



THE MAHAVEER CO-OP. BANK LTD., BELAGAVI

CREDIT POLICY

POLICIES FOR THE FY

2026-27

<https://mahaveerbank.bank.in>

Policy Contents

Sl. No.	Particulars	Page No.
1	Introduction	1
2	Changed Credit Scenario	2
3	Loan Recovery and NPA Management Policy	5
4	Early Warning System (EWS) and Preventive Measures	6
5	Legal Recovery Framework	8
6	CERSAI, Provisioning Forms, Write-Off Policy, Monitoring & Review	10
7	Mission Statement / Objectives of the Loan Policy	11
8	Exposure Norms	12
9	Additional Regulatory Exposure Guidelines	14
10	Investment Exposure (Non-SLR)	15
11	Any Other Financial Accommodation	16
12	Exposure to Housing, Real Estate, and Commercial Real Estate	18
13	Inter-Bank Exposure Limit	19
14	Regulatory Restrictions	21
15	Financing for Agricultural Activities	24
16	Restriction on Advances to Defaulters of Statutory Dues	25
17	Advances Against Pledge of Gold/Silver Ornaments	27
18	Advances Against NSC / KVP	30
19	Unsecured Advances	32
20	Secured Loans (Individuals)	33
21	Housing Loan Policy	35
22	Loan Against Vehicles	39
23	Loan against Hypothecation of Plant & Machinery	42
24	Cash Credit / Working Capital Loan against Hypothecation	46
25	Renewal of Cash Credit / Working Capital Limits	50
26	Term Loan / Overdraft / Business Loan against Immovable Property	51
27	Educational Loan Scheme	56
28	Staff Overdraft Facility	60
29	Bank Guarantee Policy	61
30	Handling of Export Documents	64
31	Priority Sector Lending (PSL) Targets	64
32	Delegation of Powers	66
33	Monitoring of Operations in Loan Accounts	67
34	Exchange of Credit Information	70
35	Central Electronic Registry (CERSAI) under SARFAESI Act, 2002	71
36	Provisioning Norms	73
37	Conclusion	75





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Credit Policy 2026-27

Approved by the Board of Directors at its meeting held on 23/6/2026, vide Resolution No. 11.

Introduction

Regulatory Background and Objective

The Reserve Bank of India (RBI), through its Risk Management Guidelines and Master Directions, has advised all Co-operative Banks to formulate a comprehensive **Loan Policy**, duly approved by the **Board of Directors**. The policy shall clearly define the framework for **identification, measurement, monitoring, and control of credit risk**, ensuring that credit risk management is effectively integrated into the Bank's overall risk management system.

In this regard, the Bank shall constitute a **Credit Policy Committee (CPC)** comprising senior management officials, to oversee credit-related matters. The CPC shall be responsible for:

- Formulation and periodic review of the Loan Policy
- Tracking sector-wise and borrower-wise exposure
- Ensuring compliance with RBI guidelines and statutory requirements
- Guiding the Bank's credit risk strategy and portfolio quality

This Loan Policy shall be read in conjunction with all applicable **RBI guidelines, circulars, and notifications**, as amended from time to time.

The policy, inter alia, provides for:

- Establishing standardized formats and procedures for **submission and appraisal of credit proposals**.
- Defining **financial covenants, internal rating standards, and benchmarks**.
- Delegation of **loan sanctioning powers** at various levels.
- Prescribing **prudential exposure limits**, including single/group borrower limits and Sector-wise caps
- Laying down norms for **acceptable collateral and security coverage**
- Ensuring **effective post-sanction monitoring, review, and follow-up mechanisms**
- Monitoring **risk concentration, asset quality, loan pricing, provisioning norms, and regulatory compliance**
- Enforcing adherence to **credit risk parameters** to maintain a healthy loan portfolio





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Credit Policy 2026-27

CHANGED CREDIT SCENARIO

i. Evolving Regulatory and Operating Environment

The Indian banking sector has undergone significant transformation in recent years, driven by regulatory reforms and evolving market dynamics. The Reserve Bank of India (RBI), through its Master Directions and circulars, has introduced various measures to strengthen **financial stability, transparency, and risk management practices.**

Key regulatory developments impacting the credit environment include:

- Implementation of **External Benchmark Based Lending Rate (EBLR)** system for transparency in loan pricing (*RBI Circular: DBR.DIR.BC.No.14/13.03.00/2019-20 and subsequent updates*)
- Periodic revisions in **Monetary Policy Rates** such as Repo Rate, CRR, and SLR affecting cost of funds and lending decisions (*RBI Monetary Policy Statements – updated periodically up to FY 2025–26*)
- Strengthening of **Income Recognition, Asset Classification and Provisioning (IRACP)** norms (*RBI Master Circular – Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, updated 2024 & 2025*)
- Enhanced focus on **Priority Sector Lending (PSL)** targets and classification (*RBI Master Directions on PSL – RBI/FIDD/2020-21/72 FIDD.CO.Plan.BC.5/04.09.01/2020-21, updated from time to time up to 2025*)
- Introduction of **Risk-Based Internal Audit (RBIA)** and strengthening of governance and risk management (*RBI Circular on RBIA for UCBs – 2023, reinforced in supervisory communications 2024–25*)
- Increased emphasis on **fraud monitoring, early warning signals (EWS), and cyber security controls** (*RBI Master Directions on Fraud Risk Management, 2024; Cyber Security Framework for Banks*)
- Growing competition from **private sector banks, small finance banks, NBFCs, and fintech platforms**, necessitating improved efficiency and customer service standards

These developments necessitate a **dynamic and forward-looking Loan Policy** aligned with regulatory expectations and competitive pressures.

ii. Deregulation and Pricing Flexibility

RBI has progressively deregulated interest rates and charges, granting banks greater autonomy in pricing, subject to transparency and fairness.

- Freedom to determine **interest rates on advances** based on Board-approved policies (*RBI Master Direction – Interest Rate on Advances, updated periodically*)
- Deregulation of **service charges, processing fees, and commissions** (*RBI guidelines on Fair Practices Code and Transparency in Charges, updated up to 2025*)





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Credit Policy 2026-27

- Requirement to adopt **risk-based pricing models** linked to cost of funds and borrower risk profile

Banks are required to:

- Ensure **transparency and non-discriminatory practices**
- Disclose all charges upfront to customers
- Comply with **Fair Practices Code for Lenders** (RBI Master Direction – Fair Practices Code, updated 2024)

LOANS AND RECOVERY POLICY

The existing **Loan and Recovery Policy** of the Bank has been reviewed by the **Loan Sub-Committee** in light of the guidelines, circulars, and Master Directions issued by the **Reserve Bank of India (RBI)** from time to time, and has been updated to ensure regulatory compliance and alignment with current banking practices.

As a matter of principle, the Bank shall extend credit facilities primarily to its **members**, in accordance with the provisions of the **Co-operative Societies Act/Rules**, and applicable RBI guidelines. The Bank's lending activities shall be directed towards productive and priority sectors, including:

- Small traders and business units
- Micro, Small and Medium Enterprises (MSMEs)
- Housing (construction, purchase, and repair)
- Transport operators
- Purchase of consumer durables
- Professional and self-employment activities
- Agriculture and allied activities (where permitted)
- Consumption and other genuine personal needs
- Weaker sections of society, as defined by RBI guidelines
- Self-employed professionals (e.g., medical practitioners, chartered accountants, engineers)

Credit Appraisal and Sanctioning Principles

Before sanctioning any credit facility, the Bank shall ensure:

- **Repayment Capacity:** Adequacy, stability, and reliability of the borrower's income/cash flow to service the loan
- **Security and Collateral:** Acceptability, enforceability, and sufficiency of primary and collateral security
- **Creditworthiness:** Satisfactory credit history, financial position, and integrity of the borrower





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Credit Policy 2026-27

- **Viability Assessment:** Economic viability and technical feasibility of the proposed activity/project
- **Regulatory Compliance:** Adherence to KYC/AML norms, exposure limits, and RBI guidelines

Loans to Nominal Members / Non-Members

The Bank may also sanction loans against **fully secured deposits/instruments**, such as:

- Fixed Deposits of the Bank
- National Savings Certificates (NSCs) / Kisan Vikas Patras (KVPs)
- Life Insurance Policies (LIC – surrender value based)
- Gold Loan Upto 1 Lakh

Such facilities may be extended to **non-members**, subject to their admission as **nominal members**, in accordance with the **Bye-laws of the Bank** and applicable regulatory provisions.

Recovery and Monitoring

The Bank shall adopt a **proactive recovery mechanism** to ensure timely repayment and maintenance of asset quality, which includes:

- Regular monitoring and follow-up of loan accounts
- Identification of **Early Warning Signals (EWS)**
- Prompt action in case of overdue accounts
- Implementation of **recovery measures** including legal action under applicable laws
- Compliance with **IRACP norms** for classification and provisioning of assets

The overall objective of the Loan and Recovery Policy is to ensure **safe, productive, and recoverable lending**, while maintaining **asset quality, profitability, and regulatory compliance**.

LOAN RECOVERY AND NPA MANAGEMENT POLICY

1. Objective

The objective of this policy is to establish a robust framework for:

- Timely recovery of advances
- Prevention and reduction of Non-Performing Assets (NPAs)
- Maintenance of asset quality and profitability
- Compliance with **RBI guidelines on Income Recognition, Asset Classification and Provisioning (IRACP)** and other applicable regulatory/statutory requirements

2. Asset Classification Norms





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Credit Policy 2026-27

The Bank shall classify all loan assets strictly in accordance with the Reserve Bank of India (RBI) guidelines on Income Recognition, Asset Classification and Provisioning (IRACP), as amended from time to time.

2.1 Special Mention Accounts (SMA)

Early identification of stress in loan accounts shall be carried out through classification under Special Mention Accounts (SMA) categories, as under:

- **SMA-0:** Accounts overdue for a period up to 30 days
- **SMA-1:** Accounts overdue for a period between 31 and 60 days
- **SMA-2:** Accounts overdue for a period between 61 and 90 days

2.2 Non-Performing Assets (NPA)

A loan account shall be classified as a Non-Performing Asset (NPA) if the interest and/or installment of principal remain overdue for a period exceeding 90 days.

2.3 Classification of NPAs

Non-Performing Assets shall be further classified into the following categories based on the period for which the asset has remained non-performing:

- **Substandard Assets:** Assets which have remained NPAs for a period not exceeding 12 months
- **Doubtful Assets:** Assets which have remained in the substandard category for a period exceeding 12 months
- **Loss Assets:** Assets identified as uncollectible or of such little value that their continuance as bankable assets is not warranted, as assessed by the Bank, internal auditors, or RBI inspectors

3. Early Warning System (EWS) and Preventive Measures

The Bank shall establish an effective **Early Warning System (EWS)** to identify incipient stress in loan accounts.

3.1 Monitoring Mechanism

- Continuous monitoring of repayment behavior
- Periodic review of financial statements and stock statements
- Conduct of inspections and site visits

3.2 Early Warning Signals

The following, inter alia, shall be treated as warning signals:

- Persistent irregularity in repayment
- Cheque returns / EMI defaults





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Credit Policy 2026-27

- Declining turnover or financial deterioration
- Non-cooperation by borrower
- Frequent requests for restructuring

3.3 Preventive Action

- Timely follow-up through calls, notices, and visits
- Corrective measures including restructuring, wherever permissible under RBI guidelines

4. Recovery Mechanism

The Bank shall adopt a **structured and phased recovery mechanism** for all loan accounts, ensuring timely action, minimization of slippages, and compliance with regulatory guidelines.

4.1 Pre-NPA Recovery (Soft Measures)

The Bank shall initiate proactive and preventive recovery measures in accounts showing early signs of stress (SMA category), with the objective of preventing such accounts from slipping into NPAs.

4.1.1 Follow-up and Communication

- Issue **automated and manual reminders** through SMS, emails, and telephone calls immediately upon overdue
- Dispatch **written reminder letters/notices** at regular intervals
- Maintain proper record of follow-up actions in the system/register

4.1.2 Personal Interaction

- Conduct **personal visits** by branch officials/recovery staff
- Engage in **continuous borrower interaction** to understand issues affecting repayment
- Involve **guarantors/co-obligants** in follow-up wherever necessary

4.1.3 Monitoring and Review

- Close monitoring of **SMA-0, SMA-1, and SMA-2 accounts**
- Periodic review of **cash flows, stock statements, and financial performance** (in case of business loans)
- Identification and tracking of **Early Warning Signals (EWS)**

4.1.4 Corrective Measures

- Provide **repayment counseling** and financial guidance to borrowers
- Permit **rescheduling/restructuring of loans** in genuine and viable cases, strictly in accordance with RBI guidelines and with competent authority approval
- Obtain **additional security or guarantees**, wherever required

4.1.5 Recovery Drives

- Organize **recovery camps, customer meetings, and special drives** for overdue accounts





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Credit Policy 2026-27

- Issue **pre-legal notices** indicating consequences of default

4.2 Post-NPA Recovery (Hard Measures)

Upon classification of an account as NPA, the Bank shall initiate firm recovery actions in a time-bound manner to maximize recovery.

4.2.1 Demand and Recall

- Issue **recall/demand notices** to the borrower and guarantor for repayment of entire outstanding dues
- Serve **legal notices** as per applicable laws and loan agreement terms

4.2.2 Enforcement of Security

- Invoke **guarantees** and proceed against guarantors
- Exercise **right of set-off** by adjusting available balances in deposit accounts
- Initiate action for **enforcement of primary and collateral securities**

4.2.3 Legal Action

- Initiate proceedings under:
 - **SARFAESI Act, 2002** (where applicable)
 - **Co-operative Societies Act** through Registrar/Co-operative Court
 - **Civil Courts or Arbitration**, as applicable
- File cases in a **time-bound manner** to safeguard the Bank's interest

4.2.4 Possession and Sale of Assets

- Take **symbolic/physical possession** of secured assets as per legal provisions
- Arrange for **valuation and sale/auction** of assets in a transparent manner
- Appropriate sale proceeds towards loan dues

4.2.5 Alternative Recovery Methods

- Explore **One Time Settlement (OTS)** schemes based on commercial viability and Board-approved policy
- Refer cases to **Lok Adalat** for amicable settlement
- Conduct **compromise settlements** wherever feasible

4.2.6 Monitoring and Escalation

- Continuous monitoring of NPA accounts at **branch and Head Office level**
- Periodic reporting to **Credit Policy Committee (CPC) / Board**
- Escalation of chronic/default cases for **special recovery action**

5. LEGAL RECOVERY FRAMEWORK

5.1 Action under SARFAESI Act, 2002

The Bank shall initiate recovery action under the **SARFAESI Act, 2002**, wherever applicable, in respect of secured NPA accounts.





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Credit Policy 2026-27

5.1.1 Eligibility

SARFAESI action shall be initiated where:

- The account is classified as **NPA**
- The advance is **secured by tangible assets**
- The outstanding amount meets the **regulatory threshold prescribed by RBI**

5.1.2 Procedure

a) Demand Notice (Section 13(2))

- Issue **60 days notice** to borrower/guarantor for repayment of dues

b) Measures under Section 13(4) (on non-payment)

- Take **symbolic/physical possession** of secured assets
- Take over **management of business**, wherever applicable
- Appoint **manager**
- **Sale/lease** of secured assets

c) Possession and Sale

- Obtain valuation from **approved valuer**
- Issue **30 days sale notice**
- Conduct **public auction/e-auction**
- Appropriate sale proceeds towards outstanding dues

5.1.3 Assistance from Authorities

- The Bank may seek assistance from the **District Magistrate / Chief Metropolitan Magistrate** for taking physical possession of assets

5.2 Other Legal Remedies

Where SARFAESI is not applicable or adequate, the Bank shall initiate recovery under:

- **Karnataka Co-operative Societies Act, 1959** through Registrar / Co-operative Court
- Filing of **recovery suits before competent Civil Courts**
- **Arbitration proceedings**, wherever provided in loan agreements

5.3 Alternate Recovery Channels

The Bank may adopt alternative recovery methods such as:

- **Lok Adalat** for amicable settlement





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Credit Policy 2026-27

- **One Time Settlement (OTS)** as per Board-approved policy
- **Compromise settlements** based on commercial prudence
- **Recovery camps and special drives**

6. Security Enforcement and CERSAI Registration

All secured advances shall be **registered with CERSAI** as per regulatory requirements. The Bank shall ensure **proper documentation, charge creation, and enforceability of securities** to safeguard its interest and prevent multiple financing.

7. Provisioning Norms

The Bank shall make provisions on advances strictly in accordance with **RBI IRACP guidelines**, as amended from time to time:

- **Standard Assets** – As prescribed by RBI
- **Substandard Assets** – Minimum 15%
- **Doubtful Assets** – 25% to 100% based on period and security
- **Loss Assets** – 100% provisioning

8. Write-off Policy

Loans may be **technically written off** with approval of the **Board of Directors**. However, such write-off shall **not affect the Bank's right to recover**, and recovery efforts shall continue.

9. Monitoring and Reporting

- Periodic review of NPA accounts by **CPC / Board**
- Monitoring of:
 - Gross and Net NPA ratios
 - Recovery performance
 - Slippage levels
- Submission of regulatory returns to RBI within stipulated timelines

10. Compliance and Fair Practices

- Recovery process shall be conducted in a **fair, transparent, and non-coercive manner**
- The Bank shall comply with:
 - **RBI Fair Practices Code for Lenders**
 - **KYC/AML guidelines**
 - **Applicable legal and regulatory provisions**
- Staff shall ensure that no **harassment or unethical practices** are adopted during recovery

11. Overall Objective

The Bank shall adopt a **balanced and prudent approach** towards recovery, with the aim of:





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Credit Policy 2026-27

- Maximizing recovery of dues
- Minimizing NPAs
- Protecting depositor interests
- Ensuring long-term financial stability

MISSION STATEMENT

The mission of the Loan Policy of the Bank is to function as a comprehensive framework guiding its credit operations in a prudent, transparent, and sustainable manner, in line with co-operative principles and regulatory requirements. The policy aims to:

- Establish a robust credit risk management framework for systematic identification, measurement, monitoring, and control of credit risk across all lending activities.
- Strengthen credit appraisal, sanctioning, and post-disbursement monitoring systems through proper due diligence, prudent underwriting standards, and continuous supervision of loan accounts.
- Maintain a healthy and quality loan portfolio by ensuring balanced sectoral exposure, minimizing non-performing assets, and safeguarding the Bank's financial stability.
- Promote diversified lending by extending credit to priority sectors, small borrowers, members, and emerging segments, thereby supporting inclusive growth and reducing concentration risk.
- Optimize returns on lending operations through efficient deployment of funds, risk-based pricing, and proactive portfolio management while ensuring affordability to members.
- Uphold the co-operative objective of socio-economic development by providing timely and adequate credit support to members, small businesses, agriculture, and other productive sectors.

OBJECTIVES OF THE LOAN POLICY

The Loan Policy aims to provide a comprehensive framework for prudent credit deployment, effective risk management, and sustainable growth of the Bank's loan portfolio, in line with co-operative principles and applicable regulatory guidelines. The key objectives are as follows:

- To ensure balanced, need-based, and inclusive credit delivery to members by promoting equitable distribution of credit across MSMEs, retail, trade, services, and agriculture-allied activities, in alignment with the Bank's socio-economic objectives.





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Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- b) To strengthen credit appraisal, sanction, disbursement, and post-disbursement monitoring systems through proper due diligence, early identification of stress, and timely corrective measures to maintain asset quality.
- c) To build and maintain a sound, diversified, and quality credit portfolio by reducing concentration risk and encouraging lending to small and medium borrowers, thereby minimizing dependence on large exposures.
- d) To augment income from lending and allied activities, including non-fund-based services such as bank guarantees and other permissible services, in accordance with regulatory guidelines.
- e) To improve efficiency in credit delivery through streamlined procedures, standardized documentation, and adoption of appropriate technology, ensuring better service to members and customers.
- f) To develop and strengthen credit skills among employees through training, capacity building, and continuous learning, thereby promoting a strong credit culture within the Bank.
- g) To implement a well-defined delegation of powers for credit sanctioning, ensuring operational efficiency while maintaining adequate internal controls and checks to mitigate risks.
- h) To prescribe clear norms for security, margin, valuation, and documentation, ensuring enforceability of charges and safeguarding the Bank's financial interests.
- i) To establish effective credit monitoring, review, and control mechanisms, including internal audits and periodic assessment of loan accounts, to ensure portfolio health and compliance.
- j) To adopt fair and transparent loan pricing policies based on cost of funds, risk perception, and regulatory guidelines, ensuring sustainability while remaining competitive.
- k) To promote responsible lending and financial inclusion by extending timely and adequate credit support to members, particularly in MSME, retail, and agriculture-allied sectors.
- l) To ensure strict compliance with RBI guidelines, statutory requirements, and Board-approved policies, thereby strengthening governance, transparency, and accountability in credit operations.

EXPOSURE NORMS

The Bank shall adhere to prudential exposure norms as prescribed by the Reserve Bank of India (RBI) from time to time, ensuring controlled credit risk and avoidance of concentration in lending.





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Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

A. Exposure Ceiling for Single and Group Borrowers

a) The Bank shall observe the following exposure limits based on its Tier I Capital:

- **Single Borrower / Party:** Not exceeding **15% of Tier I Capital**
- **Group of Connected Borrowers / Parties:** Not exceeding **25% of Tier I Capital**

b) These limits shall be computed with reference to the **audited financial position as on 31st March of the preceding financial year** and shall be placed before the **Board of Directors for approval** annually.

c) The Bank shall ensure that all sanctions and disbursements remain within the above prescribed limits at all times.

B. Components of Credit Exposure

a) The total credit exposure to a borrower/group shall include:

- Fund-based limits (such as term loans, cash credit, overdrafts, etc.)
- Non-fund-based limits (such as bank guarantees and other contingent liabilities)
- Underwriting commitments and similar obligations
- Equipment leasing and hire purchase finance (if permitted)
- Ad hoc / temporary limits sanctioned

b) Exclusions:

Loans and advances fully secured by the Bank's own term deposits shall be excluded from exposure calculations, as per RBI guidelines.

c) Method of Calculation:

- The **higher of the sanctioned limit or outstanding balance** shall be considered for exposure computation.
- In case of **fully disbursed term loans with no Re-withdrawal facility**, only the **outstanding amount** shall be considered.

d) Non-Fund Based Limits:

- **100% of the sanctioned limit or outstanding amount, whichever is higher**, shall be reckoned for exposure purposes.

C. Consortium / Multiple Banking / Syndication Arrangements

- In case of consortium lending, multiple banking, or syndication, the Bank's **individual share of exposure** shall be considered.
- Such exposure shall be **strictly within the prescribed single/group borrower limits**.





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Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Proper due diligence and inter-creditor arrangements shall be ensured.

D. Monitoring and Compliance

- The Bank shall put in place a system for **continuous monitoring of exposure limits** to avoid breaches.
- Any **breach or likely breach** of exposure norms shall be reported to the **Board/appropriate authority** and rectified promptly.
- Periodic review of large exposures shall be undertaken to assess risk concentration.

E. Regulatory Reference

The above norms are in accordance with RBI guidelines issued to Urban Co-operative Banks, including:

- **RBI Circular No. DOR(PCB).BPD.Cir.No.10/13.05.000/2019-20 dated March 13, 2020**, and
- Other instructions issued by RBI from time to time.

Capital Component	Amount (₹ in lakh) [31.03.2026]
Share Capital (Regular + Associate)	304.08
Statutory Reserves	381.50
	293.93
Building Fund	154.75
BDDR Reserves (Sec 36(i)(viii))	139.18
Surplus in P&L	42.79
Other Reserve	179.75
Total Tier I Capital	1202.05
Type	Limit
Individual Borrower	15% of Tier I Capital → ₹180.31 lakh
Group Exposure	25% of Tier I Capital → ₹300.51 lakh

Additional Regulatory Exposure Guidelines

a) Reduction of Excess Exposure

The Bank shall take necessary steps to bring down all existing exposures that exceed the prescribed regulatory limits to within the permissible thresholds in a time-bound manner, as stipulated by RBI guidelines.

Where such excess exposure comprises only **term loans or non-fund-based facilities**, the Bank shall **not extend any further credit facilities** to such borrowers or groups. However, the existing facilities may be allowed to **run down as per their original repayment schedules or maturity**, without any renewal or enhancement.





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Credit Policy 2026-27

b) Small Value Loan Requirement

In compliance with RBI guidelines applicable to Urban Co-operative Banks, the Bank shall ensure that:

- At least **50% of its total aggregate loans and advances** consist of loans not exceeding **₹36.00 lakh**, or **0.3% of Tier I Capital**, whichever is higher.
- The above limit shall be subject to a **maximum cap of ₹1.00 crore per borrower / party**.

The Bank shall continuously monitor and maintain compliance with this requirement as part of its credit planning and portfolio management.

c) Computation of Credit Exposure

For the purpose of calculating credit exposure, the Bank shall include:

- All **fund-based and non-fund-based credit limits**
- **Ad hoc / temporary limits** sanctioned to meet borrower requirements

However, **loans and advances fully secured against the Bank's own term deposits** shall be **excluded** from the computation of credit exposure, as per RBI guidelines.

d) Exposure to Housing and Real Estate Sector

The Bank shall ensure that:

- Total exposure to **housing, real estate, and commercial real estate sectors** does not exceed **10% of total assets**, as per the audited balance sheet as on **31st March of the preceding financial year**.
- An **additional exposure up to 5% of total assets** may be permitted **exclusively for housing loans to individuals** for purchase or construction of dwelling units, subject to the cost of such units **not exceeding ₹25.00 lakh**, or as revised by RBI from time to time

e) Monitoring and Compliance

The Bank shall regularly monitor sector-wise exposure and small-value loan targets, and report any deviations to the Board along with corrective actions.

INVESTMENT EXPOSURE (NON-SLR)

The Bank shall undertake Non-SLR investments in a prudent manner, in compliance with RBI guidelines and its Board-approved Investment Policy, ensuring safety, liquidity, and reasonable returns.

a) The Bank may invest in **Commercial Papers (CPs), debentures, and bonds**, subject to the following conditions:





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Credit Policy 2026-27

- Such instruments shall be **rated 'A' or equivalent and above** by a recognized Credit Rating Agency.
- Investments shall be made only in **redeemable instruments**.
- **Investment in perpetual debt instruments shall not be permitted.**

b) The Bank may also invest in **Units of Debt Mutual Funds and Money Market Mutual Funds**, subject to:

- Compliance with **RBI guidelines and internal investment policy**
- Investment only in **well-rated and regulated schemes** with low risk exposure
- Adherence to prudential limits and exposure norms prescribed by the Board/RBI

c) All Non-SLR investments shall be subject to:

- **Due diligence and risk assessment** prior to investment
- **Exposure limits and concentration norms** as prescribed by RBI from time to time
- **Periodic review and monitoring** of the investment portfolio

d) The Bank shall ensure that all such investments are in **compliance with applicable statutory/regulatory requirements**, and any deviations, if observed, shall be promptly reported to the Board of Directors.

ANY OTHER FINANCIAL ACCOMMODATION

The term **"Any Other Financial Accommodation"** shall include all credit facilities and contingent liabilities extended by the Bank, other than Term Loans, Cash Credit, and Overdrafts. Considering the Bank's **limited geographical presence and operational scale**, such facilities shall be **selectively permitted**, strictly within the framework of RBI guidelines and the Bank's risk management policy.

The Bank shall adopt a **conservative approach** and restrict exposures to **low-risk, well-understood, and locally verifiable transactions**.

a) Funded Credit Facilities

Funded facilities involve **actual disbursement of funds** and shall be permitted only in limited and controlled forms such as:

- **Bills Purchase/Discounting (Inland only)**
Restricted to genuine trade bills arising out of local business transactions within the Bank's operational area.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- **Working Capital Demand Loans (Short-term)**
Allowed to existing borrowers with satisfactory track record and proper turnover assessment.
- **Deferred Payment Guarantees (DPG)**
May be considered on a selective basis for acquisition of machinery/equipment, subject to adequate margin and tangible security.
- **Deferred Payment Bills / Acceptance Facilities**
Permitted only for established customers with proven repayment capacity and backed by underlying trade transactions.

Note:

- **Foreign bills discounting and export credit facilities shall generally not be undertaken**, unless the Bank has necessary expertise and regulatory approvals.
- All funded exposures shall be backed by **adequate tangible security, margin, and proper documentation**.

b) Non-Funded Credit Facilities

Non-funded facilities being **contingent in nature** shall be extended cautiously and only to **creditworthy and well-rated borrowers**.

Permissible facilities include:

- **Letters of Credit (LCs)**
 - Restricted to **inland LCs only**
 - Issued for genuine trade transactions of existing customers
 - Backed by adequate margin and/or collateral security
- **Bank Guarantees, including:**
 - **Performance Guarantees**
 - **Bid Bonds / Tender Guarantees**
 - **Financial Guarantees (restricted and selective)**

Restrictions:

- Exposure shall be primarily within the Bank's **local operational area**
- **Underwriting commitments, derivatives, and complex structured products shall not be undertaken**
- Aggregate exposure under non-funded limits shall be **closely monitored to avoid concentration risk**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

c) General Guidelines

- All such accommodations shall be extended **only to existing borrowers** with satisfactory track record.
- Proper **credit appraisal, due diligence, and end-use verification** shall be ensured.
- Adequate **margin and collateral security** shall be obtained to safeguard the Bank's interest.
- Exposure shall comply with **RBI prudential norms, single borrower and group exposure limits**.
- **Devolvement of non-funded limits** shall be treated as funded exposure and monitored accordingly.
- The Bank shall maintain **branch-level control and Head Office monitoring** due to its limited scale of operations.

Exposure to Housing, Real Estate, and Commercial Real Estate

a) The Bank's aggregate exposure to **housing, real estate, and commercial real estate (including Commercial Real Estate – Residential Housing)** shall be restricted to **10% of its total assets** as on March 31 of the preceding financial year, in line with RBI guidelines applicable to Urban Co-operative Banks.

However, the above ceiling may be **enhanced by an additional 5% of total assets**, provided that such incremental exposure is **exclusively for housing loans to individuals** for purchase or construction of dwelling units with a cost not exceeding **₹25.00 lakh per unit**, subject to compliance with priority sector norms and other regulatory conditions.

b) Considering that the Bank has a **deposit base exceeding ₹100 crore**, it may sanction **individual housing loans up to ₹140.00 lakh per borrower** for acquisition/construction of dwelling units, subject to:

- Compliance with RBI prudential exposure norms,
- Income eligibility and repayment capacity of the borrower,
- Proper security, margin, and documentation requirements.

c) **Working capital facilities** granted to contractors, where such finance is:

- Extended for small construction activities,
- Secured by hypothecation of construction materials, and
- Not backed by advance payments from purchasers,

shall be **excluded from computation of real estate exposure limits**, as per regulatory guidelines.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

d) The Bank shall ensure that **overall exposure limits to housing, real estate, and commercial real estate are strictly adhered to**, and shall not exceed the prescribed ceilings **even where funds are sourced through refinance** from institutions such as **National Housing Bank (NHB)** or any other higher financing agencies. Such borrowings/refinance shall be **reckoned with in the overall exposure limits** applicable to these sectors.

e) The Bank shall also ensure that all advances under these categories comply with:

- **RBI Master Directions / Circulars issued from time to time,**
- **Prudential norms on income recognition, asset classification, and provisioning,**
- **Loan-to-Value (LTV) ratios and risk management practices,**
- **End-use verification and monitoring mechanisms.**

Inter-Bank Exposure Limit

A) Prudential Inter-Bank (Gross) Exposure Limit

The Bank's **total inter-bank exposure (gross)** shall not exceed **20% of its total deposit liabilities** as on March 31 of the preceding financial year, in accordance with RBI guidelines applicable to Urban Co-operative Banks.

Inter-bank exposure shall include:

- Deposits placed with **scheduled commercial banks** (including call/notice money)
- Balances maintained for **clearing and settlement purposes**
- Deposits with **permitted scheduled UCBs**
- Investments in **Certificates of Deposit (CDs)** issued by banks
- Balances maintained for **CSGL accounts and remittance arrangements**

Note: The Bank shall not undertake **international inter-bank placements or foreign currency exposures**, except where specifically permitted by RBI.

B) Prudential Inter-Bank Counterparty Limit

Exposure to any **single bank (counterparty)** shall not exceed **5% of the Bank's total deposit liabilities** as on March 31 of the preceding financial year.

The Bank shall ensure:

- Proper **diversification of deposits and placements**
- Periodic **credit assessment of counterparty banks**
- Avoidance of **concentration risk**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

All exposures shall be limited to **domestic banks only**, unless specifically permitted under RBI regulations.

C) Exposure in Non-SLR Investments

a) The Bank's investment in **non-SLR securities** shall not exceed **10% of its total deposit liabilities** as on March 31 of the preceding financial year.

b) Investment in **unlisted non-SLR securities** shall not exceed **10% of total non-SLR investments** at any point in time.

- No further investment shall be made if the limit is breached.
- Securities proposed to be listed shall be treated as listed initially; if not listed within the stipulated time, they shall be treated as **unlisted**.
- Any breach shall restrict further investments until compliance is achieved.

c) All investments shall comply with **RBI prudential exposure norms**, including **single and group borrower limits**.

d) All fresh investments shall be classified under:

- **Held for Trading (HFT)** or
- **Available for Sale (AFS)**

and shall be **marked to market** as per RBI guidelines.

Investments in **infrastructure bonds** with a minimum residual maturity of **7 years** may be classified under **HTM**, subject to RBI norms.

e) Restrictions on International Exposure

The Bank shall **not undertake any international investments, foreign currency exposures, or overseas inter-bank placements**, as it is not authorized to carry out such activities.

However, the Bank may participate in **domestic payment and settlement systems or regulated financial infrastructure**, such as:

- **NPCI (for UPI, NFS, etc.)**
- **CCIL (for clearing and settlement, if applicable)**

Membership or exposure to such entities shall:

- **Be purely operational in nature,**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Not be treated as international financial exposure, and
- Require **Board approval**, wherever applicable.

Regulatory Restrictions

A) Advances to Directors and Their Relatives

a) The Bank shall **not grant, renew, or continue any loan or advance**, whether secured or unsecured, to:

- Its **Directors**
- **Relatives of Directors**
- Any **firm, company, or concern** in which a Director or their relative has an interest

This shall be in strict compliance with **Section 20 of the Banking Regulation Act, 1949 (AACS)** and RBI directives.

Existing advances, if any, may be allowed to **run their course till maturity**, but **shall not be renewed, enhanced, or fresh limits sanctioned**.

b) The following shall be **permitted exceptions**:

- Loans to **employee-directors** under staff loan schemes, as applicable to all employees
- Loans against **own deposits (FDs)** or **LIC policies** standing in the name of the Director/relative, subject to usual margin norms

c) The Bank shall submit a **quarterly statement** of such loans (if any) to the **RBI Regional Office (Department of Supervision)** within **15 days from the end of each quarter**, in the prescribed format.

d) A "**concern in which a Director is interested**" shall include:

- Proprietary concerns, partnership firms, or HUFs where the Director/relative is a **proprietor/partner/coparcener**
- Companies where the Director/relative has **substantial interest or acts as guarantor**

e) "**Relative**" shall have the meaning assigned under RBI/Companies Act guidelines and shall include:

- Father
- Mother (including step-mother)
- Son (including step-son)
- Son's wife
- Daughter (including step-daughter)





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Daughter's husband
- Brother (including step-brother)
- Brother's wife
- Sister (including step-sister)
- Sister's husband

B) Maximum Ceiling on Advances to Nominal Members

The Bank may grant **restricted credit facilities to nominal members**, subject to the provisions of the **State Co-operative Societies Act and RBI guidelines**.

- Such advances shall be **small, need-based, and short-term** in nature
- The **maximum limit per nominal member shall not exceed ₹1,00,000**
- These loans shall generally be **unsecured**, unless supported by acceptable collateral
- Proper **KYC, due diligence, and creditworthiness assessment** shall be carried out
- The Bank shall ensure that **aggregate exposure to nominal members remains within permissible limits** prescribed by regulators

C) Advances Against Deposits of Other Banks

The Bank shall **not grant loans or advances against Fixed Deposits/Term Deposits issued by other banks or financial institutions**.

This restriction is imposed to:

- Avoid **inter-bank credit risk**
- Ensure **ease of enforcement and control over security**
- Maintain **prudential risk management standards**

No exceptions shall be permitted.

D) Bridge Loans / Interim Finance

The Bank shall **not sanction bridge loans or interim finance**, particularly for:

- Capital market-related activities (IPO, rights issue, debentures)
- Funding gaps pending sanction/disbursement of term loans or subsidies
- Any **temporary or speculative funding requirements**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

This is in line with RBI's **conservative exposure norms for UCBs**, restricting exposure to **high-risk short-term financing structures**.

E) Bank Finance to Stockbrokers / Capital Market Activities

The Bank shall **not extend any credit facility** (fund-based or non-fund-based) to:

- **Stockbrokers, sub-brokers, or market intermediaries**
- **Entities engaged in trading/speculation in capital markets**

Further, the Bank shall **not grant advances against shares, debentures, mutual funds, or similar securities** for speculative purposes.

This is in line with RBI restrictions on **capital market exposure for co-operative banks**.

F) Advances Against Preference Shares / Subordinated Debt

The Bank shall **not**:

- **Invest in, or**
- **Accept as collateral**

Any of the following instruments:

- **Preference Shares (PNCPS or others)**
- **Subordinated Debt Instruments (Tier I / Tier II bonds)**
- **Any hybrid capital instruments**

These instruments are considered **high-risk and illiquid**, and are **not suitable for UCB exposure or security purposes**.

G) Bank Finance to NBFCs

The Bank shall **not extend loans or advances (fund-based or non-fund-based)** to **Non-Banking Financial Companies (NBFCs)**, including:

- **Asset Finance Companies**
- **Investment Companies**
- **Microfinance NBFCs**
- **Infrastructure Finance Companies**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

This restriction is imposed to:

- Avoid **indirect exposure to leveraged financial entities**
- Prevent **layering of credit risk**
- Ensure compliance with **RBI prudential norms for UCBs**

Financing for Agricultural Activities

The Bank is authorized to extend credit for agricultural activities under the **Priority Sector Lending (PSL)** guidelines, in accordance with the directives issued by the **Reserve Bank of India (RBI)** and **National Bank for Agriculture and Rural Development (NABARD)**. Such financing shall be subject to the following conditions:

- a) Credit facilities shall be extended **directly to members of the Bank**. Lending through intermediaries such as **Primary Agricultural Credit Societies (PACS), Land Development Banks, or other co-operative institutions** shall not be undertaken, in line with the operational framework applicable to Urban Co-operative Banks.
- b) A '**No Dues Certificate**' (NDC) may be obtained from local credit institutions and concerned financial agencies, wherever considered necessary. The Bank shall also ensure verification of borrower indebtedness through **credit information companies (CICs), borrower declarations, and local enquiries**, to avoid multiple financing.
- c) All loans shall be sanctioned in alignment with the **Scale of Finance** approved by the **District Level Technical Committee (DLTC)**, along with applicable **margin requirements and security norms**, as prescribed by RBI/NABARD from time to time. This includes adherence to **crop-wise financing limits and prudent collateral requirements**, wherever applicable.

Loans to Self-Help Groups (SHGs) and Joint Liability Groups (JLGs)

The Bank may extend credit to **Self-Help Groups (SHGs)** and **Joint Liability Groups (JLGs)** in accordance with a **Board-approved policy** and subject to guidelines issued by the **Reserve Bank of India (RBI)** from time to time. The following norms shall apply:

- a) Lending shall be made **directly to SHGs and JLGs**. Financing through intermediaries or third-party entities shall not be undertaken, in line with the operational framework of Urban Co-operative Banks.
- b) The **unsecured loan ceiling** prescribed by the Bank shall **not apply to loans granted to SHGs**, as these are treated as priority sector advances under RBI guidelines. However, in the case of **JLGs**, loans extended without tangible collateral shall be treated as **unsecured advances** and shall be governed by the Bank's internal limits on unsecured exposure.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

c) All SHG/JLG credit facilities shall comply with **RBI guidelines on Priority Sector Lending**, including applicable norms on:

- **Borrower/group exposure limits**
- **Asset classification and provisioning (IRAC norms)**
- **Risk management and prudential requirements**

d) The quantum of loan to an SHG shall generally be linked to the **group's savings and credit discipline**. As a guiding norm:

- Initial credit may be **up to four times the group's accumulated savings**
- For well-performing SHGs, the limit may be **enhanced up to ten times the savings**, based on parameters such as **repayment track record, regularity of savings, internal lending discipline, and proper maintenance of records**, supported by an internal group grading mechanism.

e) JLGs, which are **not required to maintain savings**, shall be financed based on the Bank's **credit appraisal**, including:

- **Assessment of income and cash flows of members**
- **Mutual guarantee and group cohesion**
- **Repayment capacity and past credit history (where available)**
- **End-use and risk mitigation measures**

Restriction on Advances to Defaulters of Statutory Dues

The Bank shall exercise **due diligence** to ensure that credit facilities are not granted to borrowers who are **habitual defaulters of statutory dues**, such as **Provident Fund (PF), Employees' State Insurance (ESI), Goods and Services Tax (GST), Income Tax, or other Government levies**, in accordance with prudent banking practices and RBI guidelines.

a) A **declaration** confirming the status of statutory dues shall be obtained from all borrowers at the time of **sanction, renewal, or enhancement** of credit facilities.

b) While submission of documentary proof shall not be insisted upon in all cases, the Bank may call for **supporting evidence** wherever:

- The exposure is significant, or
- There is **reason to doubt** the correctness of the borrower's declaration

c) Acceptable documentary evidence may include:

- **Challans/receipts** evidencing payment of statutory dues
- **Certificate from Chartered Accountant / Statutory Auditor**
- **Returns filed with statutory authorities** (GST returns, PF/ESI filings, etc.)





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Any other **reliable third-party confirmation**, as deemed appropriate

d) It shall **not be mandatory** to obtain certificates from authorities such as the **Regional Provident Fund Commissioner**, unless specifically required under any law or regulatory instruction.

e) In case of **sick units or financially stressed borrowers**, where delays or defaults in statutory dues have occurred due to **genuine financial constraints**, the Bank may consider such proposals on a **case-to-case basis**, subject to:

- Proper **credit appraisal and viability assessment**
- **Justification recorded in writing**
- Approval from the **competent sanctioning authority**

f) The Bank shall ensure that such exposures are **closely monitored**, and necessary safeguards are put in place to mitigate associated risks.

Loan Rules and General Terms and Conditions

a) Advances Against Bank's Own Deposits

The Bank may sanction **Demand Loans (DL) or Overdrafts (OD)** against its own **Term Deposits (FD/RD)**, subject to the following terms and conditions:

Interest Rate:

- For loans up to **₹25.00 lakh: 2% above the applicable deposit rate**
- For loans above **₹25.00 lakh: 1% above the applicable deposit rate**

Margin and Loan Period:

Period	Margin	Maximum Limit
Up to the maturity date of deposit	5% – 10% of principal + accrued interest	90% – 95% of principal + accrued interest

- The loan period shall **not exceed the maturity date of the deposit**.
- Interest shall be applied as per the **contracted terms of the loan/OD facility**.

Advances against Third-Party Deposits:

- In case of loans against **third-party deposits**, the Bank shall charge **commercial rates of interest** as decided by the **Board from time to time**.
- Proper **lien marking, discharge of deposit receipt, and consent of the depositor** shall be ensured.

Staff Loans against Deposits:



The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Staff members may be granted loans against their **own deposits at the same rate of interest as the deposit rate**, subject to a **minimum margin of 5%**.

Sanctioning Authority:

- **Branch Managers and CEO** are authorized to sanction such loans within delegated powers.
- All such sanctions shall be **reported to the Board in the subsequent meeting for post-facto approval**, wherever required as per internal delegation norms.

General Conditions:

- Lien shall be **marked on the deposit** and recorded in the system.
- In case of default, the Bank shall have the right to **adjust the outstanding loan amount against the deposit proceeds**.
- The facility shall comply with **RBI guidelines and the Bank's internal credit policy**.

b) Advances Against Pledge of Gold/Silver Ornaments

This policy aims to establish a comprehensive framework for the sanction, disbursement, and monitoring of loans against gold and silver collateral by the Bank, in compliance with the **Reserve Bank of India (Lending against Gold and Silver Collateral) Directions, 2025**. It covers all gold and silver loan products extended by the Bank, including both **consumption and income-generating purposes**, and are applicable across all branches of the Urban Co-operative Bank. The policy ensures prudent risk management, transparency, proper valuation and safe custody of collateral, adherence to regulatory norms, and fair treatment of borrowers while facilitating access to short-term credit against idle gold assets.

Eligible Collateral

The Bank shall accept the following as eligible collateral for gold loan facilities, in compliance with RBI guidelines:

a) Permitted Collateral:

- Gold jewellery and ornaments
- Silver jewellery and ornaments
- Gold coins (within prescribed limits)
- Silver coins (within prescribed limits)

b) Ownership of Collateral:

- The collateral must be **owned by the borrower**
- A **declaration of ownership** shall be obtained in all cases
- Loans shall not be granted where **ownership is doubtful**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

c) Valuation and Assaying:

- All collateral shall be subject to **proper assaying for purity and weight**
- Valuation shall be based on **net gold/silver content**, excluding stones or other materials
- Assaying shall be conducted in the **presence of the borrower**

d) Restrictions:

- The Bank shall **not accept primary gold or silver (bullion)**
- The Bank shall **not accept financial assets backed by gold/silver** (e.g., ETFs, mutual funds)
- The Bank shall **not accept re-pledged gold** from other lenders

e) Quantity Limits (as per RBI norms):

- Gold ornaments: up to **1 kg per borrower** / Silver ornaments: up to **10 kg per borrower**
- Gold coins: up to **50 grams per borrower** / Silver coins: up to **500 grams per borrower**
- The maximum limit shall be subject to the realizable/market value of gold or the Bank's exposure limits, whichever is lower.

f) General Conditions:

- The Bank shall ensure proper **documentation and record of pledged collateral**
- Collateral shall be accepted only at **designated branches with proper storage facilities**
- All guidelines shall be subject to **RBI Directions issued from time to time**

Loan to Value (LTV) Ratio

The maximum permissible LTV shall be:

Loan Amount	Maximum LTV
Up to ₹2.50 lakh	85%
₹2.50 lakh – ₹5.00 lakh	80%
Above ₹5.00 lakh	75%

- LTV shall be **maintained throughout the loan tenure**
- For **bullet loans**, total repayable amount shall be considered

Loan Tenure

a) The maximum tenure for **bullet repayment gold loans** shall be **12 months**.

b) Loans may be **renewed** at the borrower's request, subject to:

- Payment of **accrued interest**
- Compliance with **LTV norms**
- Account remaining a **standard asset**

c) All renewals shall be **properly documented and recorded in the system**, as per Bank policy.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Collateral Management

- a) The pledged gold/silver shall be **handled only by Bank staff** and stored in **secure vaults at designated branches**.
- b) The Bank shall ensure **proper storage, safety, and insurance** of pledged collateral.
- c) **Periodic verification and internal audit**, including surprise checks, shall be conducted.
- d) Collateral shall not be **transferred between branches** except under approved exceptional circumstances.
- e) The Bank shall release the collateral **within 7 working days** of full repayment, after due verification.

Disbursement and Repayment

- a) Loan amount shall be **disbursed only to the borrower's bank account**.
- b) No disbursement shall be made to **third-party accounts**, except as permitted by regulations.
- c) Repayment shall be made **directly to the Bank** without routing through any third-party accounts.
- d) The Bank shall ensure compliance with **KYC/AML norms and applicable legal provisions**.

Auction Policy

- a) In case of default, the Bank shall initiate auction only after giving **adequate notice** to the borrower.
- b) The borrower shall be provided sufficient time to **repay dues before auction**.
- c) Auction shall be conducted in a **transparent manner**, with public notice in newspapers.
- d) The **reserve price** shall not be less than **90% of the current value** (85% in case of failed auctions).
- e) Any **surplus from auction** shall be refunded to the borrower within **7 days**.

Release of Gold

- a) The pledged gold/silver collateral shall be **released to the borrower or legal heir upon full repayment or settlement** of the loan.
- b) The release shall be effected **on the same day**, and in any case, **not later than 7 working days** from the date of repayment.
- c) At the time of release, the collateral shall be **verified and returned in the same condition** as recorded at the time of sanction, to the borrower's satisfaction.
- d) In case of delay attributable to the Bank, **compensation shall be paid** as per RBI guidelines.
- e) Proper **acknowledgement of receipt** shall be obtained from the borrower at the time of release.

Compensation Policy

The Bank shall compensate the borrower or legal heir in cases of **loss, damage, or discrepancy** in the pledged gold/silver collateral during the loan period. In case of delay in release of collateral after full





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

repayment, where the delay is attributable to the Bank, **compensation shall be paid as per RBI guidelines**. Such compensation shall be **fair, reasonable, and provided within a stipulated time**.

Unclaimed Gold

Gold/silver collateral remaining unclaimed for a period of **more than 2 years after full repayment or settlement** shall be treated as **unclaimed**. The Bank shall make periodic efforts to **contact the borrower/legal heir** and shall place a **half-yearly report before the Board/Committee** for review.

Compliance and Monitoring

The Bank shall ensure strict compliance with **RBI guidelines, KYC/AML norms, and internal policies** relating to gold loans. Adequate **internal controls, periodic audits, and monitoring systems** shall be in place to prevent misuse, fraud, and multiple financing. All gold loan accounts, especially multiple loans to a single borrower, shall be **closely monitored**, and any irregularities shall be promptly reported and addressed.

Disclosure Requirements

The Bank shall disclose details of **loans against gold and silver collateral** in its financial statements, including **outstanding amounts, average LTV ratios, NPAs, and auction details**, in the format prescribed by RBI. Such disclosures shall be made **separately for consumption and income-generating loans**, ensuring transparency and regulatory compliance.

c) Advances Against NSC / KVP

The Bank may sanction loans against **National Savings Certificates (NSC)** and **Kisan Vikas Patra (KVP)**, subject to the creation of a **registered lien in favour of the Bank** duly noted by the issuing Post Office.

Loan Period and Margin:

Period	Margin	Maximum Limit
Up to 60 months or maturity date of the security, whichever is earlier	10% of (face value + accrued interest up to date of advance)	Up to 90% of (face value + accrued interest up to date of advance)

General Conditions:

- The loan period shall **not exceed the maturity date** of the NSC/KVP.
- Interest shall be applied as per the **Bank's applicable rates**.
- The Bank shall ensure **proper discharge and lien marking** before disbursement.
- On maturity, proceeds shall be **adjusted towards the loan outstanding**, if not repaid earlier.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

d) Advances Against Life Insurance Policies

The Bank may sanction loans to its members against **Life Insurance Policies (LIC)**, as such policies provide **stable and increasing security** without exposure to market fluctuations. These loans require **minimal supervision** and are considered reliable collateral.

Loans may be granted up to **90% of the surrender value** of the policy, without insisting on additional surety.

Loan Tenure, Margin, and Limit

Period	Margin	Maximum Limit
Up to 60 months or maturity date of policy , whichever is earlier	10% of surrender value	Up to 90% of surrender value

Safeguards and Conditions

- Only policies that are **freely assignable** shall be accepted. Policies under **MWP Act, 1874** shall not be accepted.
- Policies should preferably be **in force for a reasonable period** (normally more than 2–3 years) and should not be prone to lapse.
- Policies already **assigned or encumbered** shall not be accepted.
- Endowment policies** shall be preferred due to defined maturity.
- In case of **third-party policies**, insurable interest shall be verified.
- The Bank shall ensure that:
 - Premiums are **regularly paid**
 - Latest **premium receipt** is obtained
 - Age is **admitted by LIC**
- A confirmation from LIC shall be obtained regarding:
 - Surrender value (including bonus)**
 - Registration of assignment**
 - Premium status (paid up-to-date)**
 - Non-issuance of duplicate policy**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Documentation and Assignment

- Borrower shall submit a **declaration of no encumbrance** and undertake to pay future premiums
- The policy shall be **absolutely assigned in favour of the Bank**
- Assignment shall be **registered with LIC**
- The Bank may obtain authority to **debit premiums from borrower account**, if required

Loan Type and Monitoring

- Loans may be granted as **Demand Loan or Overdraft**
- The Bank shall **monitor premium payments** through a due date diary
- Borrower shall submit **annual premium receipts**

Custody and Release

- Policy documents shall be **securely held in Bank custody** and recorded in registers
- On full repayment, the policy shall be **reassigned to the borrower** and LIC shall be notified

Maturity of Policy

In case the policy matures before loan closure, the Bank shall:

- **Collect proceeds from LIC**
- **Adjust loan dues**
- Refund any **surplus to borrower**, after ensuring no other claims

e) Unsecured Advances

Urban Co-operative Banks (UCBs) may extend **unsecured loans and advances**, with or without surety, including facilities such as cheque purchase and clean overdrafts, strictly in accordance with the **prudential limits prescribed by the Reserve Bank of India (RBI)**, based on the Bank's **Capital to Risk Weighted Assets Ratio (CRAR)** and **Demand and Time Liabilities (DTL)**.

1. Individual Exposure Limits

The maximum unsecured exposure to a single borrower shall be as under:

Criteria	DTL up to ₹10 Cr	₹10 Cr – ₹50 Cr	₹50 Cr – ₹100 Cr	Above ₹100 Cr
CRAR ≥ 9%	₹1.00 lakh	₹2.00 lakh	₹3.00 lakh	₹5.00 lakh
CRAR < 9%	₹0.25 lakh	₹0.50 lakh	₹1.00 lakh	₹2.00 lakh





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

2. Aggregate Exposure Ceiling

The aggregate outstanding unsecured advances of the Bank shall **not exceed 10% of its total assets**, as per the **audited balance sheet as on 31st March of the preceding financial year**, in line with RBI guidelines.

3. Internal Prudential Norms

As on **31 March 2026**, the Bank's **CRAR stands at 13.88%** and **DTL at ₹16147.56 lakh**, thereby permitting unsecured exposure up to **₹5.00 lakh per borrower**.

Notwithstanding the above, as a matter of **prudential risk management**, the Bank shall ordinarily **restrict unsecured advances to ₹1.00 lakh per borrower**. Exposure beyond this threshold may be considered only in the following cases:

- **Salaried individuals** (Government / Semi-Government) with salary accounts maintained with the Bank
- Borrowers with **established and satisfactory repayment track record**
- Customers with **credit score of 650 or above**, supported by CIC reports

All such exceptions shall be **duly justified, documented, and sanctioned by the competent authority** within delegated powers.

4. Scope of Unsecured Advances

a) Included:

- Clean loans and overdrafts
- Loans against personal security
- Cheques purchased / discounted
- Clean bills purchased.

b) Excluded:

- Advances guaranteed by **Central/State Government, Banks, or DICGC**
- Advances against **Government receivables / supply bills**
- Advances backed by **Letters of Credit (LCs) or Trust Receipts**
- Advances against **book debts not overdue beyond 90 days**
- Salary-linked loans with **irrevocable recovery arrangements**
- Secured portion of **partly secured advances**
- Other advances deemed secured as per RBI classification





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

5. Terms and Conditions

- **Maximum Loan Amount:** ₹5,00,000 (subject to eligibility and regulatory limits)
- **Repayment Period:** Up to **48 months**, based on repayment capacity
- **Rate of Interest:** As approved by the **Board of Directors / ALCO** from time to time

6. Credit Appraisal and Eligibility

The Bank shall undertake **proper credit appraisal** to assess repayment capacity, based on verified income:

- **Salaried Borrowers:** Up to **10 times net monthly salary**
- **Self-employed / Business Borrowers:** Up to **8 times average monthly income** (based on ITRs/financials)
- **Others:** Restricted exposure (₹50,000–₹1,00,000) based on **documented income declaration / affidavit**

Income assessment shall be supported by:

- Salary slips / employer certificate
- Income Tax Returns / financial statements
- Bank account statements
- Other credible documentary evidence

7. Surety and Security Norms

- Minimum **two sureties**, who are members of the Bank, shall ordinarily be obtained
- Sureties must possess **adequate financial standing and repayment capacity**

8. End-Use and Purpose

Unsecured advances shall be granted for **legitimate and productive purposes**, including:

- Personal and family obligations (marriage, medical, education)
- Housing-related repairs or improvements
- Business and income-generating activities
- Other bona fide requirements of members

End-use of funds shall be **verified wherever necessary**.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

9. Monitoring and Risk Control

The Bank shall institute robust systems for:

- **Monitoring unsecured exposures and concentration risk**
- Preventing **multiple financing and over-leveraging**
- Ensuring compliance with **KYC/AML and CIC reporting requirements**
- Periodic **review of loan accounts** and early identification of stress

All unsecured advances shall be subject to **ongoing supervision and internal audit** to ensure adherence to regulatory and internal guidelines.

Secured Loans (Individuals)

1. Housing Loan Policy

(As per RBI Master Circular RBI/2025-26/17 and applicable guidelines for Urban Co-operative Banks)

1.0 Introduction

The Bank recognizes the strategic role of Urban Co-operative Banks (UCBs) in promoting housing finance, particularly to priority sectors such as EWS, LIG, and MIG categories. Housing finance shall be extended in line with RBI guidelines, prudential norms, and the Bank's credit risk framework.

1.1 Eligible Borrowers

Housing loans may be sanctioned to the following categories, subject to membership norms of the Bank:

- Individual members for purchase, construction, renovation, or extension of residential dwelling units.
- Co-operative Housing Societies / Group Housing Societies for development of residential projects.
- Statutory Housing Boards and Government Agencies undertaking housing schemes, particularly for EWS, LIG, and MIG segments.
- Existing property owners seeking finance for repairs, additions, alterations, or up gradation of residential units.

1.2 Purpose of Loan

Housing finance may be extended for the following purposes:

- Purchase or construction of new or existing residential houses/flats.
- Repairs, renovations, and structural improvements to existing dwelling units.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Purchase of residential plots, subject to an undertaking for commencement of construction within a reasonable and stipulated timeframe.
- Supplementary finance for completion of partially constructed houses.
- Housing projects supported by Government guarantees, including schemes for SC/ST beneficiaries and slum rehabilitation.

1.3 Loan Limits

- Up to **80% of the realizable value of property**, as assessed by a Bank-approved valuer or circle rate (whichever is lower for prudence).
- Housing loan limits shall be in accordance with RBI-prescribed ceilings applicable to UCBs:

Category of UCB	Maximum Loan per Housing Unit
Tier 1 UCBs	Up to ₹60 lakh
Tier 2 UCBs	Up to ₹1.40 crore
Tier 3 UCBs	Up to ₹2.00 crore
Tier 4 UCBs	Up to ₹3.00 crore

Prudential Exposure Limits:

- Single Borrower: Not exceeding **15% of Tier I Capital Funds**.
- Group Borrowers: Not exceeding **25% of Tier I Capital Funds**.

1.4 Security Norms

- **Primary Security:** Equitable/registered mortgage of the residential property financed.
- **Collateral Security:** Additional tangible security such as LIC policies, NSCs, gold, or other acceptable assets may be obtained based on risk assessment.
- **Guarantee:** Third-party guarantee or Government guarantee may be considered where applicable.
- The Bank shall ensure compliance with RBI's **Responsible Lending Conduct**, including return of original property documents within **30 days** of full repayment/closure.

1.5 Loan Tenure and Moratorium

- **Maximum Tenure:** Up to **20 years**, including moratorium period.
- **Moratorium Period:**
 - Up to completion of construction, or
 - Maximum **18 months** from initial disbursement, or
 - As approved by the Bank, whichever is earlier.
- **Construction-linked disbursement stages:**
 - 20% – Foundation stage
 - 40% – Construction stage
 - 40% – Completion stage





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

1.6 Interest Rate and Charges

- Interest rates shall be determined by the Board from time to time based on cost of funds, risk profile, and regulatory guidelines.
- Floating rate housing loans shall **not attract foreclosure/prepayment penalties**.
- Penal charges, if levied, shall be **reasonable, transparent, and not capitalized**.

1.7 Graduated EMI Scheme

- The Bank may offer **Graduated EMI facilities**, permitting lower installments during the initial period with gradual escalation, based on the borrower's projected repayment capacity.

1.8 Disbursement Norms

- Disbursement shall be made **in stages**, strictly linked to the progress of construction and verified by the Bank.
- Direct disbursement to builders/developers shall be avoided unless the property is **fully completed and legally compliant**.
- End-use of funds shall be monitored to ensure proper utilization.

1.9 Exposure Ceiling

- Housing loans under **Non-Priority Sector** shall not exceed **25% of total advances**.
- Exposure to **Real Estate Sector (excluding housing loans)** shall not exceed **5% of total advances**.
- Both **fund-based and non-fund-based exposures** shall be considered for ceiling limits.

1.10 Priority Sector Classification

Housing loans shall qualify under Priority Sector Lending (PSL) subject to RBI norms:

Category	Loan Limit	Property Cost Ceiling
Metropolitan Centers	Up to ₹35 lakh	Up to ₹45 lakh
Other Centers	Up to ₹25 lakh	Up to ₹30 lakh

1.11 Additional / Supplementary Finance

1.11.1 General Provision

The Bank may extend additional or supplementary finance to borrowers for carrying out **repairs, alterations, additions, or upgradation** of residential houses / flats already financed by the Bank, subject to assessment of the borrower's **repayment capacity**.

1.12 Advances to Builders / Contractors

1.12.1 General Restriction





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

The Bank shall **generally refrain from financing builders and contractors**, as they typically receive advance payments from buyers, and such financing may lead to **dual financing risk**

1.12.2 Permitted Cases

Finance may be considered for **small contractors** who:

- Undertake construction on their own, and
- Do not receive advance payments

Such loans shall be:

- Secured by **hypothecation of construction materials**
- Sanctioned as per **RBI guidelines and Bank norms**

1.12.3 Appraisal & Safeguards

The Bank shall ensure:

- Proper assessment of **creditworthiness and repayment capacity**
- **Margin of 40%–50%**
- Drawing power based on **actual stock**
- **Periodic inspection** and stock verification

1.12.4 Security & Restrictions

- **No finance for purchase/acquisition of land**
- Land, if accepted as collateral, shall be valued at **current market value only**
- Additional **collateral security** may be obtained, if required

1.12.5 Disbursement Norms

- Payments received shall be **adjusted towards loan account**
- Housing loans to individuals shall be **disbursed in stages linked to construction progress**
- **Upfront/lump-sum disbursement is not permitted** for under-construction projects

1.13 Precautions and Compliance

The Bank shall ensure strict due diligence and compliance with regulatory requirements:

- Verification of clear and marketable title, including checks against **duplicate or fraudulent documentation**.
- Proper validation of borrower income, repayment capacity, and creditworthiness.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Avoidance of financing properties in **unauthorized layouts/colonies**, unless duly regularized by competent authorities.
- Compliance of housing projects with **National Building Code** and local municipal regulations.
- Periodic inspection and monitoring of financed properties.

2. Loan Against Vehicles (Hypothecation of Vehicles)

2.1 Introduction

The Bank may extend loans to individuals, firms, and other eligible borrowers for the purchase of new and used vehicles for personal or commercial use. Such loans shall be governed by prudential norms, borrower repayment capacity, and RBI guidelines applicable to Urban Co-operative Banks.

2.2 Rate of Interest

The rate of interest shall be **as determined by the Board from time to time**, in accordance with RBI directives and the Bank's internal credit risk assessment framework.

2.3 Sureties

- A minimum of **2 sureties** of sound financial standing, preferably members of the Bank, shall be obtained.
- The Bank may, based on risk perception and borrower profile, stipulate additional safeguards where necessary.

2.4 Loan Limits, Margin, and Repayment Terms

2.4.1 Non-Commercial Vehicles

- **New Cars (All Types):**
Loans may be sanctioned with a repayment period up to **84 months**. Margin shall range between **10% to 15%** of the on-road cost (basic price + road tax). Loan amount shall be restricted to **85% to 90%** of such cost or as per exposure norms, whichever is lower.
- **New Two-Wheelers / Motorcycles:**
Loans may be sanctioned with a repayment period up to **48 months**. Margin shall range between **10% to 15%** of the cost (basic price + road tax), with loan eligibility restricted to **85% to 90%** of such cost or as per exposure norms, and whichever is lower.
- **Used Cars / Motorcycles:**
- The vehicle shall not be older than 4 years; however, in exceptional cases, vehicles up to 5 years old may be considered, provided additional acceptable security is offered by the borrower. Loans may be sanctioned for pre-owned vehicles with a repayment period of **48 Months** for two wheeler and for 4 wheeler **60 months**. A minimum **margin of 25%** shall be maintained, and





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

the loan amount shall not exceed **75% of the value assessed by a Bank-approved valuer**, subject to exposure norms.

2.4.2 Commercial Vehicles

- **New Commercial Vehicles:**

Loans may be sanctioned with a repayment period up to **84 months**. A minimum **margin of 15%** shall be maintained, and the loan amount shall not exceed **85% of the quotation value**, subject to exposure limits.

- **Used Commercial Vehicles (Not older than 5 years):**

Loans may be sanctioned with a repayment period up to **60 months**, with a **minimum margin of 30%**. Loan shall be restricted to **70% of the value assessed by a Bank-approved valuer**, subject to exposure norms.

2.5 Security

The loan shall be secured as follows:

- **Primary Security:** Hypothecation of the vehicle financed by the Bank.
- Payment shall be made **directly to the dealer/manufacturer** through banking channels such as RTGS/NEFT/DD/Pay Order.
- Original invoice/receipt shall be obtained and verified.
- The Bank's **lien/hypothecation shall be registered with the Regional Transport Office (RTO)** and endorsed in the Registration Certificate (RC).
- A designated Bank official shall verify the **original RC** to confirm the Bank's lien and record the same in the loan file
- For used vehicles, an RTO and Traffic Police clearance certificate/NOC shall be submitted confirming no pending dues or violations.

2.6 Insurance

- The financed vehicle shall be **comprehensively insured**, with the policy assigned in favour of the Bank and containing the **Bank Clause**.
- The borrower shall ensure **timely renewal** of the insurance policy throughout the loan tenure.
- In case of failure, the Bank reserves the right to **renew the policy at the borrower's cost**.
- In the event of accident, theft, or damage, the borrower shall **immediately notify the Bank, Insurance Company, and Police authorities**, providing complete details

2.7 Disbursement and Operational Guidelines

- Disbursement shall be made **directly to the dealer/vendor**.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- The Bank shall ensure that the **vehicle is registered with RTO with hypothecation in favour of the Bank** before/within the stipulated time.
- The following RTO forms shall be obtained in duplicate, duly executed:
 - **Form 20, 29, 30, 34, and 35** (as applicable)

2.8 Inspection and Monitoring

- The financed vehicle shall be **inspected at least once annually** by a Bank official.
- Inspection reports shall be documented and preserved.
- The Bank shall monitor repayment performance and take timely action in case of irregularities.

2.9 Documentation

The following documents shall be obtained and duly executed:

- Demand Promissory Note (DPN)
- Hypothecation Agreement / Deed
- Letter of Lien and Set-off
- Registration Certificate (RC) with Bank's hypothecation endorsement
- Insurance Policy with Bank Clause
- RTO Forms (Form 20, 29, 30, 34, 35 as applicable)
- Guarantee Letters from Borrower and Sureties

2.10 Registers and Records

The following records shall be maintained and updated:

- Advances Register
- Inspection Register
- Valuation Report File
- Documentation Register

2.11 Additional Compliance Measures

- The Bank shall assess the **repayment capacity and creditworthiness** of the borrower before sanction.
- **CIBIL / Credit Information Reports** shall be obtained and verified.
- All loans shall comply with **KYC/AML guidelines** and internal audit requirements.
- Exposure limits and asset classification norms as per RBI shall be strictly adhered to.

Delegation of Powers – 2-Wheeler Vehicle Loans (Under Hypothecation)
(Special Resolution No. 15 dated 22nd March 2022)





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

The Bank may extend term loans to Individuals, Proprietorships, Partnership Firms, and Companies for acquisition of plant and machinery required for business, manufacturing, and service activities. Such loans shall be governed by prudential norms, internal risk assessment, and RBI guidelines applicable to Urban Co-operative Banks..

3.2 Purpose and Loan Structure

Loans under this category shall be sanctioned for the following purposes:

- **Purchase_of_New_Plant_&_Machinery:**
Loans may be granted for acquisition of new machinery directly from manufacturers or authorized dealers. The repayment period shall not exceed **84 months**, with a **minimum margin of 25%** of the invoice/quotation value. The loan amount shall be restricted to **75% of the invoice value**.
- **Purchase_of_Old/Second-Hand_Machinery:**
Loans for purchase of used machinery shall be considered only if the machinery is **not older than 4 years** and is in good working condition. The repayment period shall not exceed **48 months**, with a **minimum margin of 35%** based on valuation. The loan amount shall be restricted to **65% of the value assessed by a Bank-approved valuer**.

3.3 Exposure Limits

The maximum loan amount shall be subject to the **prudential exposure limits** prescribed by RBI and internal policies of the Bank for:

- Single borrower exposure
- Group / connected borrower exposure

3.4 Rate of Interest

The rate of interest shall be **as determined by the Board from time to time**, based on cost of funds, credit risk assessment, and RBI directives. The Bank may adopt risk-based pricing depending on the borrower's financial strength and repayment capacity.

3.5 Security and Margin

The loan shall be secured as under:

- **Primary Security:** Hypothecation of plant and machinery financed by the Bank.
- **Collateral Security:** Equitable mortgage of immovable property with clear and marketable title, free from encumbrances.

The following margin requirements shall be maintained:





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Minimum **25% margin** on the cost of machinery.
- Minimum **25% margin** on the realizable value of immovable property offered as collateral.

3.6 Sureties

At least **two sureties** of sound financial standing, preferably members of the Bank, shall be obtained to strengthen the credit risk mitigation.

3.7 Disbursement Procedure

Disbursement of loan shall be strictly controlled to ensure proper end-use:

- The loan amount shall be **disbursed directly to the supplier/vendor** through banking channels such as RTGS/NEFT/DD/Pay Order.
- Disbursement shall be made only against **original invoices/quotations**, duly verified by the Bank.
- Stamped receipts from the supplier shall be obtained and retained on record.
- The sanctioned amount shall be cross-verified with invoice value prior to disbursement.
- Physical verification of machinery at the borrower's premises shall be carried out to confirm installation and existence.

3.8 Collateral Property Requirements

The immovable property offered as collateral shall comply with the following:

- The title must be **clear, marketable, and free from encumbrances**.
- **Encumbrance Certificate (EC)** for a minimum period of **15 years** shall be obtained.
- A **legal opinion** from the Bank's empanelled advocate shall certify:
 - Valid and marketable title
 - Absence of legal disputes
 - Borrower's right to create mortgage
- The charge shall be **registered with CERSAI** within the stipulated time.

3.9 Valuation Norms

- Valuation of machinery and immovable property shall be conducted by **independent valuers approved by the Board**.
- A **borrower declaration** shall be obtained confirming:
 - Ownership of the property
 - Property is self-acquired and free from litigation or statutory claims





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

3.10 Mortgage Documentation

In case of equitable mortgage by deposit of title deeds:

- A **Memorandum of Deposit of Title Deeds (MODTD)** shall be prepared and recorded by the Bank.
- The memorandum shall be executed **only by the Bank official receiving the documents**, evidencing deposit of title deeds.
- The document shall not create or extinguish rights, thereby avoiding compulsory registration under the Registration Act, 1908.
- The charge shall be mandatorily **registered with CERSAI**.

3.11 Post-Disbursement Monitoring

The Bank shall ensure continuous monitoring of the loan:

- A **post-disbursement inspection** shall be conducted to verify installation and functioning of machinery.
- End-use of funds shall be strictly verified.
- **Periodic inspections** shall be conducted at least **once in a year**.
- Continuous monitoring of account operations and repayment performance shall be ensured.

3.12 Insurance

- The hypothecated machinery and mortgaged property shall be **adequately insured** against risks such as fire, earthquake, riots, strike, and other applicable risks.
- The insurance policy shall contain a **Bank Clause**, assigning benefits in favor of the Bank.
- Insurance shall be kept valid throughout the loan tenure.

3.13 Documentation

The following documents shall be obtained and properly executed:

1. Demand Promissory Note (DPN)
2. Continuity Letter
3. Letter of Lien and Set-off
4. Hypothecation Agreement / Loan Agreement
5. Mortgage Deed / Title Deeds
6. Encumbrance Certificate
7. Legal Opinion Report
8. Valuation Reports (Property & Machinery)
9. Supplier Invoices / Quotations





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

10. MODTD (where applicable)
11. Lease Deed / Title Documents (in case of leasehold property)
12. Undertaking for payment of taxes, insurance, and statutory dues
13. Guarantee Agreements (Sureties)

3.14 Registers and Records

The following registers shall be maintained and updated periodically:

- Advances Register
- Insurance Register
- Property Register
- Documentation Register
- Inspection Register

3.15 Additional Risk & Compliance Measures

- Proper **credit appraisal**, including assessment of financial statements and cash flows, shall be carried out.
- Borrower's credit history shall be verified through **CIBIL / CIC reports**.
- The Bank shall ensure compliance with **KYC/AML norms** and internal audit requirements.
- Any irregularities or early warning signals shall be reported and monitored promptly.

4. Cash Credit / Working Capital Loan

4.1 Introduction

The Bank may grant Cash Credit (CC) / Working Capital limits to eligible borrowers to meet short-term business requirements. These facilities shall be **secured primarily by mortgage of immovable property** and governed by RBI guidelines and the Bank's Credit Policy.

4.2 Eligibility

Cash Credit facilities may be sanctioned to:

- Proprietorship Concerns
- Partnership Firms
- Private / Public Limited Companies
- Other legally constituted business entities

Note: Advances to Co-operative Societies shall be governed separately as per applicable regulatory provision





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

4.3 Assessment of Working Capital Requirements

4.3.1 Method of Assessment

- Working capital limits shall be assessed based on the **Projected Annual Turnover (PAT)** method for limits up to the threshold prescribed by the Board.
- For higher limits or complex cases, the Bank may adopt the **Operating Cycle / Production Method**.

4.3.2 Minimum Financing Norms (Turnover Method)

- Total Working Capital Requirement: **25% of projected annual turnover**
- Borrower's Contribution (NWC): **Minimum 5% of turnover**
- Bank Finance: **Maximum 20% of turnover**

4.3.3 Alternative Assessment

Where the traditional method indicates a higher requirement, the same may be considered, ensuring that **bank finance is not less than 20% of projected turnover**, subject to viability and prudential norms.

4.4 Maximum Credit Limit (MCL)

The sanctioned limit shall be within the exposure ceilings approved by the Board:

- Single Borrower:** Up to ₹180.31 lakh
- Group Borrowers:** Up to ₹300.51 lakh

(Subject to RBI prudential exposure norms and capital adequacy considerations.)

4.5 Terms and Conditions

- Rate of Interest:** As determined by the Board from time to time in line with RBI guidelines.
- Margin Requirements:**
 - Stock: **Minimum 30%**
 - Book Debts: **Minimum 40%**
- Sureties:** Minimum **two** sureties of sound financial standing, preferably members of the Bank.

4.6 Security

- Primary Security:** Hypothecation of stock (raw materials, WIP, finished goods) and book debts.
- Collateral Security:** Equitable mortgage of immovable property with clear and marketable title.
- Loan Limit:** Up to **80% of realizable value of property**

4.7 Drawing Power (DP) and Operations





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Drawing Power shall be calculated based on **eligible stock and receivables** after applying stipulated margins.
- **Book debts exceeding 90 days** and debts relating to returned goods shall be excluded.
- Drawals shall be strictly restricted to the **available DP or sanctioned limit, whichever is lower.**
- Operations in the account shall be monitored to ensure funds are utilized strictly for business purposes.

4.8 Disbursement and Control

- The CC limit shall be operated through a running account subject to DP calculations.
- The Bank may route major payments through the CC account to ensure end-use monitoring.
- In case the borrower has existing credit facilities with other banks, a **No Objection Certificate (NOC)** shall be obtained before sanction.

4.9 Stock and Book Debts Statements

- Borrowers shall submit **monthly stock and receivables statements** containing:
 - Opening stock, purchases, sales, and closing stock
 - Quantity, rate, and value of stock items
- Statements shall be verified and recorded in the **Stock Statement Register.**
- Delay or non-submission may result in **freezing of DP / suspension of operations.**

4.10 Inspection and Monitoring

- **Stock and book debts shall be inspected at least once a year** or more frequently based on risk perception.
- Inspection shall ensure:
 - Existence and quality of stock
 - Exclusion of obsolete/damaged goods
 - Verification of debtors (age-wise classification)
 - Confirmation of outstanding receivables
- Insurance coverage and statutory compliance shall also be verified during inspection.

4.11 Collateral and Legal Compliance

- Immovable property offered as collateral shall:
 - Be free from encumbrances
 - Be supported by **Encumbrance Certificate (minimum 12 years)**
 - Be supported by **legal opinion** confirming clear and marketable title
- Borrower shall submit a **declaration of ownership and non-encumbrance.**





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Mortgage shall be created by **deposit of title deeds**, and charge shall be **registered with CERSAI**.

4.12 Valuation

- Stock valuation shall be based on **cost price or market price, whichever is lower**.
- Collateral property shall be valued by **Bank-approved valuers**.
- Periodic revaluation may be carried out based on exposure and risk.

4.13 Insurance

- Hypothecated stock and mortgaged property shall be **adequately insured** against fire and allied risks.
- Policies shall contain the **Bank Clause**.
- Renewal of insurance shall be ensured throughout the loan tenure.

4.14 Registration of Charges (for Companies)

- In case of companies, charges shall be:
 - Registered with the **Registrar of Companies (ROC)**
 - Verified to ensure **no prior/subsisting charge** adversely affecting Bank's interest

4.15 Display of Charge

- A **name board of the Bank** indicating charge over stock shall be prominently displayed at the borrower's business premises.

4.16 Control Returns and Monitoring

- Periodic control returns from branches shall be reviewed.
- Irregularities such as:
 - Excess drawings
 - Cheque returns
 - Non-submission of stock statementsshall be promptly identified and corrective action initiated.

4.17 Documentation

The following documents shall be obtained and properly executed:

1. Demand Promissory Note (DPN)





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Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

2. Continuity Letter
3. Letter of Lien and Set-off
4. Hypothecation Agreement
5. Mortgage Documents / Title Deeds
6. Declaration of Ownership and Non-Encumbrance
7. Valuation Reports (Stock & Property)
8. Memorandum of Deposit of Title Deeds (MODTD)
9. Legal Opinion Report
10. Insurance Policies with Bank Clause
11. Guarantee Agreements (Promoters/Partners/Directors)
12. Letter of Authority for routing receivables to Bank
13. Undertaking for submission of invoices and stock statements

4.18 Registers and Records

The following registers shall be maintained and updated:

- Hypothecation Register
- Drawing Power Register
- Stock / Market Price Register
- Book Debts Register (Age-wise)
- Balance Confirmation Register
- Insurance Register
- Monthly Stock Statement Register
- Property Register
- Documentation Register
- Inspection Register

4.19 Additional Risk & Compliance Measures

- Credit appraisal shall include **financial analysis, banking conduct, and cash flow assessment.**
- **CIBIL / CIC reports** shall be mandatorily obtained.
- Compliance with **KYC/AML norms** and audit requirements shall be ensured.
- Early Warning Signals (EWS) shall be identified, and accounts shall be monitored to prevent slippage into NPA.

4.1 Renewal of Cash Credit / Working Capital Limits





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Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Introduction

Cash Credit / Working Capital limits shall be renewed annually to ensure continuity of operations, subject to satisfactory account conduct and compliance with Bank norms.

Renewal Request

- The borrower shall submit a **written request for renewal** of the Cash Credit / Working Capital limit before the due date.
- The request shall include a **declaration confirming**:
 - Continuation of the same line of business
 - No material adverse change in financial position
 - Proper utilization of bank finance
 - No diversion of funds

Documents for Renewal

For renewal of limits, the following minimum documents shall be obtained:

1. **Written Renewal Request Letter from Borrower**
2. **Declaration from Borrower** confirming:
 - Continuity of business
 - No change in ownership/constitution (or details if any change)
 - No additional borrowings without Bank's consent
3. **Latest Documents** (Property Tax / GST / Income Tax as applicable)

(Note: Additional financial statements or documents may be called for, if required, based on risk perception or account performance.)

Review Parameters

While renewing the facility, the Bank shall verify:

- Satisfactory conduct of the account (no persistent irregularity)
- Submission of stock statements and DP calculations
- Regular servicing of interest
- No overdue / NPA status
- Adequacy of security and insurance coverage
- Latest inspection findings





The Mahaveer Co-op. Bank Ltd.,
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Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Sanction of Renewal

- Renewal shall be approved by the competent authority as per delegation of powers.
- Any change in limit, margin, or terms shall be based on account performance and risk assessment.

5. Term Loan / Overdraft / Business Loan against Immovable Property

5.1 Introduction

The Bank may extend Term Loan, Overdraft (OD), or Business Loan facilities against mortgage of immovable property to eligible borrowers for personal, business, and other lawful purposes. These facilities shall be granted in accordance with RBI guidelines, prudential exposure norms, and the Bank's internal credit policy.

5.2 Eligibility

The following borrowers shall be eligible:

- Individuals who are **Regular or Associate Members** of the Bank.
- Residents within the Bank's **area of operation (Belagavi and adjoining service area)**.
- Borrowers engaged in **gainful employment, profession, or business activity**.
- Applicants with **sound credit history, financial discipline, and proven repayment capacity**.

5.3 Purpose of Loan

Loans may be sanctioned for the following purposes:

- Purchase, construction, renovation, or improvement of **residential or commercial property** in approved areas.
- **Business expansion**, working capital support, or other productive economic activities.
- **Higher education** of children or dependents in recognized institutions.
- Any other **lawful purpose** not prohibited by RBI or Government regulations.

Loans shall not be granted for speculative or prohibited activities.

5.4 General Conditions

- Loans shall be sanctioned only against **clear and marketable title** of immovable property.
- Property may be held singly or jointly by the borrower, spouse, or immediate family members.
- The property must be situated in **approved layouts / legally permitted areas**.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

The Bank shall not finance:

- Properties located in **unauthorized layouts or non-approved zones**.
- **Agricultural land** (unless specifically permitted under policy/regulation).
- Properties involving **minor's interest**.
- Properties acquired through **Power of Attorney (PoA)** transactions lacking clear title.

Borrower Profile Requirements:

- **Salaried Individuals:**
 - Preferably employed with Government / Semi-Government / reputed private organizations
 - Minimum **3–5 years of service**
 - Submission of **Income Tax Returns (ITR)** for last **2–3 years**
- **Self-employed / Business Borrowers:**
 - Minimum **3 years of business continuity**
 - Submission of **ITR, GST returns, and financial statements**
- Existing borrowers with **satisfactory repayment track record** shall be given preference.
- First-time borrowers must submit **bank statements** and financial credentials.
- **Two sureties** of sound financial standing shall be mandatory.

5.5 Loan Quantum / Limit

The maximum loan amount shall be the **lowest of the following:**

- Exposure limit as per **RBI prudential norms and Board-approved policy**.
- Up to **80% of the realizable value of property**, as assessed by a Bank-approved valuer or circle rate (whichever is lower for prudence).
- In exceptional cases, a higher LTV (up to **85%**) may be considered with proper justification and approval at higher authority.
- The **EMI/obligation shall not exceed 70% of the borrower's net income**.
- **Clubbing of family income** may be permitted subject to co-obligation and repayment capacity.

5.6 Disbursement of Loan

- Disbursement shall be made strictly through **banking channels (RTGS/NEFT/DD/Pay Order)**.
- In case of property purchase, payment shall be made **directly to the seller at the time of registration**.
- For construction or other purposes, disbursement shall be made in stages based on **progress verification**.



The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Cash disbursement is strictly prohibited.

5.7 End-Use Monitoring

- Borrower shall submit a **declaration/undertaking on end-use of funds**.
- The Branch Manager shall verify utilization through **inspection and documentation**.
- A **Post-Disbursement Monitoring Register** shall be maintained for all such loans.

5.8 Repayment and Tenure

- Term Loans may be sanctioned for a maximum period of **up to 180 months (15 years)**, including moratorium.
- **Overdraft Limits:**
 - Sanctioned for **one year**, subject to annual review and renewal based on satisfactory conduct.

5.9 Rate of Interest

- Interest shall be charged at **monthly rests** at rates determined by the Board.
- Rates shall be subject to **periodic revision** based on market conditions and RBI guidelines.

5.10 Security

- **Primary Security:** Mortgage (Registered / Equitable) of immovable property.
- **Collateral:** Additional security may be obtained depending on risk perception.

Conditions:

- Property must have **clear, marketable, and encumbrance-free title**.
- **Encumbrance Certificate (minimum 15 years or as required)** shall be obtained.
- Legal opinion from empanelled advocate is mandatory.
- **CERSAI registration** of charge shall be ensured.
- All original title deeds shall be held by the Bank.
- In case of joint ownership, **consent / partition deed** shall be obtained.
- Additional guarantors/co-obligants (spouse/children) may be insisted upon.

5.11 Valuation and Legal Compliance

- Property valuation shall be carried out by a **Bank-approved valuer**.
- Valuation shall consider **market value, distress value, and circle rate**.
- Borrower shall submit declaration confirming:





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Ownership
- Absence of litigation or statutory dues

5.12 Insurance

- Property shall be insured against risks such as:
 - Fire, earthquake, flood, and other hazards
- Insurance policy shall include **Bank Clause**.
- For construction loans, **construction risk insurance** shall be obtained.

5.13 Documentation (to be Submitted by Borrower)

- Loan Application with Project Report (if applicable)
- KYC Documents (Aadhaar, PAN, Address Proof)
- Income Proof (ITR, Salary Certificate, Financial Statements)
- Bank Statements
- NOC from existing lenders (if any)
- Property Tax Receipts and Utility Bills
- Approved Building Plan and Cost Estimate (for construction)

Entity-Specific Documents:

- **Proprietorship:** Declaration, KYC, address proof
- **Partnership Firm:** Partnership Deed, Registration Certificate, KYC of partners
- **Company:** Certificate of Incorporation, MoA/AoA, Board Resolution, ROC compliance

5.14 Documentation to be Executed

- Demand Promissory Note (DPN)
- Continuity Letter
- Loan Agreement / Sanction Terms
- Mortgage Deed / MODTD
- Title Deeds with full chain
- Encumbrance Certificate
- Valuation Report
- Legal Opinion
- Letter of Lien & Set-off
- Guarantee Agreements
- Undertakings for:
 - Payment of taxes and statutory dues





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Insurance renewal
- Construction as per approved plan

5.15 Registers and Records

The following records shall be maintained:

- Advances Register
- Property Register
- Documentation Register
- Insurance Register
- Inspection Register
- Post-Disbursement Monitoring Register

5.16 Additional Risk & Compliance Measures

- **CIBIL / Credit Reports** shall be mandatorily obtained.
- Proper **credit appraisal and DSCR analysis** shall be carried out.
- Compliance with **KYC/AML norms** is mandatory.
- Early Warning Signals (EWS) shall be monitored to prevent asset slippage.
- All loans shall be subject to **internal audit and regulatory inspection**.

6. Educational Loan Scheme

6.1 Objective

The Educational Loan Scheme aims to provide financial assistance to meritorious and deserving students for pursuing higher education in India and abroad. The scheme is designed to ensure that no eligible student is deprived of educational opportunities due to financial constraints, while maintaining prudent credit and risk management practices.

6.2 Purpose and Eligible Expenses

The loan shall be granted to cover reasonable and necessary expenses directly related to the course of study, including:

- Tuition fees, hostel fees, and other fees payable to the institution
- Examination, library, and laboratory fees
- Purchase of books, instruments, equipment, and uniforms
- Caution deposits, building fund, and refundable deposits (supported by receipts)
- Travel expenses/passage fare for studies abroad





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Purchase of computer/laptop essential for completion of the course
- Expenses for study tours, project work, thesis, etc.
- Any other expenses as indicated in the **institution's fee structure/brochure/demand letter**

6.3 Eligibility Criteria

3.1 Student Eligibility

- The student shall be a **member / nominal member** of the Bank.
- Admission must be secured in a **recognized institution** in India or abroad through a merit-based selection process or entrance examination.
- The student must have a **satisfactory academic record**.
- The applicant shall not have any **overdue/default in existing loans** with any financial institution.

3.2 Co-Borrower

- Parent(s) / Guardian shall be **co-borrower(s)** and preferably members of the Bank.
- The co-borrower shall have **stable income and repayment capacity**.

3.3 Eligible Courses

- Graduate, Post-Graduate, Professional, and Diploma courses conducted by recognized universities/colleges in India and abroad.

6.4 Quantum of Finance

- Loan shall be **need-based**, considering course cost and future earning potential.
- **Maximum Limit:** Up to **₹20.00 lakh** (for studies in India and abroad).
- **Margin:** Minimum **10%** of total cost to be borne by the borrower.

6.5 Security

Security shall be obtained based on loan amount and risk assessment:

- **Primary:** Assignment of future income of the student
- **Collateral Security (where applicable):**
 - Immovable property (land/building)
 - NSCs, KVPs, or other Government securities
 - Life Insurance Policies
 - Bank deposits





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Security may be provided in the name of **student / parent / guarantor**.

6.6 Sureties

- Minimum **two sureties** of sound financial standing, preferably members of the Bank, shall be obtained.

6.7 Rate of Interest

- Interest shall be charged at **10.25% per annum** or such rate as may be revised by the Board from time to time.
- Interest shall be applied at **monthly rests**.

6.8 Moratorium and Repayment

- **Moratorium Period:**
 - Course period + **6 to 12 months** after completion (or until employment, whichever is earlier).
- **Repayment Period:**
 - Up to **15 years** after commencement of repayment.
- Interest during the moratorium may be:
 - Serviced during study period, or
 - Capitalized and added to the principal, at the borrower's option.

6.9 Disbursement

- Loan shall be disbursed in **stages**, based on demand from the institution.
- Payments shall be made **directly to the educational institution / vendor** through banking channels.
- No cash disbursement shall be permitted.

6.10 Monitoring and Follow-up

- The student shall submit **periodic progress reports / mark sheets**.
- The Bank shall monitor:
 - Academic progress
 - Continuation of course
 - Utilization of funds
- Post completion, the borrower must inform the Bank regarding:
 - Completion of course
 - Employment details





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

6.11 Other Conditions

- Loan shall be sanctioned in the **joint name of student and co-borrower**.
- Borrower shall submit an undertaking to:
 - Inform change in address/contact details
 - Inform employment status
- The Bank may obtain a **standing instruction / ECS mandate** for EMI recovery.
- The Bank may, where feasible, obtain a **salary deduction undertaking** from employer.

6.12 Charge Creation

- Charge on collateral security shall be **registered with CERSAI** within the prescribed time.

6.13 Processing Charges

- Processing, documentation, and other service charges shall be levied as per the **Bank's approved service charge policy**.
- The Bank may waive or reduce charges for meritorious students at its discretion.

6.14 Documentation

The following documents shall be obtained:

- Loan Application Form
- Admission Letter from Institution
- Fee Structure / Demand Letter
- KYC Documents (Student & Co-borrower)
- Academic Records
- Income Proof of Co-borrower
- Collateral Security Documents (if applicable)
- Guarantee Agreements
- Undertaking for repayment and compliance

6.15 Registers and Records

The following records shall be maintained:

- Advances Register
- Educational Loan Register
- Documentation Register
- Disbursement Register





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Follow-up / Monitoring Register

6.16 Risk & Compliance Measures

- Credit appraisal shall include **repayment capacity of co-borrower and employability of student.**
- **CIBIL / CIC reports** shall be obtained for co-borrower.
- Compliance with **KYC/AML norms** shall be ensured.
- Accounts shall be monitored to prevent slippage into **NPA category.**

7. Staff Overdraft Facility

7.1 Introduction

The Bank may grant Overdraft (OD) facilities to its permanent employees to meet short-term personal financial requirements on concessional terms, subject to service conditions, internal policy guidelines, and applicable rules of the Bank.

The proposal for extension of Overdraft (OD) facility to eligible staff members, as approved in-principle under Resolution No. 13 dated 30-12-2025, is hereby finally approved.

7.2 Eligibility

- Permanent employees with a minimum of **03 years of continuous service.**
- Employees with **satisfactory service record and conduct.**
- Salary account must be maintained with the Bank.

7.3 Purpose

- To meet **genuine personal and emergency financial needs.**
- The facility shall not be used for **speculative or prohibited purposes.**

7.4 Limit

- Overdraft limit shall be fixed board and it will be fixed on staff designation and there experience

7.5 Rate of Interest

- Interest shall be charged at a **concessional rate**, as approved by the Board, and applied at monthly rests.

7.6 Security and Surety





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- **Primary Security:** Undertaking for recovery from salary and lien on terminal benefits.
- **Surety:** Two co-employee surety may be obtained; may be waived for lower limits at the discretion of the sanctioning authority.

7.7 Operation and Repayment

- The OD account shall be operated as a **running account within the sanctioned limit**.
- Adjustments shall be made through **monthly salary credits**.
- The account shall be kept regular at all times.
- In case of **resignation, retirement, or termination**, the entire outstanding shall become immediately due and shall be recovered from terminal benefits or other dues.

7.8 Monitoring and Review

- The facility shall be **reviewed every 3 years**.
- Any irregularity or excess drawing shall be **regularized promptly**.

7.9 Documentation

- Loan Application and Salary Certificate
- Demand Promissory Note (DPN)
- Letter of Lien and Set-off
- Salary deduction undertaking
- Guarantee Letter (where applicable)

7.10. Tenor

- The OD facility shall be sanctioned for a period of **three (3) years**, subject to periodic review/renewal as per the Bank's policy.

7.11 Records

- Staff Overdraft Register
- Documentation Register
- Recovery / Monitoring Register

8. Bank Guarantee Policy

8.1 Purpose

The Bank shall issue **financial guarantees only** to support genuine trade and credit-related transactions of its customers. Issuance of **performance guarantees shall not be permitted**, in line with regulatory guidelines applicable to Urban Co-operative Banks.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

8.2 Maturity

- Bank guarantees shall generally be issued for **short to medium-term durations**.
- Under no circumstances shall guarantees be issued for a period exceeding **10 years**.
- The tenure shall be aligned with the underlying transaction and risk exposure.

8.3 Volume / Exposure Limits

- The total outstanding guarantees shall not exceed **10% of the Bank's Owned Funds** (paid-up capital and reserves).
- Within this ceiling, **unsecured guarantees**, if permitted by the Board, shall be restricted to the lower of:
 - **25% of Owned Funds**, or
 - **25% of total outstanding guarantees**
- All guarantees shall also comply with **single borrower and group exposure limits** as per RBI norms.

8.4 Secured Guarantees

- The Bank shall **preferably issue guarantees against adequate tangible security**.
- Acceptable securities include:
 - Immovable property (land/building)
 - Government / Public Sector Bonds
 - NSCs / KVPs
 - Life Insurance Policies (with surrender value)
 - Term Deposits with the Bank
 - Counter-guarantee of Central/State Government, Financial Institutions, or Insurance Companies
- The **realizable value of security** shall at all times cover the guarantee exposure.

8.5 Unsecured Guarantees

- As a matter of policy, the Bank shall **discourage issuance of unsecured guarantees**.
- Any exception shall require:
 - Strong financials and creditworthiness of the borrower
 - Prior approval of the **Board / competent authority**
 - Strict adherence to prudential exposure limits

8.6 Deferred Payment Guarantees (DPG)

- DPGs may be issued for acquisition of capital assets, subject to:





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Total exposure (including DPG) being within prescribed limits
- Detailed appraisal of **project viability and cash flows**
- Application of **term loan appraisal norms**
- The Bank shall ensure that the borrower has adequate capacity to meet future obligations.

8.7 Safeguards in Issuance

The following safeguards shall be strictly observed:

- Guarantees shall be issued on **serially numbered security stationery**.
- Guarantees above specified limits shall be **jointly signed by two authorized officials**.
- Copies shall be maintained at **Branch and Head Office** for control and monitoring.
- Guarantees shall not be issued to customers without proper **credit appraisal**, even if no fund-based facility exists.
- Where the borrower has banking arrangements elsewhere, **banker's opinion / NOC** shall be obtained.
- Guarantees issued in favour of other banks shall be subject to **full due diligence and higher-level approval**.

8.8 Payment of Invoked Guarantees

- The Bank shall **honour guarantees promptly and without demur**, upon valid invocation as per terms.
- Delays or refusal to honour guarantees shall be avoided, as they may affect the **credibility and reputation** of the Bank.

8.9 Documentation and Records

- Proper documentation including **counter-indemnity, security documents, and agreements** shall be obtained.
- A **Bank Guarantee Register** shall be maintained, recording:
 - Issue date, amount, beneficiary, expiry date
 - Security details
 - Invocation / closure status

8.10 Monitoring and Control

- Periodic review of outstanding guarantees shall be conducted.
- Expired guarantees shall be **cancelled and liability extinguished** after obtaining proper confirmation.
- Adequate **provisioning and risk assessment** shall be carried out as per RBI norms.





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Handling of Export Documents

In accordance with the guidelines issued by the **Reserve Bank of India (RBI)**, Urban Co-operative Banks (UCBs) which are **not authorized as Authorized Dealers (AD Category-I) in foreign exchange** shall not undertake any activity relating to export documentation or foreign exchange transactions.

Accordingly, the Bank shall strictly adhere to the following:

- The Bank shall **not handle export documents** on behalf of its customers.
- The Bank shall **not issue any undertaking, letter of authority, or comfort** to Authorized Dealer (AD) banks for negotiation or collection of export bills.
- The Bank shall **not authorize any AD bank to debit its account** in respect of returned or unpaid export bills.
- The Bank shall not engage, directly or indirectly, in:
 - Export documentation
 - Foreign currency transactions
 - Trade-related credit arrangements involving foreign exchange

Any such activity would amount to **unauthorized dealing in foreign exchange** and would be in violation of the provisions of the **Foreign Exchange Management Act (FEMA), 1999** and related RBI regulations.

The Bank shall ensure **strict compliance** with these regulatory restrictions to avoid penalties and maintain adherence to the legal framework governing foreign exchange transactions in India.

Priority Sector Lending (PSL) Targets

➤ Introduction

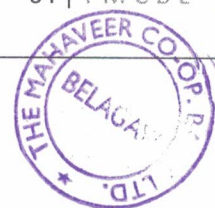
This policy is framed in accordance with the RBI (Priority Sector Lending – Targets and Classification) Directions, 2025, with the objective of ensuring adequate and timely flow of credit to priority sectors contributing to socio-economic development.

➤ Applicability

This policy shall apply to The Mahaveer Co-operative Bank Ltd., Belagavi, being a Primary Urban Co-operative Bank (UCB).

➤ Priority Sector Categories

The Bank shall classify advances under the following categories:





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Agriculture allied.
- Micro, Small and Medium Enterprises (MSME)
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others

➤ Basis for PSL Computation

PSL targets shall be computed on the basis of the higher of:

- **Adjusted Net Bank Credit (ANBC), or**
- **Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE)**

as on **31st March of the preceding financial year**. Inter-bank exposures shall be excluded from such computation

➤ PSL_Targets

The Bank shall ensure that 60% of ANBC or CEOBSE (whichever is higher) is extended to the Priority Sector. Within this, a minimum of 7.5% shall be extended to Micro Enterprises and 12% to Weaker Sections, in line with RBI guidelines.

➤ Key Eligible Segments

- **Agriculture**

Loans to individual farmers and SHGs/JLGs for crop loans, allied activities (dairy, poultry, fisheries, etc.), farm mechanization, KCC, and loans against agricultural produce (as per RBI limits).

Note: Lending to co-operative farming societies is not permitted.

- **MSME**

All loans to MSMEs including micro and small business units, village and cottage industries, and PMJDY overdrafts.

- **Education**

Loans up to ₹25 lakh for education, including vocational courses.

- **Housing**

Loans for purchase, construction, and repair of dwelling units within RBI limits, including affordable housing.

- **Social_Infrastructure**

Loans up to ₹8 crore for schools, sanitation, and water facilities, and up to ₹12 crore for healthcare (in centers with population below 1 lakh).





The Mahaveer Co-op. Bank Ltd.,
1157, Shree Renuka Towers,
Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- **Renewable_Energy**

Loans up to ₹35 crore for projects and ₹10 lakh for individual households.

- **Others**

Loans to SHGs/JLGs (non-agriculture), distressed persons (up to ₹1 lakh), and microfinance borrowers.

- **Weaker_Sections**

Advances to weaker sections shall include lending to small and marginal farmers, SHGs/JLGs, SC/ST beneficiaries, women, PMJDY account holders, persons with disabilities, and minority communities, as per RBI norms.

- **Monitoring_and_Compliance**

The Bank shall monitor PSL achievement on a quarterly basis and ensure proper classification and reporting as per RBI guidelines. Any shortfall shall be addressed through focused lending efforts, and non-achievement may result in contribution to RIDF or other specified funds and may impact regulatory approvals.

- **General_Guidelines**

Interest rates shall be as per RBI norms. No charges shall be levied on loans up to ₹50,000. The Bank shall acknowledge all loan applications, ensure proper documentation, and monitor end-use of funds. Each loan shall be classified under only one PSL category.

- **Restrictions**

The Bank shall not lend to co-operative farming societies. Provisions relating to on-lending to NBFCs, securitisation/IBPC, and co-lending are not applicable to UCBs.

Delegation of Powers

- **Objective**

To ensure **efficient credit delivery, timely decision-making and operational flexibility**, the Bank delegates certain sanctioning powers to designated officials, subject to defined limits, controls, and reporting mechanisms.

- **Branch Managers' Authority**

Branch Managers are authorized to sanction the following loan facilities within limits prescribed by the Board:





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Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- Gold Loans
- Loans against Bank's Own Term Deposits (FDs)
- Loans against NSCs / KVPs / LIC Policies

All such sanctions shall be:

- Within the **delegated financial limits and policy guidelines**
- Supported by proper documentation and due diligence

A **monthly statement of sanctions** shall be submitted to the Head Office and placed before the **Board / Loan Committee for ratification**.

➤ Internal Audit and Oversight

- Internal Audit / Inspection Department shall verify that delegated powers are exercised:
 - **Within approved limits**
 - In compliance with **policy and regulatory guidelines**
 - With proper appraisal and documentation
- Any **deviation, irregular sanction, or excess over delegated powers** shall be:
 - Immediately reported to the **Head Office**
 - Placed before the **Board of Directors** for review and corrective action
- Instances of sanction beyond authority by senior functionaries, including **CEO/Chairman**, shall be specifically reported to the Board.

➤ Control and Accountability

- Delegated powers shall be exercised with **prudence, transparency, and accountability**.
- All sanctions shall be subject to:
 - **Post-facto review**
 - **Concurrent/Internal Audit**
 - **Regulatory inspection**

Monitoring Operations in Loan Accounts

Post-Sanction Monitoring

Effective post-sanction monitoring is essential to ensure proper utilization of funds, safeguarding of security, and early detection of stress in loan accounts.





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Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- **Purpose-Specific Utilization:**
Branches shall ensure that drawals from Cash Credit / Overdraft and other facilities are strictly utilized for the **sanctioned purpose**. Any diversion or misuse of funds shall be treated seriously.
- **Security Monitoring:**
Periodic verification shall be carried out to ensure that **primary and collateral securities remain adequate, enforceable, and properly maintained** throughout the loan tenure.
- **Monitoring of Stress Accounts:**
Accounts showing early warning signals or likely to slip into **NPA category** shall be closely monitored through:
 - Increased frequency of inspections
 - Stock verification and control
 - Ensuring routing of all sales proceeds through the loan account
 - Strengthening of security (including conversion to pledge, where necessary)
- **Restrictions on Clearing Instruments:**
 - Drawals against clearing instruments shall be permitted **only in select cases of well-rated customers** and within prudent limits.
 - Issuance of Banker's Cheques / Demand Drafts / Pay Orders against uncleared effects is **strictly prohibited**, particularly in irregular or overdrawn accounts.
 - Such facilities shall be limited to **reliable instruments**, such as bank drafts or Government cheques.

Responsibility and Internal Controls

- Branches shall maintain robust **internal control systems** to prevent misuse of funds, fraud, and operational lapses.
- Proper checks and balances shall be enforced in all loan operations.
- **Staff Accountability:**
Any act of negligence, misuse of authority, or fraudulent conduct by staff shall be dealt with **strictly**, including disciplinary action as per service rules.

Periodic Review of Advances

- All advances shall be subject to **half-yearly review** by the Loan Committee / competent authority.
- The review shall cover:
 - Asset classification and account conduct
 - Compliance with sanction terms
 - Adequacy of security
 - End-use of funds and overall credit quality





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Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Valuation of Properties

- Valuation of collateral securities shall be carried out by **independent, qualified, and Bank-approved valuers**.
- Valuers shall have **no direct or indirect interest** in the borrower or transaction.
- Revaluation of properties shall be conducted at least **once every three years**, or earlier if required.
- A **Valuation Register** shall be maintained and updated at the branch/Head Office.

Empanelment of Valuers

- Valuers shall be **qualified professionals (Engineers/Registered Valuers)** approved by the Bank.
- The Bank shall maintain an **updated panel/list of approved valuers** with periodic review of their performance.

Diversion of Funds

Diversion of funds shall be strictly prohibited and includes:

- Utilization of working capital funds for **long-term assets**
- Investment in **group concerns / subsidiaries** without approval
- Routing of funds through **unauthorized banking channels**
- Investment in securities without Bank's consent
- Unjustified **large cash withdrawals**
- Non-routing of sales proceeds through the loan account

Such instances shall be treated as **serious irregularities** and may attract:

- Recall of loan
- Levy of penal interest
- Initiation of legal/recovery proceedings

End-Use Verification

The Bank shall ensure proper end-use of funds through:

- Periodic **inspection of secured assets**
- Scrutiny of borrower's **books of accounts and financial statements**
- Monitoring of **external banking arrangements**
- Review of **progress reports** in case of project loans
- **Annual site visits** to borrower's business premises
- **Stock verification (at least once in six months)**
- Obtaining **Chartered Accountant's certificate**, wherever necessary, confirming utilization of funds





The Mahaveer Co-op. Bank Ltd.,
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Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Monitoring and Reporting

- All irregularities and early warning signals shall be **reported to higher authorities** without delay.
- Corrective measures shall be initiated promptly to **prevent slippage into NPA**.
- Monitoring shall form part of **internal audit, concurrent audit, and regulatory inspection**.

Exchange of Credit Information

In accordance with **RBI guidelines** and sound credit risk management practices, *The Mahaveer Co-operative Bank Ltd., Belagavi* has established a structured system for the **exchange of credit information**. This framework supports **informed lending decisions, credit discipline, and risk mitigation**.

Membership of Credit Information Companies (CICs)

- The Bank is a member of all four CICs registered under the **Credit Information Companies (Regulation) Act, 2005**, namely:
 - **TransUnion CIBIL**
 - **Equifax**
 - **Experian**
 - **CRIF High Mark**
- This is in compliance with **Section 15(1)** of the Act and RBI directive **DBR.No.CID.BC.59/20.16.056/2014-15**.
- The Bank shall:
 - **Regularly submit credit data**, including historical records, to all CICs
 - Ensure **accuracy, completeness, and timeliness** of data submission
 - Rectify discrepancies promptly, if any

Credit Information Reports (CIRs)

- The Bank shall obtain **Credit Information Reports (CIRs)** from one or more CICs as part of the **credit appraisal and renewal process**.
- CIRs shall be used to:
 - Assess **creditworthiness and repayment history**
 - Identify **existing liabilities and over-leveraging**
 - Support **risk-based lending decisions**

Information Sharing in Multiple / Consortium Banking

To ensure transparency in cases of multiple banking arrangements:





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Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- **Declaration by Borrower:**
Borrowers shall disclose all existing credit facilities availed from other banks/financial institutions at the time of sanction.
- **Periodic Information Exchange:**
In respect of accounts with exposure of **₹5 crore and above** (or as prescribed by the Board/RBI), the Bank shall:
 - Exchange credit information with other lenders on a **quarterly basis**
 - Monitor account conduct and exposure levels
- **Professional Certification:**
Periodic certification regarding financials and statutory compliance may be obtained from:
 - Chartered Accountants
 - Company Secretaries
 - Cost Accountants
- **Use of Multiple CIC Reports:**
The Bank shall make effective use of reports from **all CICs** to ensure comprehensive assessment.

Consent and Confidentiality

- All loan agreements (fresh and renewals) shall include a **consent clause** authorizing the Bank to:
 - Obtain and share credit information with CICs and other lenders
- The Bank shall ensure compliance with:
 - **Data privacy and confidentiality norms**
 - Applicable legal and regulatory requirements

Monitoring and Compliance

- The system of credit information exchange shall be **periodically reviewed** by the Head Office.
- Any discrepancies or non-compliance shall be **rectified promptly**.
- The process shall be subject to **internal audit and regulatory inspection**.

Central Electronic Registry (CERSAI) under SARFAESI Act, 2002

The Bank is registered with the **Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI)**. All security interests created in favor of the Bank, particularly **equitable mortgages**, shall be registered with CERSAI to:

- Prevent **multiple financing against the same asset**
- Mitigate risks of **fraudulent transactions**
- Establish the Bank's **priority charge over secured assets**





The Mahaveer Co-op. Bank Ltd.,
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Anantshayan Galli,
Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

The Bank shall ensure:

- Timely **registration, modification, and satisfaction of charges**
- Continuous updating of records in the CERSAI system
- Compliance with timelines prescribed under the **SARFAESI Act and Rules**

Disclosure and Monitoring of Defaulting Borrowers

- The Bank shall submit, on a **quarterly basis**, details of:
 - **Suit-filed accounts** with outstanding of ₹1 crore and above to CICs
 - **Wilful defaulters** with outstanding of ₹25 lakh and above
- The Bank shall:
 - Verify borrower credit status through **CIC platforms**
 - Avoid extending credit to **defaulters / wilful defaulters / related entities**
 - Maintain strict vigilance over borrowers with adverse credit history

Linking Shareholding to Borrowing

- In accordance with RBI guidelines, borrowers may be required to subscribe to the Bank's shares to the extent of **2.5% to 5% of the loan amount**.
- This requirement shall be **waived** if the Bank maintains **CRAR above 12%**, as permitted by RBI.
- Share linking shall comply with applicable provisions of the **Co-operative Societies Act and Bank's Bye-laws**.

Interest Application

The Bank shall follow **income recognition and accounting norms** as prescribed by RBI:

- **Non-Performing Assets (NPAs):**
 - Interest shall **not be recognized as income** if overdue beyond 90 days
 - Such interest shall be recorded under "**Interest Receivable**" and offset by "**Overdue Interest Reserve**"
- **Performing Assets:**
 - Interest shall be recognized on an **accrual basis**
 - If the account becomes NPA, previously accrued interest shall be **reversed or fully provided**
- The Bank shall:
 - Follow uniform accounting practices under the **Banking Regulation Act, 1949 (AACs)**
 - Ensure that **Overdue Interest Reserve is not treated as owned funds**





The Mahaveer Co-op. Bank Ltd.,
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Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Provisioning Norms

The Bank shall make provisions on advances in accordance with **RBI prudential norms**:

Loss Assets

- Assets identified as **irrecoverable** shall be:
 - Fully provided (**100%**) or
 - Written off, as per audit/regulatory directives

Doubtful Assets

- Accounts remaining **sub-standard beyond 12 months** shall be classified as doubtful.

Provisioning:

- Unsecured Portion:** 100%
- Secured Portion:**
 - Up to 1 year: 20%
 - 1–3 years: 30%
 - Above 3 years: 100%

Sub-standard Assets

- Assets overdue for **more than 90 days and up to 12 months**
- Provision: **10% of outstanding balance**

Standard Assets

- Performing assets with no overdue beyond 90 days

Provisioning:

- Agriculture & MSME: **0.25%**
- Commercial Real Estate (CRE): **1.00%**
- CRE – Residential Housing: **0.75%**
- Others: **0.40%**
- These shall be classified under **“Standard Asset Provision”** and may be included in **Tier II Capital**, as per RBI norms.

Additional Provisions





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Belagavi-590002
Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

- The Bank may make **higher provisions** based on:
 - Asset quality deterioration
 - Sectoral risks
 - Regulatory requirements or internal assessment

Provision for Employee Benefits

- Liabilities towards **Provident Fund, Gratuity, and Pension** shall be:
 - Determined based on **actuarial valuation**
 - Fully provided in the **Profit & Loss Account** annually

General Terms and Conditions

- Applicants and sureties must submit **valid income proof**.
- A member shall act as surety for a **maximum of three live loan accounts**.
- **Processing fees** shall be collected at the time of application.
- Incomplete applications shall be **rejected without notice**.
- The Bank reserves the right to:
 - Demand **additional security/sureties**
 - Reject any application **without assigning reasons**
- Additional safeguards:
 - At least one surety from **outside the same organization**, where applicable
 - Consideration of **credit history of borrower and sureties**
 - Sanction validity: **3 months**, beyond which fresh processing required
 - Annual review for limits above **₹10 lakh**
- Applicants with:
 - Poor credit history
 - Legal recovery cases
 - Outstanding penal chargesshall be **ineligible or subject to stricter scrutiny**

Recovery Procedure

Repayment and Monitoring

- All loans shall be repaid through **monthly installments (EMIs)**.
- On default:
 - Immediate **follow-up and notice** shall be initiated
 - Persistent default may lead to **NPA classification**

SMA Classification (Special Mention Accounts)





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Phone : 0831-2407120/2407121/4212236

Credit Policy 2026-27

Loan accounts shall be classified as SMA based on overdue status as per RBI guidelines:

- **SMA-0:** Payments overdue up to **30 days**
- **SMA-1:** Payments overdue between **31–60 days**
- **SMA-2:** Payments overdue between **61–90 days**

Accounts overdue for **more than 90 days** shall be classified as **Non-Performing Assets (NPA)**.

NPA Classification

An account shall be classified as NPA if:

- Interest/principal remains overdue for **more than 90 days**
- CC/OD accounts remain **out of order for 90 days**
- Bills/receivables remain unpaid beyond **90 days**

Legal Action

- In case of continued default:
 - **Demand notice** shall be issued granting reasonable time (generally 15 days)
 - Cases shall be referred to:
 - **NPA/Recovery Committee**
 - **Registrar of Co-operative Societies / Arbitration**

Staff Accountability

- Officials responsible for **lapses in appraisal, monitoring, or recovery** may be held accountable.
- Appropriate disciplinary action shall be initiated in case of negligence.

Recovery under SARFAESI Act

- Wherever applicable, the Bank shall invoke provisions under the **SARFAESI Act, 2002** for enforcement of security interest **without court intervention**, to expedite recovery.

Conclusion: This Loan Policy, approved by the Board of Directors, shall guide all lending operations of the Bank and may be amended from time to time. Any changes arising from RBI directives or statutory requirements shall be implemented immediately, and the policy shall remain in force as a dynamic document until revised by the Board.

The Mahaveer Co-operative Bank Ltd., Belagavi

Chief Executive Officer/Vice-Chairman/Chairman

