

**The AryaVaishya Co-operative Bank Ltd., Regd. Office,  
Hosur, Hubli-580021.**

**Loan Policy And Recovery Policy**

**Index**

<b>Sr.No</b>	<b>ParaNo.</b>	<b>Contents</b>
1.	1	Preamble
2.	2.	Objects
3.	3	Authority
4.	4	Scopeand Avenues
5.	4.4	Purpose
6.	4.5	Security
7.	5.1	ExposureLimit
8.	5.b	Meaning ofGroupandindividual
9.	5.c	Meaningof CreditExposure
10.	5.d	CapitalFunds
11.	5.e	Bank'sexposurelimit
12.	5.2	SectorialExposurelimit
13.	5.2(a)	ExposurelimittoHousing/RealEstate/CommercialRealEstate
14.	5.2(a)(i)	IndividualHousingloan
15.	5.2(b)	Unsecured Loan
16.	5.2©	Otherrestrictionsonlending
17.	5.3	GrantingLoansandAdvances toDirectorsandtheir Relatives
18.	5.4	Definitionofa'relative'
19.	5.5	Advances to NominalMembers
20.	5.6	Loanagainstgoldornaments
21.	6	SanctioningProcedure
22.	7	Administrationof Credit
23.	7.5	Periodofloan
24.	7.7	Workingcapitalassessment
25.	7.8	FairPracticesCode—Chargingof Interest
26.	7.11	Margin
27.	7.12	SanctioningPowers
28.	7.13	Documentation
29.	7.24	Moratorium
30.	7.25	RestructuringofAdvances
31.	7.26	LetterofCredit
32.	7.27	Bankguarantee
33.	7.28	RecoveriesandRehabilitation
34.	7.29	ActionUnderSARFAESI Act,2002
35.	7.30	DiversionofFunds

36.	7.31	WillfulDefaulter
37.	7.32	ShareLinking
38.	7.33	PrioritySectorLendingCertificate
40.	8	FilingofSecurityInterestinCERSAI
41.	9	General

**The AryaVaishya Co-operative Bank Ltd.,  
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## LOAN POLICY

### 1. Preamble :

Co-operative Banks as financial intermediaries accept deposits from general public. These funds mobilized are invested in loans, investments and other securities. The credit provided by co-operative banks is an important driver for growth, more particularly the rural, semi urban and urban areas. Loan assets constitute the major portion of the earning assets and incidentally are the major source of income for the banks. While dispensing credit, co-operative banks have to thoroughly examine the inherent risk element in a credit proposal to contain them to manageable levels.

The lending also should not result in asset liability mis-match. There is also a need not only in ensuring maintenance of liquidity and to fund the creation of the assets but also to enhance the value of stakeholders by increasing profitability. The situation emanating there from warrants clear written and unambiguous line of communication containing ceiling levels, the standard of appraisal, the decision-making powers and the premises under which the decision should be taken.

Under the liberalized and decentralized environment, the Reserve Bank of India has advised to have a clear cut written down policy for every activity of the Bank, more so for advances. A loan policy is the Bank's vision document with regard to loans and advances for the ensuing year. The loan policy should be reviewed annually and necessary modifications based on past experience vis-à-vis projections thereof should be incorporated. The policy should serve the purpose of guiding the Bank's staff while dealing with loan portfolio during the year. The policy reflects the bank's philosophy of

granting advances on a sound and realisable basis taking into account the size of operations, membership and the area in which the Bank operates. The policy, however, is subject to instructions issued from time to time by the RBI in the matters of lending and provisions of bye-laws.

## **2. Objects:**

The loan policy of the bank seeks to achieve the following objects:

- a. To ensure the safety of funds, maintaining the availability of funds to meet the demands of the depositors and so also to fund for creation of assets.
- b. To enhance the value of shareholders by judiciously deploying the funds in loans to enhance profitability with minimal risks.
- c. To ensure compliance with instructions issued by Reserve Bank of India/ Co-operative department from time to time.
- d. To identify and anticipate the genuine credit requirements of the borrowers for their productive purposes thereby retaining existing good borrowers and attracting new ones to our fold.
- e. To address the ceiling levels, the standards for appraisal, decision making powers at different levels of hierarchy, the documentation standards and the premises on which the lending decisions should be taken by the managers/ credit officers at various levels both at Branches/ Head Office.
- f. To serve as a reference point for the borrowers catering to their genuine credit requirements.
- g. The objective of this loan policy is not restrictive and it is flexible to capture potential business opportunity of the Bank.

## **3. Authority:**

The loan policy shall be framed and approved by the Board. The Board is the authority to amend, add, delete, and modify any terms / conditions referred there in.

## **4. SCOPE AND AVENUES**

4.1 The business capacity/ character of the borrower are a prime/ crucial factor in selecting the right type of borrower. A good security offered by a borrower does not offset the weakness of his character. The security does not make a bad loan a good one but makes a good loan even better. The acceptability of the security shall be dependant upon its marketability, ascertainability, stability and transferability. A comprehensive study of the borrower's characters, capacity to repay, capital, condition of venture and collaterals has to be made. The integrity of the borrower is of prime consideration.

4.2. Taking into account the above aspects the composition of credit shall be:

- a. Funded Exposure – The funded lending shall be by way of term loans and working capital loans.
- b. Non-funded Exposure – The non funded lending shall be in the form of Letters of credit, guarantees, etc.

4.3. Compliance with the instruction/ directives issued by the Reserve Bank of India from time to time, provisions of the Banking Regulation Act, 1949 (AACSB), the Karnataka Co-operative Societies Act, 1959 and rules there under, byelaws of the Bank in the matters relating to loans and advances shall be ensured.

#### **4.4. Purpose**

The loans and advances may generally be granted for promotion and growth of employment, self-employment, trade, commerce, development of small and medium industries, education, purchase, construction, repairs and renovation of house/ residential buildings and such other bonafide purpose acceptable to the bank.

#### **4.5. Security**

The loans and advances granted in the following forms; namely term loans, hypothecation/ pledge/ mortgage/ Clean cash credits and bills/ cheques purchased/ discounted. These loans shall be granted against the security/ securities mentioned here below and/ or such other security/ securities approved by the board or without securities.

- a. Loans against bank's Term Deposits
- b. Loans against security of National Savings Certificate or other

## Government Securities

- c. Loans against security of Life Insurance policies
- d. Loans against security of gold/ silver ornaments
- e. Loans against mortgage of land and building
- f. Loans against security of plant and machinery
- g. Loans against security of motor vehicles
- h. Loans against pledge of goods
- i. Loans against hypothecation of goods
- j. Loans against warehouse receipts
- k. Loans against any other security approved/ acceptable to the Board of Directors

## 5. Exposure Limit:

### 5.1 General:

- a. The sanction of loans and advances should be within the exposure limit for both individuals and group under the same management that may be fixed by the Board at the end of each financial year based on the audited financials of the previous year. In view of the linking of shareholding to lending, accretion to or reduction in the share capital after the balance sheet date may be taken into account for determining exposure ceiling at half-yearly intervals, with the approval of Board of Directors. Accordingly bank may, if required, fix a fresh exposure limit taking into account the amount of share capital available as on 30th September. However, accretion to capital funds other than to share capital, such as half-yearly profit etc., will not be eligible for reckoning the exposure ceiling.
- b. **Meaning of Group and individual:** The group to which a particular borrowing unit belongs may be decided by the bank on the basis of information available in regard to commonality of management and effective control. The different firms with one or more common partners engaged in the same line of business, viz. manufacturing, processing, trading activity, etc. shall be deemed to be connected group. The units coming under common ownership shall be deemed to be a single party.



- c. **Meaning of Credit Exposure:** Exposure comprises both credit exposure (loans and advances and investment exposure (Non SLR), funded and non-funded credit limits and underwriting and similar commitments. The sanctioned limit or outstanding whichever is higher shall be reckoned for arriving at credit exposure limit. Further, in case of fully drawn term loans, where there is no scope of re-drawal of any portion of the sanctioned limit, bank may reckon the outstanding for arriving at credit exposure limit. However, loan against bank's deposits is exempted from exposure ceiling.
- d. **Capital Funds:** The exposure ceiling in terms of Reserve Bank of India instructions is linked to capital funds. The "Capital Funds" for the purpose of exposure norm would comprise both Tier I and Tier II Capital as defined for arriving at Capital to Risk weighted Assets Ratio (CRAR). As per the existing norms, the exposure ceiling is 15.0 per cent of the capital funds in the case of individual borrower and 45.0 per cent of the capital funds in the case of group borrowers.
- e. **Bank's exposure limit:** According to the latest audited Balance Sheet as on March 31, 2023 total capital funds consisting of Tier I and Tier II Capital stood at Rs.535.33 lakh. Therefore, the individual and group exposure limits for the year 2023-24 will be Rs.80.30 lakh and Rs.240.90 lakh respectively. But As we are under RBI SAF instructions and thus the limit is curbed and fixed to Rs. 35.00 lakhs for both Individual and group exposure limit and this is also as per our amended Bye Laws.

**5.2 Sectorial Exposure limit :** In order to concentrate on all the sectors like Business, Vehicles, Housing, Consumer Durables, etc, and to avoid credit risk by concentrating on one sector, the ceiling on the total amount of loans to be sanctioned for the different sectors is indicated below :

35.00 Lakhs for Individuals and group exposures

**5.2 (a) Exposure limit to Housing/Real Estate/Commercial Real Estate –**  
10% of total assets excluding intangibles/losses/other contra items as at 31<sup>st</sup> March of immediate preceding financial year.

**Plus**

Additional 5% of total assets as defined above, as Housing Loans to individuals up to Rs.35 lakh. However, cash credit sanctioned to small building contractors is exempt from prudential limit.

Excess exposure if any, under these two sectors has to be aligned in tune with RBI directive as and when required.

**5.2.(a) (i) Individual Housing loan:** The housing loan should not exceed Rs 35 lakh per borrower.

**5.2 (b) Unsecured Loan:** The total unsecured loans and advances (with surety or without surety or for cheque purchase) should not exceed 10 per cent of total assets excluding intangibles/losses/other contra items as at 31<sup>st</sup> March of immediate preceding financial year. The individual unsecured loan should not exceed Rs 1,00,000/-.

The unsecured loans up to Rs.1,00,000/- sanctioned by UCBs are exempt from the aggregate ceiling on unsecured exposure of 10% of total assets as per audited balance sheet as on March 31 of the previous financial year, subject to the following conditions:

- a. The individual amount sanctioned should not exceed Rs.1,00,000/-;
- b. The loan should be for productive purpose and banks should ensure end use of funds lent;
- c. The bank should have CRAR of 9% to 15% and
- d. The Gross NPAs of the bank should be less than 10% of gross advances.

The unsecured loans so extended by the bank shall not exceed 15% of its total assets as on March 31 of the previous year.

**5.2 (c) Other restrictions:**

- a. No loan against bank's own shares.
- b. No finance to NBFCs, other than those engaged in hire - purchase / leasing.
- c. No advances against FDRs of other banks.
- d. No Bridge Loans/Interim Finance.
- e. No loans to Public Sector Undertakings/ Government Undertakings

**5.3 Granting Loans and Advances to Directors and their Relatives:**

The primary (urban) co-operative banks have been prohibited to make, provide or renew either secured or unsecured loans and advances or any other financial accommodation to its directors or their relatives, and the firms / companies /

concerns in which they are interested. The advances sanctioned prior to 1 October 2003 may be allowed to continue up to the date when they are due. The advances should not be renewed or extended further. However, loans may be sanctioned to directors and their relatives against Fixed Deposits and Life Insurance policies standing in their own name.

#### **5.4 Definition of a 'relative'**

A person shall be, deemed to be relative of another, if and only if :

- a)** they are members of Hindu Undivided Family; or
- b)** they are husband and wife; or
- c)** the one is related to the other in the manner indicated below:
  - i. Father
  - ii. Mother (including step- mother)
  - iii. Son (including step- son)
  - iv. Son's wife
  - v. Daughter (including step-daughter)
  - vi. Daughter's Husband
  - vii. Brother (including step-brother)
  - viii. Brother's wife
  - ix. Sister (including step-sister)
  - x. Sister's husband

**5.5 Advances to Nominal Members and Associate Members:** The loans including gold loan up to Rs.1 lakh may be sanctioned to nominal members for short / temporary period. The total borrowing nominal members should not exceed 20% of regular members. Though there is no separate restriction on lending to associate members, the number of associate members should not exceed 15% of total membership.

**5.6 Loan against gold ornaments:** The individual limit for loan against gold ornaments is Rs.20 lakh. The bank should fix monthly/quarterly instalments for repayment of gold loans for non-agricultural purposes taking into account the pattern of income generation and repayment capacity of the borrowers. However, for gold loan up to Rs.2.00 lakh, the facility of bullet payment of both interest and principal at the end of twelve months may be permitted. The monetary ceiling of gold loans that can be granted under the bullet repayment scheme will be Rs.4.00 lakh if the overall Priority Sector Lending (PSL) target and sub targets has been met as on March 31, 2024 and the bank continues to



meet the targets and sub targets as prescribed by RBI. The period of advance against gold ornaments under bullet payment should be restricted to 1 year.

## **6.SANCTIONING PROCEDURE**

- 6.1** Any application seeking loans and advances should be in the prescribed application form and submitted to the concerned branch where the borrower proposes to avail the loan. The applicant shall submit along with the application, copy of documents towards the proof of identity, address proof of business/ residence, income and such other documents and statements like deed of partnership, trust, Memorandum of Association, Articles of Association and latest financial statements, net worth statements, Income Tax/ VAT returns/ assessment orders, records/ documents pertaining to the assets/ properties offered etc., and such other documents prescribed for a particular loan.
- 6.2** The loans may be granted only to the parties known to the bank or to such parties introduced by the known parties.
- 6.3** The financial assistance by way of loans and advances can be extended only to a “member” admitted in compliance with the provisions of the Karnataka Co-operative Societies Act, 1959, rules there under and byelaws of the bank subject to fulfilling other criteria, subject to the compliance with the instructions/ directives issued by Reserve Bank of India from time to time and based on generally accepted principles and practices of banking.
- 6.4** The securities offered towards the loan shall be got pledged/ hypothecated/ assigned/ mortgaged/ charged in favour of the bank before disbursement of loan. Where there exist prior charge of any other bank/ financial institution/ any other society or person such a charge should be discharged before sanctioning/ disbursement of loan. In short, the bank should have the prime or foremost charge on the assets/ properties offered as security towards loan.
- 6.5** The assets charged ; either moveable/ immovable wherever applicable should be insured adequately against risks like fire, strike, riots, accident, earthquake and such other perils with usual “bank clause” and any cost or expenses towards the same shall be borne by the borrower.
- 6.6** In the case of vehicle loans, the charge in favour of bank in the Registration Certificate (RC Book) with the Regional Transport Office and also should be comprehensively insured with usual “bank clause” and hypothecation of the bank displayed on the vehicles used for commercial purposes. The vehicle hypothecated shall be comprehensively insured.

- 6.7** The bank may consider finance for the purchase of new machineries, equipments, vehicles etc., against the proforma invoice issued by the authorised dealers/ manufacturers, which is not more than one month old.
- 6.8** The legal opinion as to the title to the owner of the property shall be ascertained from the bank's advocate/ bank's empanelled advocate.
- 6.9** The assets either moveable/ immovable offered as security shall necessarily be in the name of the borrower/s and in case the applicant offers the assets/ properties belonging to a third party/ ies, the owner of such asset/ property shall join the applicant as co-borrower/s.
- 6.10** No loans and advances should be sanctioned without maintaining sufficient margin.
- 6.11** As per the Reserve Bank of India guidelines the bank should become member of all 4 credit information companies (CICs) viz. Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited. The credit history, if any, of the prospective borrowers should be ascertained from the CICs and noted in the credit appraisal note.
- 6.12** The Board may delegate the powers to sanction the loans and advances up to certain limits to the Loan/Credit Committee/ The Chairman, The Chief Executive Officer and other Officers at Head Office and so also to the Branch Managers. The powers delegated to them shall be exercised judiciously in protecting the interest of the bank. Sanction within the discretionary power should be reported to Head Office.
- 6.13** The sanction of loans and advances should be conveyed to the borrower through the concerned branch from whom the application has been received. The sanction order shall contain the terms of sanction, repayment details, rate of interest and other conditions prescribed by the sanctioning authority. Under no circumstances, the sanction of any loans and advances shall be conveyed by the higher officials/ sanctioning authority orally or over telephone.
- 6.14** Housing Loans for purchase/construction of dwelling units shall be considered for sanction taking into account the guidelines formulated by Bureau of Indian Standards under National Building Code of India (NBC) 2005. The NBC contains all the important aspects relevant to safe and orderly building development such

as administrative regulations including sanction plan, fire safety requirements, stipulations regarding quality of materials, structural design and construction including safety, plumbing devices etc., Adherence to NBC will be advisable in view of the importance of safety of the buildings especially against natural disasters.

**6.15 Upfront disbursal should not be made in cases of incomplete / under-construction / green field housing projects.**

**7. ADMINISTRATION OF CREDIT**

- 7.1 The loan applications shall be appraised in accordance with the prescribed formats for different types of loans and advances.
- 7.2 For all credit proposals of PML, Cash Credit, Loans in case the applicant is already in the business, Balance Sheet and Profit and Loss Account, Income Tax Returns, Tax paid challans etc., for last three years shall be called for scrutiny. In the case of new business, Project Report for the next five years or up to the repayment of loan including the Cash Flow, Fund Flow, Projected Balance Sheet and Profit and Loss Account, market survey mentioning the marketing strategies, scope of the product, performance of other brands in the market, availability of raw materials should be discussed.
- 7.3 In case, the borrower is already enjoying credit facilities from any other banks, financial institutions, a credit report or the sanction order and statement of accounts to ascertain the regularity of the repayment performance of the account. In deserving cases confidential report from existing banks may also be insisted.
- 7.4 The credit appraisal methods used shall focus mainly on the assessment of repayment capacity of the borrowers, which generally depends upon the cash generating ability of the unit. While considering the credit facilities for trade and industry, the ratios pertaining to liquidity, activity, profitability and leverage shall be considered.

**7.5 Period of loan**

- a. The financial facilities given by the bank shall be for a specific period. It may be either for a short term repayable in up to 12 months, medium term repayable in above 12 months and up to 60 months and long term loans repayable above 60 months. It shall be ensured that the period of repayment shall be based taking into account the nature of security either primary or collateral offered for the loans, repayment capacity etc.

- b. The maximum period for various loans are as detailed here below:
- i. Loans against Term deposits and NSC, KVP and other Government Securities – co terminus with maturity period of deposit, NSC, KVP etc.
  - ii. Loan against security of Life Insurance policies – Five years or the date of maturity, whichever is earlier.
  - ii. Loans against shares/ debentures/ units etc., - One year
  - iv. Household articles and consumer durables – Two years
  - v. Gold Loans – Bullet payment one year
  - vi. Mortgage of property – House Construction/ purchase –Fifteen years
  - vii. Mortgage of property – House repairs/ renovation – Five years
  - viii. Mortgage of property – Business/ Domestic – Five years to Seven years
  - ix. Vehicle Loans – Two years to three years for two wheelers and Five years to four wheelers
  - x. Machinery Loans – Three years
  - xi. Personal sureties – One years to Two Years
  - xii. Warehouse Receipts Loans--- Three Months
- c. The Working Capital loans in the form of Cash Credit/ Overdrafts and Bills Purchased/ Discounted limits shall be for a period of one year on a renewable basis.
- 7.6 Installments for the loans shall be fixed taking into account the source of income, repayment capacity etc. Gold loan upto Rs.2 lakh per borrower may be allowed bullet repayment including interest.
- 7.7 **The working capital** limits by way of cash credit/ term loans may be sanctioned by applying one or more of the following methods of assessing the working capital requirements.
- a. Tandon Committee recommendations
  - b. Holding period of the different components chargeable to current assets like stocks in process, finished goods taking into account the operating cycle concept of working capital and need for holding such level of stock etc.
  - c. Credit period allowed to the Sundry Debtors/ receivables.
  - d. Projected Annual Turnover as per the recommendations of Nayak Committee.
  - e. Any other suitable method taking into account the special character of the unit, level of sales, holding period of inventory, receivables and trade credit levels in the case of trading units.



- f. The Branch Manager shall not be having any powers to allow temporary overdraft facility in any account of the member or the account holder and so also shall not have any powers to allow overdrawing beyond the sanctioned limit.
- 7.1 Fair Practices Code—Charging of Interest
- a. Rates of interest for various types of loans shall be fixed with the approval of the Board from time to time taking into account the cost of funds, other cost, provisions required to cover the loan losses and then maintaining a spread of not less than 2.5 per cent except for advances against term deposits and advances to the members of staff. The board of directors, subject to fixing proper criteria in the case of standard assets/regular accounts may grant rebate in interest not exceeding per cent per annum. In the case of overdue loans, a charge/penal charges on overdue amount at 2.0 per cent may be imposed. Such penal charges shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall 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. In the case of loans to borrowers under priority sector, no penal interest should be charged for loans up to Rs 25,000. The quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and displayed on the bank's website under Interest rates and Service Charges. Any instance of levy of penal charges and the reason therefor shall also be communicated.
- b. The interest should be charged from the date of actual disbursement of the funds to the customer and not from the date of sanction of loan or date of execution of loan agreement. Similarly, in the case of loans being disbursed by cheque, interest should be charged from the date the cheque is handed over to the customer and not from the date of the cheque.
- c. In the case of disbursement or repayment of loans during the course of the



month, the interest should be charged only for the period for which the loan is outstanding and not for the entire month.

- d. If for any reason, one or more instalments are collected in advance the full loan amount should not be reckoned for charging interest.
- e. The interest on loans and advances shall be calculated at the agreed rate on daily product basis on reducing balance method. When interest on any loan or advances or part thereof is due from a borrower, that amount shall be recovered by the bank first from the amount that is paid into the bank on behalf of the borrower towards interest first before crediting any amount towards the principal.
- f. At the time of sanction, it shall be clearly communicated to the borrowers about the possible impact of change in 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 shall be communicated to the borrower immediately through appropriate channels. The borrowers shall 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. An option may also be provided to the borrowers to switch over to a fixed rate.
- g. The total interest debited to an account should not exceed the principal amount in respect of short-term advances granted to small and marginal farmers. The small and marginal farmers for the purpose shall include those with land holding of 5 acres and less.
- h. No foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to *individual borrowers*  
2% Pre-closure charges can be charged on fixed rate term Loans sanctioned to Individual borrowers

7.9 Any actual expenses on account of postage, incidental charges and expenses incurred towards inspection visits shall be borne by the borrower. In case of default, the legal expenses, arbitration fees, and such other expenses incurred in

connection with the recovery including advocates fees and all other related expenses shall also be recovered from the borrower.

7.10 In the case of corporate advances where the credit requirements are high, to minimize the risk, the bank can also consider entering into consortium with other banks/ financial institutions.

**7.11 Margin**

Margins are maintained as a cover to meet the risk and interest payable by the borrower. The margins are to be considered with reference to the pro-forma invoice/ valuation report of the valuers with due reference to the market price/ stress sale price. The margin is considered as safety cushion. The margin required to be maintained shall be in consonance with the loan rules framed for various loans and advances and as per the circulars issued by the bank from time to time and instructions issued by Reserve Bank of India.

**7.12 Sanctioning Powers**

The powers to sanction various types of loans as per the powers delegated by the Board shall be as under:

**a. Branch Manager --**

Sl. No	Nature of Facility	Amount
1	Loan against bank's deposit	85% of Deposit amount including accrued interest
2	Gold Loan	upto Rs.20 lakh

**B**

**a. Chairman Power Sanction:**

Sl.No	Nature of Facility	Amount
1	Personal Loan	upto Rs.1 lakh
2	Ware house Loan	upto Rs. 10lakh
3	Hypothecation Loan	upto Rs. 20lakh

**i. Credit Committee:**

- i. Ratification / noting of all loans sanctioned by Branch Managers and Chairman Power Sanction.

ii. All loans upto and inclusive of Rs 35 lakh.

j. The loans and advances sanctioned by Branch Managers, Chairman Power Sanction and Credit Committee shall be ratified/noted by the Board in the immediately subsequent meeting.

#### 7.13 **Documentation**

- a. The sanction letter in a standard format containing the terms of sanction, repayment details, rate of interest and other conditions signed by the Chief Executive Officer or by an Officer authorized by him shall be issued to the borrower and an acknowledgement should be obtained.
- b. Necessary and requisite documents, any other statements and records as per the observation in the Head Office Scrutiny Note and other requirements insisted upon by the sanctioning authority and so also as prescribed in the loan rules for the specific loans and loans sanction order shall be got executed by the borrower and sureties.
- c. The documents and all related papers will be kept in the custody of the concerned branch where the loan is disbursed as per the procedures laid down by the bank from time to time.

7.14 The Branch Manager on ensuring proper documentation and ensuring that there is adequate drawing power and security cover with sufficient margin should authorise disbursement of loan.

7.15 The Branch Manager shall supervise; ensure that the loan is utilized for approved purpose only. The Branch Manager shall also obtain periodical statement of accounts, stock statements, latest tax paid receipts, up to date encumbrance certificate. The Branch Manager/ authorized official shall conduct periodical visits to the place of the borrower/ place of business of the borrower and verify the securities offered both as primary and collaterals. A record of such visit shall be maintained at the branch. Any deviation/ aberration noticed from the sanctioned conditions shall be reported immediately to the Head Office.

- 7.16 The returns and statements periodically prescribed for submission shall be submitted by the Branch to the Head Office.
- 7.17 The criteria/ eligibility of loan amount shall be determined by the Board from time to time depending upon the repayment period, rate of interest, security offered, risk factors concerning the business/ unit, income generation capacity of the borrower.
- 7.18 The income of the family members of the applicant i.e., spouse, children and their spouse can be considered for the purpose of ascertaining the repaying capacity of the applicant provided that they are living in joint family and/ or they are giving their consent to join the loan either as co-borrower/s, surety/ies and join the applicant in execution of the documents and further that the documentary proof shall support the income declared.
- 7.19 The legal opinion/ valuation of property should be obtained from the advocate/ valuers whose name is included in the panel of advocates/ valuers and they should provide the opinion/ report in the format prescribed by the bank.
- 7.20 While analysing and interpreting the financial statements a current ratio of 1.33:1.00, high quick assets ratio should be preferred. A Debt Service Coverage Ratio (DSCR) of not less than 1.5 shall be preferred for business advances.
- 7.21 Income Recognition, Asset Classification and Provisioning shall be made as per the circulars/ instructions issued by the Reserve Bank of India from time to time.

To enable the bank to initiate timely remedial action to prevent the borrowal accounts as potential slippages into NPAs, loans/advances accounts should be classified as Special Mention Accounts (SMA). The borrower account shall be flagged as overdue as part of bank's day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or

NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date. The SMA may be classified as under:

SMA Sub-categories	Basis for classification Principal or interest payment or any other amount
SMA-0	Upto 30 days
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days
In case of Cash credit/overdraft accounts	
SMA Sub-categories	<b>Basis for classification</b> Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days
At end of the day status of SMA and NPA accounts may be reviewed	

7.22 The legal action for recovery of defaulted loans should be taken before the limitation period as per the Law of Limitation.

7.23 The loans and advances shall not be made to any persons or entities that are engaged in anti social activities and loans to establishments who have employed child labour should be discouraged.

#### 7.24 Moratorium

- a. In the case of term loans for housing purpose i.e., for the purpose of construction of house, repairs, alterations etc., the moratorium or repayment holiday may be granted at the option of the loanee or till completion of construction or 9 months from the date of disbursement of first installment of the loan whichever is earlier.
- b. In the case of term loans other than referred to in clause (a) above for installation / commissioning of machineries, construction of commercial complexes, hotels etc., the moratorium or repayment holiday may be granted at the option of the loanee or till completion of construction or 9 months from the date of disbursement of first instalment of the loan whichever is earlier.



- c. The period of repayment of loan shall however be inclusive of the moratorium period or such repayment holiday. The repayment holiday will only be in respect of payment of instalment of principal.

#### **7.25 Restructuring of Advances**

A restructured account is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructuring of advances should be done only in deserving cases after satisfying the viability of the project. Income Recognition, Asset Classification and Provisioning shall be made as per the circulars/ instructions issued by the Reserve Bank of India from time to time. The accounts classified as 'standard assets' should be immediately re-classified as 'sub-standard assets' upon restructuring. The non performing assets, upon restructuring, would slip into further lower asset classification category as per extant asset classification norms with reference to the pre-restructuring repayment schedule. However, the asset classification prevailing at the time of restructuring can be retained subject to following conditions:

- i) A standard asset is restructured within 90 days from the date of receipt of application from the borrower.
- ii) The account is fully secured.
- iii) Personal guarantee is offered by the promoter.
- iv) The repayment period of the restructured advance including the moratorium, if any, does not exceed 10 years, except housing loans.
- v) The restructured housing loans would be assigned additional risk weight of 25 percentage points over the prescribed risk weights.
- vi) Provision is made for diminution in the fair value of restructured advances.

vii) Promoters' sacrifice and additional funds brought by them should be a minimum of 15% of banks' sacrifice.

viii) The restructuring under consideration is not a repeated restructuring.

All restructured accounts which have been classified as non-performing assets upon restructuring, would be eligible for up-gradation to the 'standard' category after observation of 'satisfactory performance' of one year from the date of commencement of restructured repayment schedule. In case, however, satisfactory performance after the revised due date of payment is not evidenced; the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.

#### **7.26 Letter of Credit**

- a. Letter of Credit facilities may be granted to the parties who are already enjoying credit facilities with the bank after ascertaining antecedents, financial position, ability to retire the bills.
- b. In respect of parties who are only maintaining their Current Accounts, bank will also have to ascertain from existing bankers the reason for not extending such facilities to the party.
- c. Necessary securities maintaining sufficient margin as a cover to meet the risk and interest/ commission/ expenses payable by the party shall be prescribed.

#### **7.27 Bank guarantee**

- a. The bank may provide only financial guarantees and not performance guarantees.
- b. The total volume of guarantee obligations outstanding at any time should not exceed 10 per cent of the total owned resources of the bank comprising paid up capital, reserves and deposits.
- c. No unsecured guarantee should be issued.

- d. Guarantees should not be issued for periods exceeding ten years.

## 7.28 Recoveries and Rehabilitation:

The procedures for follow-up of recovery of loan shall be as follows:

<b>a</b>	1 <sup>st</sup> Notice to be sent	Where the account become overdue by one month (Notice to be sent within 15 days from the date of the account becoming overdue)
<b>b</b>	2 <sup>nd</sup> Notice to be sent	Where the account become overdue by 2 months (Notice to be sent within 15 days from the date the account becoming overdue)
<b>c</b>	3 <sup>rd</sup> and Final notice	Where the account become overdue by 3 months (Notice to be sent within 15 days from the date of the account becoming overdue)
<b>d</b>	In case of vehicle loan Vehicles to be seized	Where the account become overdue by 4 months
<b>e</b>	Case to be filed	If the account becomes overdue for more than 6 months.
<b>f</b>	Execution	Within 30 to 45 days from the date of receipt of award.

- i. Notice of recalling the advance is to be issued if any of the terms and conditions is not fulfilled.
- ii. Auction of property / assets charged should be conducted immediately after one year from the date of default or 6 months from the date of receipt of award / execution. However, on positive response from the defaulter, the appropriate authority should be appraised and approval has to be taken for any postponement of the recovery action to be taken.
- iii. Action should be initiated under any other provisions of the applicable act.

## 7.29 Action under SARFAESI Act, 2002

For recovery of NPAs the bank may make use of the provisions of SARFAESI Act, 2002 wherever feasible. The Chief Executive Officer of the bank will be the Authorized Officer to exercise the rights of the bank under the Act.

**7.30 Diversion of Funds:** Diversion of funds would be constructed to include any one of the under-noted occurrences:

- (a) utilization of short-term working capital funds for long-term purposes not in conformity with the terms of sanctions;
- (b) deploying borrowed funds for purposes / activities or creation of assets other than those for which the loan was sanctioned;
- (c) transferring funds to the subsidiaries/group companies or other corporates by whatever modalities.
- (d) routing of funds through any bank other than the lender bank or members of consortium without prior permission of the bank;
- (e) investment in other companies by way of acquiring equities / debt instruments without approval of the bank;
- (f) short fall in deployment of funds vis-à-vis the amounts disbursed /drawn and the difference not being accounted for.

**7.31 Willful Defaulter:**

No additional facilities be granted to the wilful defaulters. A willful defaulter is one if any one of the following is noticed:

- (i) The borrower has defaulted in meeting his/her/its payment/ repayment obligations to the bank even when he/she/it has the capacity to honour the said obligation.
- (ii) The borrower has defaulted in meeting his/her/its payment/ repayment obligation to the bank and has not utilised the finance from the bank for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- (iii) The borrower has defaulted in meeting his/her/its payment / repayment obligations to the bank and has siphoned off the funds so that the funds have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the borrower in the form of other assets.
- (iv) The borrower has defaulted in meeting his/her/its payment / repayment obligation to the lender 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 / lender.

### 7.32 Share Linking:

The share linking to borrowings shall be as follows:

For Unsecured Advances -- 5% of the loan amount availed

For Secured Advances -- 2.50% of the loan amount availed

For Ware House Loan -- Rs.2500/- .

In case of secured borrowings by Micro and Small Enterprises (MSEs), 2.5 percent of the borrowings, of which 1 percent is to be collected initially and the balance of

1.5 percent is to be collected in the course of next 2 years.

Where a member is already holding 5 percent of the total paid up share capital of a UCB, it would not be necessary for him / her to subscribe to any additional share capital.

#### **Note:** Share-

linking to borrowing norms shall be discretionary for UCBs which meet the minimum regulatory CRAR applicable and a Tier 1 CRAR of 5.5 percent as per the latest audited financial statements and the last CRAR as assessed by RBI during statutory inspection. Such UCBs shall have a Board-approved policy on share-

linking to borrowing norms, which shall be implemented in a transparent, consistent and non-discriminatory manner. The policy may be reviewed by the Board at the beginning of the accounting year.

**7.33 Priority Sector Lending Certificate (PSLC):** RBI has introduced PSLC as one of the businesses that can be carried out under section 6(1)(o) of the Banking Regulation Act, 1949. Therefore, if the Bank's Priority sector exposure is in excess of regulatory requirement. The Bank may exercise the option of converting the such excess advances into a PSLC and sell same to another bank for a market determined fee.

### 8. Filing of Security Interest in CERSAI:

The Bank should file following charges with CERSAI on ongoing basis.



1. Immovable property by mortgage other than mortgage by deposit of title deeds
2. Hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.
3. security interest in intangible assets Security interest in any 'under construction' residential or commercial or a part thereof by an agreement or instrument other than mortgage.

## 9. GENERAL

- 9.1 The Board shall from time to time define the aspects relating to the credit management, supervision, control of the loan portfolio, delegate authority, responsibility and fix accountability in respect of all the officers including Chief Executive Officer and other officials related to credit as per the provisions of byelaws and other applicable acts and rules.
- 9.2 The loan policy should be reviewed at least once in a year or such other regular intervals to match the prevailing market conditions, risks, asset liability management and such other relevant factors concerning the credit management and to comply with the directives/ guidelines issued by Reserve Bank of India from time to time.
- 9.3 Interest rate on advances should be displayed at branches for the information of the customers.
- 9.4 Unique Customer Identification Code should be noted in system and assets and liabilities of the borrower may be ascertained periodically.

Hubli.

Date : 30-05-2024    Gen. Manager    Director    Director    Chairman

## **ANNEXURE- 'A'**

### **ARYA VAISHYA CO-OPERATIVE BANK LTD., HUBLI**

#### **GOLD LOAN POLICY OF THE BANK**

##### **1. Introduction**

To meet the growing demand of members to sanction loan against gold ornaments/jewellery and to increase the loan portfolio of the bank, the following policy guidelines has been framed which will be part of the loan policy of the bank. In order to mitigate the inherent risks attached to sanction of loans and advances against gold ornaments, the bank will observe the guidelines issued by RBI from time to time.

##### **2. Guidelines**

The maximum ceiling of gold loan sanctioned to a member would be up to Rs20.00 lakh. One member can be sanctioned gold loan once only for a period of 12 months in addition to any other loan under any other category, if he is having. The following important guidelines will be kept in view while sanctioning loan/advances against gold ornaments.

1. The period of repayment of loan would be one year.
2. As a prudential measure the bank has decided to prescribe a Loan to Value (LTV) Ratio of not exceeding 75 per cent for lending against gold jewellery (including bullet repayment loans against pledge of gold jewellery).
3. Further, 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 would translate the collateral into 22 carat and value the exact grams of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately. However, the bank will consider sanctioning of loan against gold jewellery which has a purity of atleast 80% in terms of caratage.
4. The bank may also use the historical spot gold price data of the preceding 30 days publicly disseminated by a Commodity Exchange regulated by the Securities and Exchange Board of India.
5. Hallmarking of gold jewellery ensures the quality of gold used in the jewellery as to caratage, fineness and purity. Bank would find granting of advances against the security of such hallmarked jewellery safer and easier. The bank would encourage sanctioning of loan against Hallmarked gold jewellery.
6. The bank will not grant any advance for purchase of gold in any form,

including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) and units of gold Mutual Funds. Bank will fix monthly/quarterly installments after discussing with the borrower for repayment of gold loans for non-agricultural purposes taking into account the pattern of income generation and repayment capacity of the borrowers and such gold loan accounts may be treated as NPAs if installments of principal and / or interest thereon are overdue for more than 90 days. As regards gold loans granted for agricultural purposes, interest will be charged at yearly intervals and payment should coincide with the harvesting of crops.

7. **Bullet Payment:** In case of gold loan up to Rs.2.00 lakh, bullet repayment of loan will be allowed. However, the period of the loan shall not exceed 12 months from the date of sanction and 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. Bank would maintain a Loan to Value (LTV) ratio of 75 % on the outstanding amount of loan including the interest on an ongoing basis, failing which the loan will be treated as a Non-performing Asset (NPA). Jewellery would be valued by the appraiser appointed by the bank.
8. All incidental charges, appraiser charges, insurance premium will be charged extra from the borrower.
9. Loan on gold is given to members and nominal members residing under the area of operation of the bank. The nominal member should provide introduction of regular member. The nominal member would be eligible for loan against gold jewellery up to Rs. 20 lakh only.
10. In case loan is not repaid within one year, the bank would be free to auction the ornaments to recover its dues and any excess amount received will be refunded to the borrower.
11. The ornaments will be released when loan is fully liquidated against acknowledgement.
12. The bank will also adhere to the guidelines as stipulated in 'Loan Rules' framed by the bank.
13. Safeguards to be observed Advances against Pledge of Gold / Silver Ornaments.

**3. SHARE LINKING :**For the purpose of sanctioning gold loan, no share amount will be deducted i.e., the gold loan will not be linked to deduction of share amount from the amount of loan sanctioned.

**4. RATE OF INTEREST :** The rate of interest will be decided by the Board of Directors from time to time.

**5. SANCTIONING AUTHORITY :** The loan against gold jewellery will be sanctioned by the Manager.

**6. SAFEGUARDS:** The Bank would observe the following safeguards while sanctioning the loan against gold jewellery.

**i) Ownership of Ornaments-** the advances will be made to persons properly introduced to the bank. The bank would satisfy itself about the ownership of the gold ornaments etc. before accepting them for pledge. The bank would 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.

**ii) Appraiser**

The bank would appoint an approved jeweller or shroff as an appraiser for valuation of the gold ornaments proposed to be pledged to the bank and obtain adequate security from him in the form of cash and indemnity bond. Valuation and appraisal of the ornaments will be done preferably in the bank's premises itself. If this is not possible, the bank would take suitable precautions against their loss while in transit. The bank would send the ornaments to the appraiser in a locked box, one key of which will be kept with the appraiser and the other with the bank. The box will be sent through a responsible member of the staff along with the prospective borrower. The placing of ornaments in the box at both the ends would be done in the presence of the employee carrying the ornaments to the appraiser and the borrower. The bank would take a suitable insurance cover for loss of the ornaments while in transit.

**iii) Valuation Report**

The valuation certificate of the appraiser should clearly indicate the description of the ornaments, their fitness, and 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 should be duly signed by the appraiser and kept along with the loan documents by the bank.

**iv) Record of Security**

The full name of the borrower, his residential address, date of advance, amount and description of the ornaments in detail should be recorded in the gold ornaments register which should be checked / initialed by the Manager.

**v) 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. should be kept separately in small cloth bags. A tag indicating loan account number and name of the party should be tied to the bag to facilitate identification. The bags should be arranged in trays according to loan account numbers and kept in the strong room or fire proof safes under joint custody.

**vi) Return of Ornaments**

On repayment of the loan together with the interest payable in the account, the ornaments should be returned to the borrower and his receipt obtained in token of having received the ornaments.

**vi)Part Release**



There will be no part release of the ornaments i.e., the ornaments will be delivered to the borrower after liquidation of the entire loan amount.

#### **vii) 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 should be obtained. The letter of authority should 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 should be obtained on the letter of authority as well as in the gold loan ledger.

#### **viii) 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 should be given and if no response is received, a reminder should 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.

#### **ix) Insurance**

The jewels pledged to the bank should 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. Bank will take blanket insurance policy covering cash, jewels and other valuables and also covering all types of risks.

#### **x) Verification**

Surprise verification of the packets containing gold ornaments by an officer other than the joint custodian should be undertaken on monthly basis and should be recorded in a separate register with necessary details. The Manager will nominate one of the officers for such verification on a rotation basis.

### **DECLARATION CUM TERMS AND CONDITIONS OF Gold Jewellery LOAN**

**I hereby declare and agree to abide of the following terms and conditions :-**

- 1) All particulars / information given in the application form are true and complete and material information suppressed / withheld I acknowledge That "The aryavaishyaco operative limited" (AVCB) shall have no liability for any consequence arising out of any erroneous details provided by me I authorize AVCB to carry out credit cheks as it may deem necessary .
- 2) I am the absolute owner and I am in the possession of certain gold jewellery /ornaments (gold security) over which I will create first and exclusive charge by way of pledge in favor of AVCB by depositing the same with AVCB and the said pledge gold security in remain in favor of AVCB until the settlement of loan I agree that AVCB shall be entitled to conduct audit in connection with gold security at my cost any time.
- 3) The valuation of the gold security shall be done by appraiser appointed by AVCB and the loan amount shall be determined by AVCB on the basis of the value of the gold security as set out in valuation



report supplied by the appraiser and the same binding on me such value shall be subject to the market of the gold security from time to time

- 4) I agree to repay the loan along with interest and such other dues as are payable by me in terms of the sanction
- 5) The interest payable on the loan shall be computed on the annualized basis
- 6) Minimum interest is payable by me for 7 days if the loan for closed within 7 days
- 7) Without prejudice to any other AVCB may have under law in case of non –payment of any dues, I shall be liable to pay penal charges - 2% p a on the amount outstanding from the due date until date of actual payment
- 8) I hereby authorize AVCB of to carry out the RTGS/NEFT/ transaction as per detail provided by me in the application I further acknowledge the accepts no liability for any further consequences arising out at erroneous details provided by me
- 9) The gold security and any other security furnished by me to AVCB will be released only upon payment in full
- 10) At any point of time if the amount outstanding is in excess of 75% of the value of security I agree to pledge further jewellery belonging to me or in the alternative remit money to ensure that the margin is complied with and in default there to this would be consumed as an “EVENT OF DEFAULT “ and that AVCB of may action the jewel in whole or in part
- 11) AVCB shall have the right to assign or transfer or securitize the rights under the agreement and other documents executed by me to obtain necessary advance of financial facility from any bank or financial institution or other organizations at any time
- 12) AVCB shall issued a pawn ticket / memorandum of securities to me for the jewel loan which will constitute prime facie proof of pledge I hereby agree to submit the pawn ticket / memorandum of securities at the time of redemption of gold security under pledge: without which deliver will not be made not be made by AVCB in the event I fail to produce the pawn ticket at the time of settlement AVCB may at its sole discretion deliver the pledged gold security after completion of the prescribed formalities
- 13) In the event of loss pledged gold security due to theft burglary or for any other reasons from the custody of AVCB the liability of the AVCB shall be limited to market value of the lost gold ornaments net weight as mentioned in the pawn ticket / memorandum of securities subject to education of amount outstanding including interest and other charges payable against the said loan account
- 14) I shall not hold AVCB liable for any damage caused to gold security
- 15) I hereby represent and warrant that
  - a) I declare that I am citizen of that :
  - b) Confirm that my title to the gold jewellery / ornaments deposited /to be deposited by me as security is not defective/ challenged by any person in any manner nor is it spurious or of inferior quality as it has been acquired by me from genuine source is not defective / is my bona fide property and no other person has any claim lien or charge against it
  - c) I shall utilize the loan solely for the purpose stated in the application and will not be be used for any speculative or ant –social purpose
- 16) In case the security provided as at risk on account of police action atc , or any ownership dispute to the pledged jewel that may be prejudicial to the interest of the AVCB then AVCB may recall the loan without assigning any reason and upon written notice I undertake to pay within 7 days in the event of police or law enforcement agencies taking possession of the pledged jewellery presuming to any claim by any person I shall not seek return of the jewellery or payment of the equivalent amount in lieu thereof
- 17) The following events shall constitute events of default under this agreement (EVENT OF DEFAULT ) upon the occurrence of which the said due shall become immediately due and payable by me to AVCB and further enable AVCB to enforce the gold security and any other furnished hereunder and action sell the same :
  - a) Failure on my part to perform any of the obligations hereunder or if any circumstance or event occurs which adversely affects the security or effects my capacity to repay the loan or any part thereof or perform any of my obligations

- b) If any of the representations or statements or particulars made by me in the application or herein are found to be false misleading or incorrect
- c) If the loan is not repaid on the date of maturity
- d) In the event of not servicing of interest by me on the due date
- e) Upon the detection of any systemic fraud in relation to the quality of the gold by AVCB If any attachment distress , execution or other process against me or any of the security is enforced or levied upon :
- f) In the event of death, insolvency failure in business commission of any bankruptcy
- 18) Upon the occurrence of any event of default AVCB shall issue a notice giving 7 days to repay the loan I out of my free will authorizes AVCB to dispose of the gold security by public action at any time after 7days from the date of action notice to me and adjust from the net proceeds of such sale all amount including interest and other charges due to AVCB in respect of the loan in case of any shortfall after disposal of the gold security AVCB shall have the right to resort to legal proceedings against me to recover the shortfall the list of accounts subjects to action along with the date and venue for action shall be displayed at the concerned branch of AVCB and shall also published as per the guidelines issued by the RBI from time to time
- 19) I agree that any notice (including notice of action / sale of gold security) to be sent: shall be sent to the address mentioned in the application from and may be sent via (a) register AD; (b) hand delivered ; or (c) short message service (SMS) to my mobile phone such service shall be deemed to have been effected in case of delivery by hand on the date on which it is delivered in case of delivery by registered AD post the expiry of the 4<sup>th</sup> day of such posting and in the case of short message service (SMS) on receiving the delivery report of the same the time required for delivery will be included in the notice period provided in clause 18 in hereinabove and shall not be in addition to the said notice period
- 20) AVCB services the right to retain documents submitted with application and will not return the same to the applicant
- 21) All disputes arising out of and / or relating to this including any collateral document shall be subject to the exclusive jurisdiction of the courts / tribunals in Chennai only
- 22) AVCB shall have the right to make disclosure of information relating to me to all the credit information companies and /or any other governmental /regulatory /statutory or private agencies as required under law from time I hereby authorize and give consent to AVCB to disclosure without notice to me information furnished by me in application form / related documents executed /to be executed in relation to the facilities available from AVCB, to AVCB s other branches / subsidiaries /affiliates /credit bureaus / rating agencies, service providers , bank /financial institutions, governmental / regulatory authorities or third for KYC information ,verification , credit risk analysis , or for other related purposes that AVCB may deem fit . I waive the privilege privacy and privacy of contract
- 23) I confirm having received , read and understood the conditions applicable to this loan and accept hereby the terms and conditions unconditionally
- 24) In case where a life insurance is opted and covered by me then event of a claim if any and if admitted , the proceeds of the claim to be extend of the amount due to AVCB may be credited to my loan account on receipt from the insurance company balance amount due if any in loan account is payable by my legal hair /nominee AVCB to claim the insurance claim that may arise and if admitted , the proceeds may be credited to my loan account and the pledge Jewels shall be returned to my nominee
- I hereby and confirm that I am the absolute owner of the jewels being pledge I confirm that the gold ornaments being pledge by me are genuine and the said jewels may be held as security for the due repayment of together with interest I further accept that the genuineness of the jewel will be subject to the final confirmation by the audit done by you I understand that the processing of the loan application is subject to the terms and conditions as prescribed by the AVCB, and I have read and understood / been explained the action procedures terms and conditions and contest of this from I hereby authorize the AVCB and /or its associates and /or any person appointed by the AVCB to make any enquiries on any information submitted by me or pertaining to me in any manner with any person /credit bureau.

Borrower signature

## **ANNEXURE-B**

### **ARYA VAISHYA CO-OPERATIVE BANK LTD., HUBLI** **PRIORITY SECTOR LOANS POLICY OF THE BANK**

#### **1. Introduction**

The bank will ensure to achieve the overall target for lending to total priority sector at 75% of the adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure (CEOBSE), whichever is higher as revised in terms of Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 04, 2020 issued by RBI and the same is to be achieved by March 31, 2024 as mentioned below.

Priority sector lending includes only those sectors as part of the priority sector that impacts large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and Micro and Small enterprises etc.

Earlier aggregate target under Priority Sector (PS) was set at 40% and sub-target of 10% was fixed for weaker section. For UCB's there was no other sub target fixed. Subsequently as per the revised guidelines issued by RBI vide circular dated 10 May, 2018, some old categories of priority sector advances have been merged and some new added. Accordingly, the overall target for PS at 40% remained the same but sub targets have been revised ie.10 % for weaker section and 7.5% for Micro Enterprises. Further overall target for lending to total priority sector have been revised at 75% of the adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure (CEOBSE), whichever is higher as revised in terms of Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 04, 2020 issued by RBI and the same is to be achieved by March 31, 2024 as mentioned below

<b>PSL targets to be achieved by</b>				
<b>March 31, 2020 (Existing)</b>	<b>March 31, 2021</b>	<b>March 31, 2022</b>	<b>March 31, 2023</b>	<b>March 31, 2024</b>
40% of ANBC or CEOBSE, whichever is higher	45% of ANBC or CEOBSE, whichever is higher	50% of ANBC or CEOBSE, whichever is higher	60% of ANBC or CEOBSE, whichever is higher	75% of ANBC or CEOBSE, whichever is higher

The bank will also ensure to achieve sub targets at 7.5 % for micro enterprises of Adjusted Net Bank Credit (ANBC) or credit equivalent of off-balance sheet exposure, whichever is higher, as hitherto. For weaker sections the target has been revised from 10% to 12 % of Adjusted Net Bank Credit (ANBC) or credit equivalent of off-balance sheet exposure, whichever is higher and the same is to be achieved in a phased manner as mentioned below.

Financial Year	Weaker Sections target
2020-21	10.00%
2021-22	11.00%
2022-23	11.50%
2023-24	12.00%

With the fixation of sub-target of 7.5% for micro enterprises, enhancement in weaker section target from 10% to 12 % and also increase in overall PSA advances, bank is required to make extra efforts to get borrowers to achieve the targets. In order to enable the bank to achieve the targets under micro enterprises, a policy document has been prepared for PS advances in general and Micro, Small and Medium enterprises (MSMEs) in particular.

## **2. Salient features of the revised guidelines vide RBI letter of 10 May, 2018 are as under**

- i. Agriculture: Distinction between direct and indirect agriculture is dispensed with.
- ii. Bank loans to food and agro processing units will form part of Agriculture.
- iii. Medium Enterprises, Social Infrastructure and Renewable Energy will form part of priority sector.
- iv. A target of 7.5 per cent of ANBC or credit equivalent of off-balance sheet exposure whichever is higher has been prescribed for Micro Enterprises.
- v. Education: Distinction between loans for education in India and abroad is dispensed with
- vi. Micro Credit ceases to be a separate category under priority sector.
- vii. Loan limits for housing loans qualifying under priority sector have been revised.
- viii. Priority Sector assessment will be monitored through quarterly and annual statements.

## **3. Definition of ANBC**

ANBC denotes total loans and advances minus bills rediscounted with RBI and other approved Financial Institutions plus investments made after August 30, 2007 in permitted non SLR bonds under Held to Maturity (HTM) category. For the purpose of calculation of credit equivalent of off-balance sheet exposures, bank may use current exposure method. Inter-bank exposures including inter-bank off-balance sheet exposures will not be taken into account for the purpose of priority sector lending targets / sub-targets.

## **4. Revised Categories under Priority Sector**

### **(i) Agriculture**

Farm credits, Agriculture infrastructure, Ancillary activities



- (ii) **Micro, Small and Medium Enterprises (MSME)**
- (iii) **Export Credit**
- (iv) **Education**

Loans to individuals for educational purposes including vocational courses up to Rs.10 lakh, irrespective of the sanctioned amount will be considered as eligible for priority sector.

(v) **Housing**

- a. 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.
- b. Housing loans to banks' own employees will not be eligible for classification under the priority sector.
- c. 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 in para c(i) above

(vi) **Social Infrastructure**

Total loan up to Rs.5.00 crore per borrower for building social infrastructure namely schools health care facilities, drinking water facilities, toilet construction, sanitation etc

(vii) **Renewable Energy –**

Bank loans up to a limit of Rs.15 crore to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for nonconventional energy based public utilities viz .street lighting systems, and remote village electrification. For individual households, the loan limit will be Rs.10 lakh per borrower.

(viii) **Others**

- a) Loans not exceeding Rs.50,000/- per borrower provided directly by banks to individuals and their SHG / JLG, provided the individual borrower's household annual income in rural areas does not exceed Rs.100,000/- and for non-rural areas it does not exceed Rs.1,60,000/-
- b) Loans to distressed persons not exceeding Rs.100,000/- per borrower to prepay their debt to non-institutional lenders.
- c) Loans sanctioned to State Sponsored Organizations 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.

## 5. Importance of MSMEs Sector



The micro, small and medium enterprises (MSMEs) play a vital role in the economic and social development of the country, often acting as a nursery of entrepreneurship and innovation. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The MSMEs sector contributes significantly to the country's manufacturing output, employment and exports, and is credited with generation the highest employment growth as well as accounting for a major share of industrial production exports. MSMEs have been globally considered as an engine of economic growth and as key instruments for promoting equitable development. The MSMEs sector in India is highly heterogeneous in term of the size of the enterprises, variety of products, services and level of technology. The sector not only plays a critical role in providing employment opportunities at comparatively lower capital cost than large industries but also helps in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth. The major advantage of the sector is its employment potential at low capital cost. It is well known that the MSMEs sector constitutes the spine of the nation; small industry has been one of the major pillars of India's economic development strategy since independence. While reviewing the priority sector advances, RBI has specifically fixed target of 7.5% for the Micro Enterprises with reference to ANBC, as on March 31 of the preceding year

## **6. Reasons behind growth in SME business**

The small scale business in India has witnessed a spurt of growth mainly due to following reasons: • High contribution to domestic production

- Low investment requirements
- Significant export earnings
- Capacities to develop appropriate indigenous technology
- Operational flexibility
- Technology - oriented industries
- Location wise mobility
- Competitiveness in the domestic market

## **7. Targets / Sub-targets for Priority sector**

(i) The targets and sub-targets set under priority sector lending for UCBs are given below.

Total Sector	Priority	75% percent of Adjusted Net Bank Credit or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher to be achieved in phases.
Total agriculture		No target.
Micro Enterprises		7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher
Advances to Weaker Sections		12 percent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher to be achieved in phases

## 8. Definition and Classification of Micro, Small and Medium Enterprises (MSMEs)

Reserve Bank of India vide its circular FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated July 2, 2020 has revised the norms for classification of Micro, Small and Medium Enterprises Sector in view of Government of India (GoI), [Gazette Notification S.O. 2119 \(E\) dated June 26, 2020](#) on the subject

**8.1** The revised norms are applicable from July 1, 2020.

### 8.2 Classification of enterprises

An enterprise shall be classified as a Micro, Small or Medium enterprise (MSME) 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

Earlier there was different criterion for manufacturing and service sector to classify the same for MSME sector. Now as per the revised norms this different criterion for manufacturing and service sector has been done away with.

### 8.3 Composite criteria of investment and turnover for classification

- A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium. **It means that for classification of enterprise as MSME both the conditions of investment and turnover should be met.**
- If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.

## **Examples**

- a. Suppose the existing classification of an enterprise is under Micro Enterprise. It means that the investment in plant and machinery or equipment is not more than one crore rupees and turnover is not more than five crore rupees. Now suppose after 3 years either its turnover crosses 5.00crore rupee or investment crosses 1.00crore rupees, it will cease to be a micro enterprise or it will be shifted to higher category.
- b. Suppose the existing classification of an enterprise is under Small Enterprise. It means that the investment in plant and machinery or equipment is not more than 10.00 crore rupees and turnover is not more than 50.00crore rupees. Now suppose after 3 years its turnover falls below 5.00 crore rupee but investment remains more than 1.00 crore rupees, it will continue to be classified as Small Enterprise.
- iii. All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

### **8.4 Calculation of investment in plant and machinery or equipment**

- i. The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
- ii. In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
- iii. The expression “plant and machinery or equipment” of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
- iv. The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
- v. The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.

### **8.5 Calculation of turnover**

- i. Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
- ii. Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.

- iii. The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration. In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place. Other aspects relating to registration of enterprises, grievance redressal, etc. are mentioned in the [Gazette Notification S.O. 2119 \(E\) dated June 26, 2020](#)

#### **9. Non-achievement of Priority Sector Lending - Contribution to the Rural Infrastructure Development Fund (RIDF) and other funds.**

RBI had issued Revised Guidelines on Lending to Priority Sector for Primary (Urban) Co-operative Banks (UCBs) vide circular DCBR.BPD (PCB).Cir.No.07/09.09.002/2017-18 dated May 10, 2018. These guidelines have been further reviewed by RBI vide circular DOR (PCB).BPD.Cir.No.12/09.09.002/2020-21 dated April 24, 2020. The gist of the review made are as under which bank will follow.

- i. With effect from **March 31, 2021**, bank will be required to contribute to Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD / NHB / SIDBI / MUDRA Ltd., against its priority sector lending (PSL) shortfall vis-à-vis the prescribed target.
- ii. The PSL achievement will be determined at the end of the financial year based on the average of priority sector target / sub-target achievement as at the end of each quarter of the year.
- iii. For any shortfall in PSL lending targets bank will be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other relevant funds, as decided by the Reserve Bank from time to time.
- iv. The interest rates on contribution to RIDF and other funds, tenure of deposits, etc. will be fixed by Reserve Bank of India from time to time.
- v. The misclassifications reported by the Reserve Bank's Department of Supervision, if any, would be adjusted / reduced from the achievement of that year to which the amount of declassification / misclassification pertains, for allocation to various funds in subsequent years.
- vi. Non-achievement of PSL targets will not be included as one of the criteria for classifying a UCB as Financially Sound and Well Managed (FSWM) with effect from March 31, 2021. However, it will continue to be taken into account while granting regulatory clearances/approvals for various purposes.

#### **10. Major Industry Groups in the Small Sector**



The important group of industries in the small scale sector is as under.

1. Food products
2. Chemical and Chemical products
3. Basic metal Industries
4. Metal products
5. Electric machinery and parts
6. Rubber and plastic products
7. Hosiery and garments
8. Paper products and printing
9. Transport equipment and parts
10. Leather and leather products
11. Miscellaneous manufacturing Industries
12. Other services and products
13. Beverages, Tobacco, and Tobacco products.
14. Repair services
15. Cotton Textiles
16. Wool, silk and Synthetic fiber Textiles
17. Jute, Hemp textiles
18. Other services.

## **11. Illustrative list of Selected Projects for Micro, Small and Medium Enterprises (MSMEs).**

### **1. PISTON FOR INTERNAL COMBUSTION ENGINES**

Piston is one of the most important items in the automobile industries. There are mostly disc like structure of the piston. Now a day's piston is made of cast iron or by aluminum in presence of 10% sand in it. There is a vast demand of piston and it is directly related to the two-wheeler production.

### **2. NON GLAZED CERAMIC TILES**

The world ceramic is taken to cover those articles that are made from inorganic substances first shaped and then hardened by fir. The characteristics are the wall tiles with colourless or pastel shade glaze with on-glaze decoration. Decorative tiles, frequently in a number of shapes and with relief designs and in a range of sizes.

### **3. ABRASIVE & FLINT PAPER**

Abrasive is a mixture of granular corundum or dark colour, having impurities of magnetite and hematite. It is a very strong and hard material, therefore, used as an abrasive for varying purposes. The paper or cloth coated with emery is known as emery paper or cloth. Emery is natural mineral, corundum having certain impurities.

### **4. MATCHBOX**

Matchbox is one of the most important items. Though it is looked upon as small and insignificant, earlier it was a big problem.

### **5. STRAW BOARD SLATES**



The straw board slate is an important item for school. They are economical as they can be used again and again. They are used particularly by primary school students to improve their handwriting.

## **6. CEMENT ROOFING TILES**

Roofs are basic element of shelter to protect the people themselves from cold, wind rain and sun. Tiles are thin slabs of baked clay used for construction of roofs, walls or floors. They may be plain or ornamented, and glazed or unglazed. Tiles are also made from marble, cement or plastic materials.

## **7. DISPOSABLE PLASTIC CUPS, PLATES AND GLASSES**

The plastic in India plays a very important key role in industrialization. A wide spectrum of plastics and its articles have touched the life of every Indian in many ways through consumer plastics. Disposable cups, glasses and plates are used in daily life. In addition to be used at home these are largely used in parties and other functions.

## **8. WOODEN LABORATORY FURNITURE**

The most common, versatile and oldest material that is used for making furniture is wood. Almost all varieties of furniture can be made of wood. Wood is a soft material and can be easily shaped. The finish obtained is very good and occasional polishing can make it look like new at all times.

## **9. DISPOSABLE PLATES FROM BANANA LEAVES**

Disposable cutlery and containers are products that are a part of our day to day life. Disposable items like cups, plates, saucers are being increasingly used. Such disposable items are made with natural materials like leaf as well as man made products like paper, plastics. Leaf cups, plates have greater hygiene value.

## **10. WOODEN FURNITURE**

The furniture making is an ancient art in India before centuries. The expertise of India in manufacturing furniture was accepted by all the parts of the world. Wooden furniture is made in cottage and households industries.

## **11. CHIP BLOCK (COMPRESSED WOOD)**

Wood waste is, by far, the largest portion of the waste stream generated from wood working Industry. Almost everyone in the woodworking business has a problem with wood scrap, chips and sawdust occurring as a by-product of woodworking.

## **12. NATURAL COLOURS**

Capsanthin (paprika oleoresin) from chilly/ paprika capsicum -Curcumin from turmeric -Lycopen from tomatoes and other red fruits India, recognized as one of the hotspots of biodiversity is home to a range of economically important plants.

### **13. INSULATOR**

Electricity play a vital role in the development and growth of Agriculture and Industry, As such, it is a high priority item for all the developing or developed nations. For the generation and distribution of Electricity, High Tension Insulators are an important adjusts.

### **14. BIOGAS PRODUCTION**

An effective biogas programme leads to efficient use of cow dung for gas recovery and partial supplement to plant nutrient requirement. Biogas programme leads to improvement in rural living including rural sanitation. Biogas fermentation a process occurring widely in nature can be defined as a biological process,

### **15. CHARCOAL FROM COCONUT SHELL**

Charcoal and purity of any substances has now become a basic requirement of any chemical substance. So many products obtained by processing are dirty in colour and having so many impurities. This problem can be easily solved by adsorption of which carbon has become one of the most generally used materials for the purpose, animal matter.

### **16. ACETYLENE GAS**

Acetylene is a colourless inflammable gas. It is an endothermic compound. It is an endothermic compound. It's heat of formation being nearly 50 Kg. Cal.g.mol. Both the gas (tc, 370; Pc, 62 atm.) and the liquid (b.p., 83.60) are highly explosive, particularly under pressure. The gas forms explosive mixtures with air.

### **17. CHOCOLATE**

The covering of chocolates was originally carried out solely by hand the process being known as hand dipping. Each piece or centre was handled individually, dropped into molten chocolate, covered and finally placed a plaque to set. The chocolate is conveyed by a series of rotating drums to the upper part of the machine.

### **18. GYPSUM PLASTER BOARDS**

For a building being constructed the one and only thing which is to be considered is its strength of bearing load of both environmental and artificial. But now-a-days not only strength but the look of the construction also matters. For giving good strength & attractive look Gypsum Plaster Boards are used.

### **19. PAPER BAGS FOR WHITE CEMENT**

Paper bags are very economical, efficient and safe package for an impressive and constantly growing range of products. It can protect the cement very precisely from moisture and other attacking agents curing storage. In order to avoid loss of cement paper bags should be used rather than jute bags.

### **20. RUBBER GASKETS**

There is competitive growth of rubber gaskets in market. Gasket should be smooth, inert -towards water and normal chemicals, physically strong and should not be corrosive. It is mainly used between the pipelines to make leak proof alignment or joint.

## **21. CRUSHED STONE**

Crushing of stone is physical process applied over the available natural stone to reduce size. Crushed stone should be hard enough to withstand heavy load or should not react with acid or alkali it is used in road construction, civil construction as supporting material in railway tracks etc.

## **22. BITUMEN**

It is non-crystalline solid or viscous material having adhesive properties, which is completely soluble in carbon disulfide. It is generally brown or black in colour, electrical resistance, solubility or resistance to solvent action and resistance to oxidation under various conditions. It is derived from petroleum either by natural or refinery processes.

## **23. BANANA POWDER**

Banana powder is prepared from pulp of fruits after mashing and drying in a drum or spray driers. Then dried product is pulverized and passed through a 100-mesh sieve. It is a free flowing powder which is stable minimum for one year after packaging. It can be used in bakery and confectionery industries.

## **24. COPPER POWDER BY ELECTROLYTIC PROCESS**

The principal methods for producing copper powder are electrolytic deposition at high current densities and the atomization of molten metal. Copper powder is also formed by cementation or by pressured precipitation from aqueous solutions, but such precipitates are of little commercial interest.

## **25. AUTO LEAF SPRINGS**

The automobile uses three basic types of spring are coil, leaf and torsion bar. Regardless of the type of spring, all springs work in a similar manner. Springs are placed between the frame and the wheel axles. Leaf springs are of two types: Multi-leaf and Single Leaf.

## **26. BRICKS FROM FLY ASH**

Bricks may be made from a no. of different kinds of materials but they must usually possess a certain amount of plasticity. Fly ash is one of them. Fly ash is an industrial waste of thermal power station using pulverized coal. Fly ash generally contains about 5% to 6% un-burnt carbon.

## **27. WOODEN TOOTHPICK**

A toothpick is a small stick of wood, plastic, bamboo, metal, bone or other substance used to remove detritus from the teeth, usually after a meal. A toothpick usually has two sharp ends to insert between teeth. They can also be used for picking up small appetizers or as a cocktail stick.

## **28. BROOM STICK PROCESSING PLANT**

Broom stick is well known to all. It has been largely used by domestic people, commercial complexes, industrial people etc. It is generally prepared by using coconut leaves or special type of bamboos. There is a good market demand of this product and it is associated product like handle.

## **29. ARTIFICIAL MARBLE TILES**

With the vast potential of plastics, artificial synthetic marble is virtually replacing the use of natural marble. The qualities of artificial synthetic marble are very much the same as those of natural marble. Synthetic marble is produced out of fillers and synthetic resin is used as binder.

## **30. SAND LIME BRICKS MANUFACTURING**

In the construction industry in India, while efforts are being made to introduce new technologies to expedite the work process and streamline it, the materials incorporated in production have not seen much up gradation. Sand lime bricks are used for the all building construction.

## **31. RAZOR BLADE**

The safety razor is providing with guards on both sides of the cutting edges, which restrain the age from digging into the skin. Development in razors and improvements in the quality of the blades resulted in a large acceptances of safety razors as the instrument for the shaving and today it is a commodity of everyday use in all part of the civilized world.

## **32. APITUBE**

Piping may represent as much as 25% of the cost of a chemical process plant. The economics depends heavily on the pipe size and fabrication techniques employed. Heat tracing for insulated pipes is generally only required for the period when the material in the pipe is not flowing.

## **33. WOODEN DOORS AND FRAMES**

Carpentry and joinery are common terms used with any class of work with wood. Strictly speaking carpentry deals with all works of a carpentry such as roofs, floors, partitions, etc. of a building, while joinery deals with the making of doors, windows, cupboards, dressers, stairs and all interior fitments for a building.

## **34. ENAMELED COPPER WIRE**

Enameled wire is an insulated wire used in winding of armatures in transformers, switch gears and other electrical equipment's. When connected to the main supply a magnetic field is developed around the enameled wire coil and it helps to the conversion of electrical energy into mechanical energy as case of motors.

## **35. ADMIXTURES FOR CONCRETE**

Admixtures are materials added to the concrete before or during its mixing, with a view to modifying one or more of the properties of concrete in the plastic or hardened state. An important feature of the majority of admixture for concrete is that it is



difficult to quantitatively evaluate the behaviour of the concrete under various possible circumstances.

### **36. TUBE MAKING FOR UMBRELLA**

There required large amount of hot rolled or cold rolled coils and strips for manufacturing of steel tubes. One of the major uses of this tube is for making umbrella tube. A fair market for umbrella is available in India. Therefore, the consequent demand of umbrella tubes is also very satisfactory.

### **37. PAPER NAPKINS, TOILET ROLL & FACIAL PAPER FROM TISSUE**

Hygiene is an essential component of healthy living, integral to achieving health and preventing disease. Not just selecting the right food choices but also cooking & consuming them in a hygienic way is equally important in preventing the infectious diseases. Adopting hygienic practices and promoting hygiene in the community, schools and workplace prevents innumerable infectious disease.

### **38. SOLAR PANEL**

A solar panel is a collection of solar cells. Lots of small solar cells spread over a large area can work together to provide enough power to be useful. The more light that hits a cell the more electricity it produces, so spacecraft are usually designed with solar panels that can always be pointed at the Sun even as the rest of the body of the spacecraft moves around, much as a tank turret can be aimed independently of where the tank is going.

### **39. E-WASTE RECYCLING PLANT**

Electronic waste, e-waste, e-scrap, or Waste Electrical and Electronic Equipment (WEEE) are a loose category of surplus, obsolete, broken, or discarded electrical or electronic devices.

### **40. LED LIGHT ASSEMBLING**

A light emitting diode (LED) is a device which converts electrical energy in to light. LEDs are preferred light sources for short distance (local area) optical fibre network because they are inexpensive, robust and have long life.

### **41. BISCUIT MAKING PLANT**

Biscuit industry in India in the organized sector produces around 60% of the total production, the balance 40% being contributed by the unorganized bakeries

### **42. BREAD MAKING PLANT**

In modern days bread is now becoming one of the most essential food item in human diet due to its readymade availability and high nutritive value. It is the most consumable wheat based bakery product

### **43. BAKERY INDUSTRY**



Bakery is one of the oldest among the food processing activities. An estimated 78,000 bakeries operate in India.

#### **44. SANITARY NAPKIN & BABY DIAPERS**

A diaper or nappy is a kind of underwear that allows one to defecate or urinate in a discreet manner. Diapers are primarily worn by children who are not yet potty trained or experience bedwetting

#### **45. ELECTRIC MOTORS**

The extensive utilization of many types of constructional variants of electric motors in industry, commerce and the home would make a comprehensive guide for their selection, application and maintenance runs into many pages

#### **46. MOSQUITO REPELLENT LIQUIDATOR**

There are some essential oils which have property to repellent of mosquito. Mosquitoes cannot bear the flavour of essential oil though they do not die but they run away. Raw material required for manufacturing of essential oils is easily available in the market

#### **47. SOLAR PANEL ASSEMBLING & SOLAR POWER INVERTER**

A solar cell, sometimes called a photovoltaic cell, is a device that converts light energy into electrical energy. Solar panels generate free power from the sun by converting sunlight to electricity with no moving parts, zero emissions, and no maintenance.

#### **48. MACARONI, VERMICELLI, NOODLES AND INSTANT NOODLES**

Extrusion-technology is gaining increasing popularity in the global agro-food processing industry, particularly in the food and feed sectors. Extrusion cooking technologies are used for cereal and protein processing in food.

### **12. Advances considered to be classified under Micro Enterprises.**

#### **i. Khadi and Village Industries (KVI)**

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under priority sector.

### **13. Illustrative list of service sector under MSMEs**

(Bank loans up to Rs.5 crore per unit to Micro and Small Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006.)

#### **1. Professional services**

Legal services, Accounting, auditing and taxation services, Architectural services, Engineering services, Medical and dental services, services provided by mid-wives, veterinary services etc.

#### **2. Computer and related services**

#### **3. Real Estate services**

#### **4. Research and development services**

#### **5. Rental/leasing services**

#### **6. Other business services**

Advertising services, market research and public opinion services, Technical testing and analysis services, Placement and supply services, Packing services, Building cleaning services, Maintenance and repair of equipment, Photographic services etc.

**7. Communication services**

Postal services, Courier services, Voice telephone services, Electronic mail services etc.

**8. Construction and related engineering services.**

General construction work for building, general construction work for civil engineering, Building completion and finishing work, Installation and assembly work. Etc.

**9. Distribution services**

Commission agents services, Whole sale trade services, retailing services, franchising etc.

**10. Educational services**

Primary, Secondary and higher education services, adult education etc.

**11. Environmental services**

Sewage services refuse disposal services, sanitation services

**12. Financial services.**

Insurance related services,

**13. Health related and social services**

Hospital services, other human health services, social services

**14. Tourism and travel services**

**Hotel and restaurants, catering, travel agencies, tourist guide etc.**

**15. Recreational, Cultural and sporting services**

Entertainment services, News agency services, libraries, museums etc.

**16. Transport services**

Passenger transportation, rail transportation, Road transport services, space transport services, air transport services.

**17. Others**

Advertising agencies, Marketing consultancy, Equipment rental and leasing, Typing centers, Photo copying centers, Internet browsing centers, Auto repair/garage services, Laundry and Dry cleaning services, X-ray clinic, Tailoring, Servicing of agriculture farm equipment-Tractor, pump etc., Weigh bridge, photo studios, Beauty parlors and Crèches etc.

**15. Common guidelines for priority sector loans**

Banks should comply with the following common guidelines for all categories of advances under the priority sector.

**i. Service charges**

No loan related and ad-hoc service charges/inspection charges should be levied on priority sector loans up to Rs. 25,000/-

**ii. Receipt, Sanction/Rejection/Disbursement Register**

A register/ electronic record should be maintained by the bank, wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc., should be

recorded. The register/electronic record should be made available to all inspecting agencies.

**iii. Issue of Acknowledgement of Loan Applications**

Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.

**16. Approach to achieve overall target and sub target under weaker section and Micro Enterprises under PS advances**

- i. Overall Target-**The overall target of **75% of ANBC (in phases)** at the end of 31 March of the previous year under PS advances can be achieved by lending to borrowers falling under the categories mentioned in para 4 of the policy.
- ii. Weaker Section-**Sub-target of **12% (phases manner) of ANBC** at the end of 31 March of the previous year under PS advances for weaker sections of the society can be achieved by lending to borrowers as mentioned below (Reference para IV of the annexure to RBI circular dated 10 May, 2018).
  - (a) Small and marginal farmers;
  - (b) Artisans, village and cottage industries where individual credit limits do not exceed Rs.1.00 lakh
  - (c) Scheduled Castes and Scheduled Tribes;
  - (d) Self Help Groups.
  - (e) Distressed farmers indebted to non-institutional lenders.
  - (f) Distressed persons other than farmers, with loan amount not exceeding Rs.1.00 Lakh per borrower to repay their debt to non-institutional lenders.
  - (g) Women
  - (h) Persons with disabilities.
  - (i) Overdrafts upto Rs.5,000/- under PradhanMantri Jan-DhanYojana (PMJDY) accounts, provided the borrowers' household annual income does not exceed Rs.1.00 lakh for rural areas and Rs.1.60 lakh for non-rural areas.
  - (j) Minority communities as may be notified by Government of India from time to time.
- iii. Micro enterprises-**Sub-target of **7.5% of ANBC**

Sub target for micro enterprises advances can be achieved by lending to borrowers as mentioned in para 11, 12 and 13 of the policy. The only condition to identify the Micro enterprise borrowers as detailed in para 11 and 13 of the policy is limits of investments under manufacturing and service sector as also the turn over as defined in para 8 of the policy

**17. Short fall in achieving the targets and sub-targets- Priority Sector Lending Certificates (PSLCs)**

The outstanding priority sector lending certificates bought by the banks will be eligible for classification under respective categories of priority sector provided the assets are originated by banks, and are eligible to be classified as priority sector

advances and fulfill the Reserve Bank of India guidelines on priority sector lending certificates issued vide circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016.

#### **a. Salient features of PSLCs**

Government of India vide Notification dated February 04, 2016 has specified “Dealing in Priority Sector Lending Certificates (PSLCs) in accordance with the guidelines issued by Reserve Bank of India” as a form of business under Section 6 (1)(o) of the Banking Regulation Act, 1949. Scheme on trading in PSLCs is mentioned below. To facilitate trading in PSLCs, a trading platform is being provided by RBI through the CBS portal (e-Kuber).

- i) **Purpose:** To enable banks to achieve the priority sector lending target and sub-targets by purchase of these instruments in the event of shortfall and at the same time incentivize the surplus banks; thereby enhancing lending to the categories under priority sector.
- ii) **Nature of the Instruments:** The seller will be selling fulfillment of priority sector obligation and the buyer would be buying the same. There will be no transfer of risks or loan assets.
- iii) **Modalities:** The PSLCs will be traded through the CBS portal (e-Kuber) of RBI. The detailed operational instructions for carrying out the trades are available through the e-Kuber portal.
- iv) **Sellers/Buyers:** Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), Local Area Banks (LABs), Small Finance Banks and Urban Co-operative Banks who have originated PSL eligible category loans subject to such regulations as may be issued by the Bank.
- v) **Types of PSLCs:** There would be four kinds of PSLCs :—
  - a. PSLC Agriculture: Counting for achievement towards the total agriculture lending target. (Not applicable to UCBs. However it is eligible for overall target of PS)
  - b. PSLC SF/MF: Counting for achievement towards the sub-target for lending to Small and Marginal Farmers. (Not applicable to UCBs. However it is eligible for overall target of PS)
  - c. PSLC Micro Enterprises: Counting for achievement towards the sub target for lending to Micro Enterprises.
  - d. PSLC General: Counting for achievement towards the overall priority sector target
  - e. Thus, a bank having shortfall in achievement of any sub-target (e.g. Micro enterprises), will have to buy the specific PSLC to achieve the target.



However, if a bank is having shortfall in achievement of the overall target only, as applicable to it, may buy any of the available PSLCs.

- vi) **Computation of PSL achievement:** A bank's PSL achievement would be computed as the sum of outstanding priority sector loans, and the net nominal value of the PSLCs issued and purchased. Such computation will be done separately where sub targets are prescribed as on the reporting date.
- vii) **Amount eligible for issue:** Normally PSLCs will be issued against the underlying assets. However, with the objective of developing a strong and vibrant market for PSLCs, a bank is permitted to issue PSLCs up to 50 percent of previous year's PSL achievement without having the underlying in its books. However, as on the reporting date, the bank must have met the priority sector target by way of the sum of outstanding priority sector lending portfolio and net of PSLCs issued and purchased.
- viii) **Credit Risk:** There will be no transfer of credit risk on the underlying as there is no transfer of tangible assets or cash flow.
- ix) **Expiry date:** All PSLCs will expire by March 31st and will not be valid beyond the reporting date (March 31st), irrespective of the date it was first sold.
- x) **Settlement:** The settlement of funds will be done through the platform as explained in the e-Kuber portal.
- xi) **Value and Fee:** The nominal value of PSLC would represent the equivalent of the PSL that would get deducted from the PSL portfolio of the seller and added to the PSL portfolio of the buyer. The buyer would pay a fee to the seller which will be market determined.
- xii) **Lot Size:** The PSLCs would have a standard lot size of Rs. 25 lakh and multiples thereof.
- xiii) **Accounting:** The fee paid for purchase of the PSLC would be treated as an 'Expense' and the fee received for the sale of PSLCs would be treated \*+as 'Miscellaneous Income'
- xiv) **Disclosures:** Both seller and buyer shall report the amount of PSLCs (category-wise) sold and purchased during the year in the 'Disclosures to the Balance Sheet'.

### **Illustrations**

1. Bank A may sell PSLCs with a nominal value of Rs.100crores to Bank B on July 15, 2016. Bank B will reckon Rs.100 crore towards its priority sector achievement as on the reporting dates of September 30, 2016, December 31, 2016 & March 31, 2017, while Bank A will subtract the same from its achievement figures for the respective reporting dates. The PSLC will expire by March 31, 2017.
2. Bank C may buy Rs.100 crore PSLC on March 30, 2017 from Bank D. Bank D will subtract Rs.100 crore from its PSL reporting on March 31, 2017 while Bank C will reckon the same towards its achievement. The PSLC will expire by March 31, 2017.

**18. Assessment and sanction of loan under MSMEs and other PS advances.**

The credit appraisal will be done by the bank by analyzing the financials, assessing the repaying capacity and net worth of the borrower. The bank will maintain margin, charge interest and obtain security documents as per the policy of the bank while sanctioning the loan. The bank will also follow the other guidelines mentioned in detail in the loan policy of the bank to assess the fund requirements of the borrower in respect of working capital/term loan. This policy document will be a part of loan policy of the bank.



## Information regarding lending norms and delegation of powers

### LENDING NORMS

Sl.No.	Type of loan/ Credit facility	Margin	Quantum of advance/ limit*	Type of Security	Maximum Repayment period	Moratorium	Type of document
01	Cash Credit Loan	50.00% with reference to security	Rs. 35.00 lakhs	Land & Building	12 months	NIL	DTD and Agreement
02	Mortgage Secured Loan For business and purchase of land and building	50.00% with reference to security	Rs. 35.00 Lakhs	Land & Building	84 Months	6 months during Covid-19	DTD and Agreement, ) CIBIL Report of Borrower, two year IT returns , business progress report with Audited balance sheet, and GST Registration copy , business Licence for business holders and For service man Salary certificate, CIBIL report, Estamp bond agreement for repayment of Loan, IT returns for last 3 years and also salary certificate for recent 3 months.
03	Housing Loan	70.00% on Estimation	* Rs.35.00 lakhs (Priority)	Land & Building	180 Months	Maximum 9 months from the date of first disbursal.	DTD and Agreement Rs. 100/- promissory note on Estamp bond with Notary by Borrower and also by Surety , ) CIBIL Report of Borrower
04	Two Wheeler Loan	85.00% on Road price of the vehicle	Rs.20.00 lakh	Vehicle	Two Wheelers - 36 Months		1) HP Agreement 2) Rs. 100/- Promissory Note on Estamp bond by notarized by Borrower and both the surety 3) minimum 6 Post dated cheques (other banks) duly signed and 2 PD cheques of any of the surety is optional. 4) Driving Licence of Purchaser
04	Four Wheelers	85.00% on Road price of the vehicle	Rs.20.00 lakh	Vehicle	Four wheelers – 60 months		1) HP Agreement, 2) Property extract of Borrower or either of the Surety as collateral security and 3) 100/- Promissory Note on Estamp bond by notarized by Borrower and both the surety 4) minimum 6 Post dated cheques duly signed 5) Driving Licence of Purchaser, 6) CIBIL Report of Borrower
06	Salary Secured Loan	Installment should be within 40% of net salary.	Rs.0.50 lakh	Salary undertaking	36 Months	NIL	Agreement
07	Gold Loan	75% on appraiser's value	Rs.20.00 lakh	Gold Ornaments	12 Months	NIL	Agreement.
09	Personal	Personal	Rs. 1,00,000/-	Small retail	24 months	nil	Agreement, atleast 6 PDC

	security/surety Loan	security/surety Loan	thousand	and other retail shops			cheques, Rs,100/- Promisory bond by borrower and also by both surely, licence copy if any of business
10	Ware house receipts	Rs 60 % of the Mrket value and not exceeding Rs. 10,00,000/- not related to Agriculture products only for the traders with Licence, GST No. and Insurance copy	Rs 60 % of the Mrket value and not exceeding Rs. 10,00,000/-		6 monts	Nil	Ware house receipts 2) Property Extract any immovable property 3) Insurance copy of ware house 4) proof of the business 5) IT returns of 2 years of borrower
11	Insurance Policies	75% of the surrender value not exceeding Rs. 1,00,000/-	75% of the surrender value not exceeding Rs. 1,00,000/-		12 monts	nil	Policy in orginal
12	Consumer durable goods	80% of the value not exceeding Rs. 50,000/-	80% of the value not exceeding Rs. 50,000/-		24 months	nil	Insurance of the article, Invoice of the article purchased , Agreement .

\* Subject to exposure ceilings.

### **DELEGATION OF POWERS**

Sl.No.	Sanctioning Authority	Type of loan/ credit facility	Amount/limit
01	General Manager/ Branch Manager	All Deposit Loans and Gold loans	Up to maximum limit as decided by the bank.
02	Loan Sanctioning Sub-Committee	All loans except Deposit loans and Gold loans recommend to next board Meeting	Up to Rs. 35.00 lakhs
03	Board of Directors	All loans and to ratify Deposit loans and Gold loans	Up to Rs. 35.00 lakhs
Sanctioning authority for sanction of staff loans will be as per the provisions mentioned in Employees Service Rules framed in this connection.			

**Passed in the Board of Director's Meeting held on 30-05-2024**

**Hubli.**

**Date :30/05/2024      G. Manager                      Director              Director              Chairman**