii	Other up-front charges (break-up of each component to be given below) (in Rupees)	
a	Processing fees (in Rupees)	
b	Insurance charges (in Rupees)	
c	Others (if any) (in Rupees)	
iv	Net disbursed amount ((i)-(iii)) (in Rupees)	
v	Total amount to be paid by the borrower (sum of (i), (ii) and (iii)) (in Rupees)	
vi	Effective annualized interest rate (in percentage) (computed on net disbursed amount using IRR approach and reducing balance method)	
vii	Loan term (in months)	
viii	Repayment frequency by the borrower	
ix	Number of installments of repayment	
x	Amount of each installment of repayment (in	

	Rupees)	
	Details about Contingent Charges	
xi	Borrower shall not be charged any penalty on prepayment of loan at any time.	
xii	Penal charges in case of delayed payments (if any)	
xiii	Other charges (if any)	

Detailed Repayment Schedule

Installment No.	Outstanding Principal	Principal	Interest	Installment
1				
2				
3				
4				
5				

C. **Housing Loans –**

a. The exposure of UCBs to housing (including individual loans for house repairs, additions and alteration), real estate and commercial real estate loans (including Commercial Real Estate – Residential Housing) would be limited to 10 per cent of their total assets. The above ceiling of 10 per cent of total assets can be exceeded by an additional limit of 5 per cent of total assets for the purpose of grant of housing loans to individuals for purchase or construction of dwelling units costing up to 25 lakh.
b. Tier II (our bank is in Tier II) may extend individual housing loans up to a maximum of Rs.70 lacs per beneficiary of a dwelling unit subject to extant prudential exposure limits.
c. Bank will obtain architect certificate while sanctioning the Housing Loan to ensure that Builder has constructed the building as per the guidelines of NBC (National Building Code) of India 2005.
d. Maximum Repayment period for housing loan is 240 month including moratorium or repayment holiday.
e. Bank can consider Top up on Housing Loan maximum period of repayment can be up to 7 years or the due date of housing loan whichever is earlier.
f. Bank may extend additional finance to carry out alterations, additions, repairs to houses / flats already financed by them, subject to, repayment capacity of borrowers. Bank may extend need-based credit up to a maximum of ₹10 lakh in metropolitan centres and up to ₹6 lakh in other centres for

repairs/additions/alterations, irrespective of whether the house / flat is owner occupied or tenant occupied, after obtaining such security as the banks may deem appropriate. Bank will satisfy regarding the estimated cost of repairs, additions, etc. having regard to the extent of such repairs or additions, materials to be used, cost of labour and other charges and after obtaining certificate/s from qualified engineers / architects in respect thereof, considered necessary.

D. **Education Loans -** Bank can give need base Education Loan to the students who want to do higher studies either in India or abroad. Loan to individuals for educational purposes including vocational courses up to Rs.20 lacs will be considered as eligible for priority sector loans.

E. **Transport Operators** - An individual owning not more than three vehicles & an individual operating by himself come under this category. It includes Auto rickshaws, Taxi, Lorry, Truck or other vehicles, Boat, Steamer, Barge or Launch for carrying any passengers or goods on hire.

F. **Loan against Rent Receivable –**

a. Bank can give loan to Land Lords having reputed tenants against their rent receivables. The Loans can be used for working capital funding, purchase or repair of business, residential premises, education, marriage or medical expenses or for Investment, barring speculative investment. The lessee will be a reputed organization and will be acceptable to the bank.

b. Even though such exposures do not result in funding / acquisition of commercial real estate, the repayment might be sensitive to fall in real estate rentals, such exposures will be classified as `Commercial Real Estate Exposure' (CRE).

c. However, if there are certain in built safety conditions which have the effect of delinking the repayments from real estate price volatility like, the lease rental agreement between the lessor and lessee has a lock in period which is not shorter than the tenor of loan and there is no clause which allows a downward revision in the rentals during the period covered by the loan, we can classify such exposure as non CRE. We may, however record a reasoned note in all such cases.

d. Other

Who can Borrow	Individuals/Proprietorship concern/Partnership firm/ Limited Liability Partnership/Private Limited Company
Purpose	For Working Capital Funding, purchase or repair of business,

	residential premises, education, marriage or medical expenses or for Investment
Limit	Based on the Net Rental Income receivable.
Security	Immovable Property having all requisite permissions from competent authorities.
Margin	15% to 20% of Net Rent Receivables (Less TDS) or 50% of Market Value of Immovable Property whichever is less.
Rate of Interest	12% - 11% p.a.
Guarantee	1 or 2 Guarantors are acceptable.
Repayment	Maximum 120 months or Residual Months of the Lease Agreement Whichever is lower.
Share linkage	1.5% of his borrowings
Processing fees	As per our service charges applicable
Basic Documents	1. KYC Documents of borrower and guarantor. 2. ITR along with Audited Financial Statements for last 3 years of the Borrower Firm/ Co as well as Proprietor / Partners/ Directors for the last 3 years, along with business account statement for the last 2 years. 3. Original Title Deeds of the property offered as Security. 4. Copy of Registered Leave & License (Rental) Agreement. 5. Tripartiate Agreement between Lessor, Lessee and Bank needs to execute. 6. Borrower & guarantor will be a member.

G. **Advances against New Car, Second hand Cars and Commercial Vehicles for Personal & Business Use**

a. Vehicle can be taken in individual name or firm's name.

b. Vehicle taken and used for business / profession / industry will be classified as priority sector which fulfils criterion of Priority sector loans.

c. **New Vehicle -** Bank will Finance for purchase of new Car SUV & 2 Wheeler as per Performa Invoice and margin of 10% for New Vehicles. Vehicles will be hypothecated to the Bank. Minimum DSCR of 1.5 is to be maintained. Charge will be created with RTO for hypothecation of vehicle.

d. **Old Vehicle -** Bank will give advance against second hand cars and commercial vehicles. These advances will be given to individuals, firms and companies. The loans will be given by hypothecation of vehicles older not more than four years. Valuation report to be obtained prior to disbursement of the loan. Charge will be created with RTO for hypothecation of vehicle. Details as under.

Hand /Pre owned Cars	Second hand /Pre owned Commercial Vehicles
Second <u>Eligibility</u>	**<u>Eligibility</u>**
Individual (Age 21 to 60 years)	Individual (Age 21 to 60 years)
Self Employed (Age 21 to 65 years)	Self Employed (Age 21 to 65 years)
Firms and Limited Companies	Firms and Limited Companies
<u>Tenure</u>	**<u>Tenure</u>**
12 to 48 months	12 to 48 months
<u>Loan Amount</u>	**<u>Loan Amount</u>**
3 times of annual Salary.	If Self Employed 6 times of annual Income.
If Self Employed 6 times of annual Income.	
<u>Guarantors</u>	**<u>Guarantors</u>**
2 Guarantors	2 Guarantors
<u>Security</u>	**<u>Security</u>**
Hypothecation of Vehicle	Hypothecation of Vehicle
<u>Insurance</u>	**<u>Insurance</u>**
Comprehensive /insurance with Bank's Charge	Comprehensive /insurance with Bank's Charge
<u>Max Amount can be Finance (Margin)</u>	**<u>Max Amount can be Finance (Margin)</u>**
80% of Valuation	50% of Valuation
<u>Co- Applicant</u>	**<u>Co- Applicant</u>**
If an applicant does not meet Credit Criteria co-applicant can be accepted.	If an applicant does not meet Credit Criteria co-applicant can be accepted.
<u>Mode of Repayment</u>	**<u>Mode of Repayment</u>**
Post Dated Cheques or ECS /ACH to be obtained.	Post Dated Cheques or ECS /ACH to be obtained.
<u>Share Holding</u>	**<u>Share Holding</u>**
Borrower will have to be member and hence shares of 1.50% of sanctioned loan amount Guarantors have to be member with 40 shares	Borrower will have to be member and hence shares of 1.50% of sanctioned loan amount Guarantors have to be member with 40 shares
<u>DSCR</u>	**<u>DSCR</u>**
Minimum 1.5	Minimum 1.5
<u>Processing Fees</u>	**<u>Processing Fees</u>**
50% of the Sanction amount.	50% of the Sanction amount.
CIBIL	**CIBIL**
Minimum Score will be 600 and	Minimum Score will be 600 and

other obligation namely existing loans to be checked	other obligation namely existing loans to be checked
Life of Vehicle	**Life of Vehicle**
Will not be more than 4 years old.	Will not be more than 4 years old.
Delegation of Powers	**Delegation of Powers**
B.M. upto Rs.3,00,000/-	B.M. upto Rs.3,00,000/-
CEO/DCEO upto Rs.5,00,000/-	CEO/DCEO upto Rs.5,00,000/-
President /Vice President Rs.10,00,000/-	President /Vice President Rs.10,00,000/-
E.C. /Board Full Power	E.C. /Board Full Power
Documents required	**Documents required**
Latest photograph, Photo Identity Proof and residence Proof of the Applicant. (in case of New Customer)	Latest photograph, Photo Identity Proof and residence Proof of the Applicant. (in case of New Customer)
Statement of Bank Account for last one year.	Statement of Bank Account for last one year.
Bank’s documents like DP note, Term loan agreement etc.to be signed.	Bank’s documents like DP note, Term loan agreement etc.to be signed.
RTO forms to be signed by borrowers.	RTO forms to be signed by borrowers.
Charge to be created on car before disbursement.	Charge to be created on car before disbursement.

H. Advances against Pledge of Gold Ornaments (Gold Loan)

a. Hallmarking of gold jewellery ensures the quality of gold used in the jewellery as to caratage, fineness and purity. Banks would find granting of advances against the security of such hallmarked jewellery safer and easier. Preferential treatment of hallmarked jewellery is likely to encourage practice of hallmarking which will be in the long-term interest of consumers, lenders and the industry. Therefore, banks while considering granting advances against jewellery may keep in view the advantages of hallmarked jewellery and decide on the margin and rates of interest thereon.

b. **Ownership of Ornaments -** It is advisable that the advances are made to persons properly introduced to the bank. The bank will satisfy itself about the ownership of the gold ornaments etc. before accepting them for pledge. The bank will obtain a declaration from the borrower that the ornaments are his own property and that he has the fullest right to pledge them to the bank. Taking of ornaments for pledge and release thereof to the parties concerned after repayment of the bank's dues will be done strictly in the authorised official's room to avoid any risk.

c. **Appraiser -** The bank will appoint an approved jeweller or shroff as an appraiser for valuation of the gold ornaments proposed to be pledged to the bank.

d. **Valuation Report –**

ix. The valuation certificate of the appraiser will clearly indicate the description of the ornaments, their fitness, gross weight of the ornaments, net weight of the gold content exclusive of stones, lac, alloy, strings, fastenings and the value of the gold at the prevailing market price. The valuation report will be duly signed by the appraiser and kept along with the loan documents by the bank.

x. In order to standardize the valuation and make it more transparent to the borrower, it has been decided that gold jewellery accepted as security/collateral will have to be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by the India Bullion and Jewellers Association Ltd. [Formerly known as the Bombay Bullion Association Ltd. (BBA)]. If the gold is of purity less than 22 carats, the bank will translate the collateral into 22 carat and value the exact grams of the collateral. In other words, jewellery of lower purity of gold will be valued proportionately.

e. **Record of Security -** The full name of the borrower, his residential address, date of advance, amount and description of the ornaments in detail will be recorded in the gold ornaments register which will be checked / initialled by the Manager.

f. **Custody of Ornaments -** The ornaments belonging to each borrower (or articles of each loan) together with a list indicating the description of ornaments, gold loan account number, name of party, etc. will be kept separately in small cloth bags. A tag indicating loan account number and name of the party will be tied to the bag to facilitate identification. The bags will be arranged in trays according to loan account numbers and kept in the strong room or fire proof safes under joint custody.

g. **Period -** The period of advance against gold ornaments will be generally restricted to 6 months or 1 year.

h. **Margin -** As a prudential measure, it has been decided to prescribe a Loan to Value (LTV) Ratio of not exceeding 75 per cent for Bank lending against gold jewellery (including bullet repayment loans against pledge of gold jewellery). The bank will collect interest on advances promptly. In no circumstances will it allow to water down the margin by debiting the interest accrued to the loan account.

i. **Return of Ornaments -** On repayment of the loan together with the interest payable in the account, the ornaments will be returned to the borrower and his receipt obtained in token of having received the ornaments.

j. **Part Release -** While allowing part release of the ornaments against part repayment of the loan, care will be taken to ensure that the value of the left-over ornaments is sufficient to cover outstanding balance with the margin prescribed in the a/c.

k. **Delivery to Third Parties -** When the ornaments are delivered to third parties, a letter of authority from the borrower and subsequent confirmation of the borrower will be obtained. The letter of authority will contain an undertaking by the borrower, absolving the bank of any responsibility in the event of dispute or loss arising from the delivery of the ornaments to the party named therein. The receipt of the third party will be obtained on the letter of authority as well as in the gold loan ledger.

l. **Default -** When the borrower fails to repay the loan on the due date, a notice calling upon him to repay the loan within a specified time will be given and if no response is received, a reminder will be sent by registered post informing the borrower that the ornaments would be auctioned and after adjusting the sale proceeds against the outstanding dues to the bank, the balance, if any, would be paid to the borrower against his receipt.

m. **Re-pledge of Ornaments -** It is not advisable for Bank to make advances against re-pledge of ornaments as this facility is likely to be misused for financing moneylenders, which is not a desirable activity.

n. **Insurance -** The jewels pledged to the bank will be insured for the appraised value against the risk of burglary. If banks store the pledged jewels in fire-proof strong rooms, insuring them against fire may not be necessary. Banks may take blanket insurance policy covering cash, jewels and other valuables and also covering all types of risks.

o. **Verification -** Surprise verification of the packets containing gold / silver ornaments by an officer other than the joint custodian be undertaken and will be recorded in a separate register with necessary details.

p. **Bullet Repayment**

Branches can sanction loans against gold ornaments under the bullet repayment scheme up to Rs. 2.00 lakh subject to the following guidelines:

i. The amount of loan sanctioned will not exceed Rs.2.00 lakh at any point of time.
ii. The period of the loan will not exceed 12 months from the date of sanction.
iii. Interest will be charged to the account at monthly rests but will become due for payment along with principal only at the end of 12 months from the date of sanction.
iv. Banks will maintain a Loan to Value (LTV) ratio 75% on the outstanding amount of loan including the interest on an ongoing basis, failing which the loan will be treated as Non Performing Asset (NPA).
v. Such loans will be governed by the extant income recognition, asset classification and provisioning norms which will be applicable once the principal and interest become overdue

I. **Mortgage Loans -** Mortgage loans can be sanctioned against immovable property as per the exposure norms and the margin can be minimum 30% of the value of the immovable property. Realizable value of the property will be considered for sanction of the loan. Term Loan can be granted for following purposes.

a. Investment in business or profession
b. Higher Education
c. Expenses for marriage
d. Thread ceremony
e. Medical
f. Repayment of old debts

J. **Working Capital for Business purpose –** Many businessman / professionals are not maintaining regular books of accounts are in difficulty in submission of periodical statements but having good property to mortgage. These persons can be given CC / OD for business purpose can be granted against mortgage of property as per following terms & conditions.

a. **Type of Facility** – CC / OD
b. **Eligible** – Businessmen & professional who may be Individual, Sole Proprietor, Partnership Firms & Companies
c. **Purpose** – Long Term / Short Term requirement in business or profession
d. **Maximum Permissible Limit** – 20% of acceptable Projected Sales / Gross Receipt (Based on past performance) or 60% of realizable value of the property, whichever is less.
e. **Security** – Mortgage of immovable property in own / Guarantor's name.

f. **Business Identity to be established from** – Shop Establishment Registration / Udhyam Registration / Professional Body Registration or membership.
g. **Other Documents** – Last three years financials supported by GST return and estimates for next year. Every year Financial supported by GST returns are to be submitted.
h. **Waiver** – No monthly stock statement, No stock inspection.

29. Sale of Assets of NPA

Sale of Assets (Movable and Immovable) of NPA will be done within the framework of SARFAESI Act 2002. Incase assets are not fetching even “Distress Sale Value” in the Auction / E-Auction / Private Treaty, Bank may consider selling the assets below Distress Sale Value in the Auction / E-Auction / Private Treaty to the prospective buyer subject to prior approval of the Board. It may be noted that in case of Private Treaty proper notice to the Borrower / Guarantor be served as per SARFAESI Act 2002. If no bidder is coming to offer the level of Distress Sale Value in the third Auction / E-Auction / Private Treaty process Bank will follow following procedure for ultimate sale of the asset.

a. In the next Auction / E-Auction / Private Treaty process Base Price will be reduced to the level of 90% of Distress Sale Value.
b. If again no bidder is offering to the extent of 90% of Distress Sale Value Base Price will be reduced to the level of 80% of Distress Sale Value.
c. The process of reducing Base Price by 10% will be continued till final acceptable offer is received.
d. Board approval for reducing the Base Price will be obtained each time.

30. Implementation of COVID -19 regulatory Package

RBI has, vide their circulars dated 27.03.2020 on 17.04.2020 & 23.05.2020 are announced COVID regulatory package to reduce/mitigate burden of debt servicing which has arisen due to lock down imposed by Government of India. These measures are primarily to ensure continuity of Business, as also to avoid downgrading of Asset Quality/ Classification directly on account of ill effects of Lockdown due to COVID-19.

A. Following are the measure the bank will adopt.

a. Moratorium from 01.03.2020 to 31.08.2020 to be sanctioned to all term loans which are standard, though overdues as of 29.02.2020.

b. Repayment schedule for such loans will be shifted/extended across the board by six months.
c. Interest will continue to accrue on outstanding amount till moratorium period i.e. 31.08.2020
d. Bank can recalculate drawing power by reducing margin and /or reassessment of working capital cycle in deserving case/s.
e. In the accounts, where the concession is granted as per point No.-4 above, we will not downgrade the account.
f. The rescheduling of payments, including interest will not be considered as default for the purpose supervisory reporting and reporting to Credit information Companies.
g. In respect of working capital facilities, we may even allow deferment of interest applied during 01.03.2020 to 31.08.2020 and the same will be converted into funded interest term loan (FITL) and will be repaid upto 31.03.2021 In respect of accounts in default but standard as of 29.02.2020, even if overdue, the moratorium granted will be excluded by the bank from the number of days past due, for the purpose of asset classification as per IRAC norms.
h. Similarly, in respect of accounts, where working capital facilities are sanctioned, interest charged during deferment period and such account will be excluded for determination of its out of order status.
i. In respect of accounts mentioned above, we make general provision as under.

- Quarter ended 31.03.2020 not less than 5%
- Quarter ended June,30,2020 not less than 5%

j. Bank will suitably disclose the following in the 'Notes to Accounts' while preparing their financial statements for the half year ending September 30, 2020, as well as, the financial years 2019-20 and 2020-2021, as per RBI guidelines, vide their circular No.20/220 dated 17.04.2020.
    - Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended.
    - Respective amount where asset classification benefits is extended.
    - Provisions made during the Q4FY2020 and Q1FY2021 Provisions adjusted during the respective accounting periods against slippages and the residual provision

B. **Resolution of advances to individuals and small borrowers**

We will offer limited window to individual borrowers and small business a resolution plan as RBI circular No.

DOR.STR.REC.11/21.04.048/2021-22 May 5, 2021 after the implementation of the same, account will be classified as standard Provided that the borrower accounts / credit facilities will not belong to the categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex to the Resolution Framework 1.0, read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020)

C. **Eligibility –**

a. Individuals who have availed of personal loans – following loans are classified as personal loans
    - Consumer Credit
    - Education Loan
    - Loan for creation of enhancement of immovable asset
    - Loans given for investment in financial assets (Share, debentures etc.)

   Staff loans are not eligible under this scheme.
b. Individuals who have availed of loans and advances for business purposes and have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
c. Small businesses, including those engaged in micro, small and medium enterprises as on March 31, 2021, and have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
d. Borrower will not have availed benefit of any Resolution Framework – 1.0
e. Credit facilities / investment exposure was classified as Standard as on March 31, 2021.
f. The resolution process will be invoked when bank and borrower agrees to proceed towards finalization.
g. Last date for resolution is upto 30.09.2021

D. **Features**

a. The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
b. The moratorium period, if granted, may be for a maximum of two years, and will come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual

tenor, inclusive of moratorium period if any permitted, will be two year.

c. The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on "Resolution Framework for COVID-19-related Stress – Financial Parameters" will not be applicable to resolution plans implemented under this window.
d. The resolution plan will be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan will be deemed to be implemented only if all the conditions in Paragraph 10 of the Annex to the Resolution Framework – 1.0 are met.

E. **Asset classification and provisioning**

a. If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.
b. The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms")
c. If the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.
d. The Bank will keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.
e. The provisions required to be maintained under this window, to the extent not already reversed, will be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

F. **Working Capital Support for small businesses where resolution plans were implemented previously -** In respect of borrowers specified at sub-clauses (b) and (c) of Clause 5 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, we may are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above will be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

G. **Disclosures and Credit Reporting –**

a. Lending institutions publishing quarterly financial statements will, at the minimum, make disclosures as per the format prescribed in Format-X in their financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part A of this framework will also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.

b. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 22 above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

c. Lending institutions that are required to publish only annual financial statements will make the required disclosures in their annual financial statements, along with other prescribed disclosures. The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under Part A of this window will reflect the "restructured due to COVID19" status 1 of the account. The credit history of the borrowers will consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

(Vivek G Tengshe)

Chief Executive Officer 16.10.2023