Credit Policy 2025-2026

Approved by the Board of Directors at its meeting held on 29-07-2025, vide Resolution No. 10.

A. PREAMBLE

1.The Reserve Bank of India (RBI), through its Risk Management Guidelines, has advised all banks to establish a comprehensive Loan Policy duly approved by the Board of Directors. This policy must define the methodologies for identifying, measuring, monitoring, and controlling credit risk, and ensure that the credit risk management framework is fully integrated into the overall policy structure. In this context, each bank is also required to constitute a high-level Credit Policy Committee (CPC) to oversee all aspects of credit policy formulation and implementation, including reviewing credit policies, monitoring sectoral exposures, ensuring regulatory compliance, and guiding the bank's overall credit risk strategy. **This Loan Policy shall be read in conjunction with, and is subject to, the guidelines, circulars, and notifications issued by the Reserve Bank of India (RBI), as amended from time to time.**

- o Establishing standards for presenting credit proposals
- o Setting financial covenants, rating standards, and benchmarks
- o Delegating loan sanctioning powers
- o Defining prudential limits on large credit exposures and asset concentrations
- o Laying down standards for acceptable loan collateral
- o Ensuring effective loan portfolio management and review mechanisms
- o Monitoring risk concentrations, pricing of loans, provisioning, and legal/regulatory compliance
- o Enforcing adherence to credit risk parameters and ensuring asset quality

2. While the fundamental objective of the Loan Policy is to maximize yield on advances while minimizing credit risk, several factors are considered in its formulation:

- o Availability of lendable resources
- o Capital adequacy requirements
- o Growth of non-fund-based business
- o Sectoral and geographical allocation of credit
- o Group-wise exposure and credit tenor
- o Selection of new industries and sectors

3. The Loan Policy also incorporates the organizational structure for managing credit, including:

- o Internal hierarchy and delegation of powers
- o Credit appraisal mechanisms
- o Documentation standards

o Ongoing monitoring and review of borrowing accounts

This document shall serve as a guiding framework for all operational and administrative personnel involved in credit management, ensuring the effective and prudent handling of the Bank's credit portfolio.

B. CHANGED CREDIT SCENARIO

i. Recent developments in the Indian banking sector, including several key measures announced by the Reserve Bank of India (RBI), have significantly altered the credit landscape. These measures include:

- Granting autonomy to banks in determining the rate of interest on advances based on their individual cost of funds
- Reduction in the Cash Reserve Ratio (CRR), Bank Rate, and Repo Rate
- Liberalisation of policies related to the opening of new branches by private sector and foreign banks

These structural reforms have necessitated the formulation and adoption of a revised and dynamic loan policy to ensure alignment with the evolving regulatory environment and competitive market dynamics.

ii. In addition, as part of broader banking sector reforms, the RBI has withdrawn standardized benchmarks for service charges, processing fees, and commissions on various banking products. Banks have now been granted complete freedom to frame and implement their own guidelines in this regard, encouraging operational flexibility and customer-centric pricing models.

iii. In view of the above-mentioned developments, this **Loan Policy Document** has been formulated to comprehensively outline the methodologies for identifying, measuring, monitoring, and controlling various credit risk factors. The policy detailed hereunder serves as a strategic framework to guide the Bank's credit operations in the current liberalized and competitive financial environment.

LOANS AND RECOVERY POLICY

The Loan and Recovery Policy currently in force has been reviewed by the **Loan Sub-Committee** in light of the various guidelines and circulars issued by the Reserve Bank of India (RBI) from time to time.

As a matter of principle, the Bank extends credit facilities primarily to its **own members**, focusing on areas such as trade, commerce, industry, construction and repair of houses, purchase of durable consumer goods, and other consumption or ceremonial needs. The Bank also seeks to support the credit requirements of:

- Small artisans
- Self-employed professionals (e.g., medical practitioners, chartered accountants, engineers)
- Small traders
- Micro, Small & Medium Enterprises (MSMEs)
- Transport operators
- Weaker sections of the society

Before sanctioning loans, the Bank ensures:

- Adequacy and reliability of the borrower's income to support regular repayment
- Acceptability and sufficiency of the security offered
- Sound financial and ethical standing of the borrower
- Economic viability and technical feasibility of the project or proposal

The Bank may also sanction loans against its own fixed deposits, NSCs/KVPs, and LIC policies to **non-members**, subject to their obtaining **nominal membership**.

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1. MISSION STATEMENT

The mission of the Loan Policy is to serve as a strategic guide for the Bank's credit operations, ensuring responsible and sustainable lending practices. The policy aims to:

a) **Establish robust credit risk management parameters** to systematically identify, measure, monitor, and control credit-related risks across all loan segments.

b) **Strengthen credit appraisal, sanction, and monitoring mechanisms** by implementing thorough due diligence, prudent underwriting standards, and continuous post-disbursement tracking.

c) **Create and maintain a high-quality loan portfolio** with balanced exposure across sectors and borrower categories, minimizing delinquencies and credit losses.

d) **Encourage portfolio diversification** by extending credit to non-traditional, underserved, and emerging sectors, thereby spreading risk and supporting inclusive growth.

e) **Maximize return on capital employed in lending** through efficient resource allocation, risk-based pricing, and active credit portfolio management.

f) **Support the Bank's overall mission** of contributing to the economic development of its members and communities, particularly through credit expansion to priority and productive sectors.

2. OBJECTIVES OF THE LOAN POLICY

The Loan Policy aims to serve as a comprehensive framework for prudent credit deployment, effective risk management, and sustained growth of the Bank's loan portfolio. The objectives are as follows:

a) **Ensure balanced and inclusive credit delivery** by defining strategies that facilitate equitable distribution of credit across priority, retail, MSME, agriculture, and other sectors, in alignment with the Bank's developmental role and socio-economic obligations.
b) **Strengthen credit appraisal, disbursement, and post-disbursement supervision** to maintain asset quality through early detection of stress, proactive follow-ups, and timely intervention in borrower accounts showing signs of weakness.
c) **Build a robust, diversified, and high-quality credit portfolio** by encouraging low-risk sectors and expanding the retail credit base to reduce dependence on large ticket loans and sectoral concentrations.
d) **Enhance income through innovative financial offerings**, including fee-based and non-fund-based services such as bank guarantees, letters of credit, and third-party product distribution, thereby mitigating pressure on interest margins.
e) **Improve credit delivery systems and internal processes** through digital integration, automation of workflows, standardization of documentation, and simplification of approval mechanisms for enhanced customer experience and efficiency.
f) **Empower employees and improve credit culture** by providing structured training, certification, and continuous learning programs to build credit underwriting and monitoring capabilities across all functional levels.
g) **Implement prudent credit delegation mechanisms** that strike a balance between operational flexibility and risk control, ensuring decentralization of powers with adequate checks and balances to prevent misuse or overexposure.
h) **Define standardized norms for acceptable security and collateral**, including margin requirements, valuation norms, and enforceability of security, to safeguard the Bank's interests and minimize credit losses.
i) **Establish strong loan review, risk monitoring, and control systems**, including regular internal audits, off-site surveillance, stress testing, and risk-based portfolio classification to ensure long-term portfolio health.
j) **Develop dynamic loan pricing strategies** based on credit risk grades, cost of funds, customer profiles, tenure, and market competition, to optimize risk-adjusted returns while remaining competitive and fair.

k) **Promote credit penetration through responsible lending practices**, financial literacy initiatives, and transparent communication, to build trust and long-term relationships with the Bank's customers.
l) **Ensure strict adherence to RBI regulations, statutory norms, and Board-approved guidelines**, fostering governance, compliance, and accountability in all credit-related functions.

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3. EXPOSURE NORMS

A. Exposure Ceiling for Single and Group Borrowers

In compliance with the RBI guidelines, the exposure limits are:

- Single Borrower / Party: Maximum of 15% of Tier I Capital
- Group of Connected Borrowers / Parties: Maximum of 25% of Tier I Capital

These exposure ceilings are to be recalculated annually after finalization and audit of the Bank's balance sheet as on 31st March of the preceding year and must be approved by the Board of Directors.

B. Components of Credit Exposure

a) The exposure shall include:

- Funded and non-funded credit limits
- Underwriting and similar commitments
- Equipment leasing and hire purchase financing
- Ad hoc limits sanctioned for contingencies

b) Credit exposure does not include loans granted against the Bank's own term deposits.

c) For calculating credit exposure, the higher of the sanctioned limit or outstanding amount shall be considered. For fully drawn term loans (with no scope of redrawal), only the outstanding amount may be considered.

d) For **non-funded limits**, 100% of the limit or outstanding—whichever is higher—shall be accounted for.

C. Consortium / Multiple Banking / Syndication

- The share of the Bank in such arrangements shall be within the overall single/group exposure ceilings.

D. Regulatory Reference

As per RBI Circular No. DOR(PCB).BPD.Cir.No.10/13.05.000/2019-20 dated March 13, 2020, Urban Co-operative Banks must adhere to the following prudential exposure norms:

- Single Borrower: 15% of Tier I Capital
- Group of Connected Borrowers: 25% of Tier I Capital

These limits must be adopted with the formal approval of the Bank's Board of Directors.

Capital Component	Amount (₹ in lakh) as on 31.3.2025
Share Capital (Reg + Assoc.)	269.07
Statutory Reserves	358.93
Other Reserves (Building Fund, BDDR Reserves (Sec 36(i)(viii)))	303.61
Surplus in P&L	36.06
Total Tier I Capital	967.68

Type	Limit
Individual Borrower	15% of Tier I Capital → ₹145.05lakh
Group Exposure	25% of Tier I Capital → ₹241.75 lakh

The Bank shall bring down its existing exposures that are in excess of the revised regulatory limits to within the prescribed thresholds by March 31, 2026. However, where such exposures consist solely of term loans or non-fund-based credit facilities, no further exposure shall be granted to those borrowers or parties. These existing facilities may, however, be allowed to continue until the completion of their repayment schedules or maturity, whichever is applicable.

In line with regulatory requirements, 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 its Tier I Capital, whichever is higher. This amount shall be subject to a maximum cap of ₹1.00 crore per borrower or party. The Bank must achieve compliance with this requirement by March 31, 2025.

For the purpose of computing credit exposure, the Bank shall include all funded and non-funded credit limits, including ad hoc limits sanctioned to meet borrower contingencies. However, credit facilities extended against the security of the Bank's own term deposits shall be excluded from the credit exposure calculations.

The Bank's total exposure to the housing, real estate, and commercial real estate sectors shall be limited to 10% of the total assets as on March 31 of the preceding financial year. This ceiling may be enhanced by an additional 5% of total assets specifically for the purpose of granting housing loans to individuals for the purchase or construction of dwelling units costing up to ₹25.00 lakh.

B) INVESTMENT EXPOSURE (NON-SLR)

The Bank is permitted to invest in Commercial Papers (CPs), debentures, and bonds that are rated 'A' or equivalent and above, provided these instruments are redeemable in nature. Investment in perpetual debt instruments is strictly prohibited.
In addition, the Bank is allowed to invest in Units of Debt Mutual Funds and Money Market Mutual Funds, in accordance with the prevailing regulatory guidelines and internal investment policy.

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4. ANY OTHER FINANCIAL ACCOMMODATION

The term **"Any Other Financial Accommodation"** encompasses all credit facilities and contingent liabilities extended by the Bank that do not fall under conventional term loans or cash credit lines. It includes both **funded** and **non-funded** exposures, as elaborated below:

a)Funded Credit Limits:
Funded Credit Facilities refer to direct financial exposures where the Bank disburses funds to the borrower. These include loans and advances such as working capital demand loans, bills purchase or discounting (both inland and foreign), pre-shipment and post-shipment export credit, and deferred payment guarantees extended for acquiring capital equipment. They also cover acceptance credits or usance bills, where the Bank agrees to make payments on behalf of the borrower at a future date, and financial guarantees involving the Bank's commitment to fulfill monetary obligations in the event of borrower default.

b) Non-Funded Credit Limits:
Non-Funded Credit Facilities are contingent liabilities that do not involve an immediate outflow of funds but may result in financial exposure for the Bank. These include Letters of Credit (LCs) issued to support trade transactions, various Bank Guarantees such as performance guarantees, bid bonds, and financial guarantees on behalf of customers, and Underwriting Commitments where the Bank agrees to subscribe to securities in case of under-subscription. They also encompass any other similar contractual obligations that may expose the Bank to credit or performance risks.

5. EXPOSURE TO HOUSING, REAL ESTATE, AND COMMERCIAL REAL ESTATE

a) The Bank's total exposure to housing, including individual loans for house repairs, additions, and alterations, as well as to 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.
However, this ceiling of 10% may be enhanced by an additional 5% of total assets exclusively for the purpose of granting housing loans to individuals for the purchase or construction of dwelling units costing up to ₹25.00 lakh.

b) As the Bank has a deposit base exceeding ₹100 crore, it is permitted to extend individual housing loans up to a maximum of ₹140.00 lakh per beneficiary for the acquisition of a dwelling unit, subject to compliance with prevailing prudential exposure norms.

c) Working capital loans extended by the Bank to contractors—secured against hypothecation of construction materials and used for small construction activities undertaken without receiving advance payments—shall be exempt from the prescribed real estate exposure limits.

d) The Bank shall not exceed the prescribed ceilings for housing, real estate, and commercial real estate exposure even by leveraging funds obtained from higher financing agencies or refinance from the National Housing Bank (NHB). Such additional funding shall also fall within the overall exposure norms applicable to these sectors.

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6. INTER-BANK EXPOSURE LIMIT

A) Prudential Inter-Bank (Gross) Exposure Limit

The **total deposits placed by the Bank with other banks**—including for purposes such as call/notice money, clearing facility, CSGL accounts, currency chest facility, remittance services, and non-fund-based instruments like Bank Guarantees (BG) and Letters of Credit (LC)—shall not exceed 20% of the Bank's total deposit liabilities as on March 31 of the previous financial year.
This limit includes:

- Balances held in deposit accounts with commercial banks
- Balances with permitted scheduled Urban Co-operative Banks (UCBs)
- Investments in Certificates of Deposit (CDs) issued by commercial banks

All of the above shall be classified as inter-bank exposures for the purpose of this prudential limit.

B) Prudential Inter-Bank Counterparty Limit

Within the overall ceiling for inter-bank gross exposures, the Bank shall strictly adhere to prudent counterparty risk management norms. Specifically, the exposure to any single bank—whether through placements, investments, or other credit exposures—shall not exceed 5% of the Bank's total deposit liabilities as on March 31 of the preceding financial year. This limit is intended to prevent excessive concentration risk, ensure diversification of inter-bank exposures, and safeguard the Bank's liquidity and credit quality. The limit will be monitored periodically and reviewed in line with changes in the Bank's deposit base, risk appetite, and regulatory guidelines.

C) EXPOSURE IN NON-SLR INVESTMENTS

7.The Bank's investments in non-SLR (Statutory Liquidity Ratio) securities shall be restricted to 10% of its total deposit liabilities as on March 31 of the previous financial year.

b) Investments in unlisted non-SLR securities shall not exceed 10% of the total non-SLR investment portfolio at any point in time. If the Bank has already breached this limit, no further investments in such unlisted securities shall be permitted.
In cases where the Bank invests in non-SLR debt securities (both primary and secondary market) which are proposed to be listed on recognized stock exchanges, such investments may be treated as listed at the time of purchase. However, if the securities are not listed within the specified time period, they shall be treated as unlisted, and counted towards the 10% ceiling on unlisted non-SLR investments.
If this reclassification results in a breach of the 10% limit, the Bank shall not be allowed to make any further investments in non-SLR securities until the unlisted portion of its investment portfolio is brought within the prescribed limit.

c) All investments in non-SLR instruments shall remain subject to applicable prudential individual and group borrower exposure norms as prescribed by regulatory authorities.

d) All fresh investments under the non-SLR category shall be classified under either the Held for Trading (HFT) or Available for Sale (AFS) categories and must be marked to market.
However, investments in long-term bonds issued by companies executing infrastructure projects, which carry a minimum residual maturity of seven years, may be classified under the Held to Maturity (HTM) category, subject to prudential norms.

e) The exposure limits specified under points (a) and (b) may be exceeded only in exceptional cases, where it becomes necessary for the Bank to acquire membership in Market Infrastructure

Companies (MICs) such as:

- Clearing Corporation of India Ltd. (CCIL)
- National Payments Corporation of India (NPCI)
- Society for Worldwide Interbank Financial Telecommunication (SWIFT), etc.

Such exceptions shall be exercised with appropriate justification and subject to the approval of the Board.

7. STATUTORY RESTRICTIONS

To ensure sound banking practices and safeguard depositor interests, the Bank must comply with statutory restrictions laid down under the Banking Regulation Act, 1949 (as applicable to Co-operative Societies). The key statutory limitations are as follows:

A) Advances Against Bank's Own Shares

As per Section 20(1)(a) of the Banking Regulation Act, 1949, the Bank is expressly prohibited from granting loans or advances against the security of its own shares. This provision is intended to prevent any conflict of interest, artificial boosting of share value, or misuse of the Bank's capital for personal or internal gains. Granting such advances can compromise the integrity of the Bank's equity and create unhealthy financial dependencies.

B) Restrictions on the Power to Remit Debts

Under Section 20A(1) of the same Act, the Bank is barred from remitting, either wholly or partially, any amount of debt due to it by certain related parties, unless prior written approval is obtained from the Reserve Bank of India (RBI). These restricted parties include:

a) Any past or present director of the Bank;

b) Any company, firm, or entity in which a director has a financial or controlling interest—as a partner, managing agent, guarantor, or director;

c) Any individual if a director of the Bank is a partner or guarantor of such individual.

Such transactions, if carried out without RBI's prior sanction, would be treated as **null and void** under Section 20A(2), carrying no legal effect or enforceability. These safeguards are established to maintain transparency, prevent favouritism, and uphold ethical standards in the Bank's lending and recovery processes.

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8. REGULATORY RESTRICTIONS

A) Advances to Directors and Their Relatives

a) The Bank is prohibited from granting, renewing, or continuing any financial accommodation, whether secured or unsecured, to its directors, their relatives, or to firms/companies/concerns in which they have an interest. Existing loans may continue until their maturity but shall not be renewed or extended further.

b) The following loans are exempt from the above restriction:

- Regular employee-related loans to staff directors on the Board
- Loans to directors and their relatives against fixed deposits and life insurance policies standing in their own names

c) The Bank must report all loans granted to directors and their relatives on a quarterly basis (as of 31 March, 30 June, 30 September, and 31 December) to the Head Office, which will forward the data to the Regional Office of RBI (Department of Supervision – CB) within 15 days of each quarter-end, in the format prescribed in Annex 1.

d) A concern in which a director or relative is interested includes:

- Proprietary concerns, partnership firms, or HUFs in which the director or their relative is a proprietor/partner/coparcener
- Companies in which the director acts as guarantor for the loans and advances

e) A relative of a director includes:

- Members of HUF
- Husband or wife
- Theoneisrelatedtotheotherinanymannerindicatedbelow:
  - (i) Father
  - (ii) Mother(includingstep-mother)
  - (iii) Son(includingstep-son)
  - (iv) Son'swife
  - (v) Daughter(includingstep-daughter)
  - (vi) Daughter'shusband
  - (vii) Brother(includingstep-brother)
  - (viii) Brother'swife
  - (ix) Sister(includingstep-sister)
  - (x) Sister'shusband

B) Maximum Ceiling on Advances to Nominal Members

The Bank may extend **short-term or temporary credit facilities** to *nominal members* for personal, emergency, or consumption-related needs, including the purchase of consumer durables. However, such advances shall be subject to the following conditions:

- The maximum permissible limit shall not exceed ₹1,00,000 per borrower.
- These loans shall be unsecured in nature, unless specifically backed by acceptable collateral.
- Loans to nominal members shall be sanctioned only after conducting basic creditworthiness checks and obtaining a declaration of non-indebtedness from other institutions.

- Such loans must comply with the Bank's policy on unsecured advances and overall exposure ceilings.

C) Advances Against Fixed Deposits of Other Banks

The Bank is strictly prohibited from granting advances against fixed deposit receipts (FDRs) or term deposit certificates issued by other banks or financial institutions. This restriction is in place to:

- Avoid credit risks arising from institutions over which the Bank has no control or visibility.
- Ensure all collateral accepted by the Bank is verifiable and enforceable within its own system.
  Exceptions to this policy are not permitted under any circumstances.

D) Bridge Loans / Interim Finance

The Bank shall not sanction bridge loans or interim finance to any entity, particularly to Non-Banking Financial Companies (NBFCs), in connection with:

- Public or rights issues of capital
- Debenture placements
- Delayed disbursement of term loans or subsidies
- Any other temporary financing requirement pending long-term arrangement

This restriction is aimed at preventing exposure to high-risk short-term instruments and ensuring that the Bank's funds are deployed for productive, well-secured, and approved purposes only

E) Bank Finance to Stockbrokers

The Bank is barred from extending any type of credit facility—secured or unsecured—to stockbrokers, sub-brokers, or any entities engaged in securities trading or broking, including:

- Advances against shares, debentures, mutual fund units, bonds
- Credit lines backed by fixed deposit receipts, LIC policies, or other securities
  This prohibition ensures that the Bank does not participate indirectly in speculative market activities, and adheres to a conservative risk management framework.

F) Advances Against Preference Shares and Subordinated Debt Instruments

The Bank shall neither invest in nor accept as collateral any type of the following capital instruments for the purpose of advancing loans:

- Perpetual Non-Cumulative Preference Shares (PNCPS)
- Redeemable or Cumulative Preference Shares
- Subordinated Debt Instruments, including Tier I or Tier II deposits issued by banks or

financial institutions
Such instruments are classified as hybrid or high-risk capital instruments, often subject to regulatory limitations and low market liquidity, making them unsuitable as eligible security or investment assets for the Bank.

G) Bank Finance to NBFCs

The Bank shall not extend any fund-based or non-fund-based credit limits to Non-Banking Financial Companies (NBFCs), including:

- Equipment leasing or hire-purchase companies
- Microfinance institutions registered as NBFCs
- Investment companies, asset finance companies, and infrastructure finance companies
This is to avoid indirect exposure to leveraged financial entities, reduce concentration risk, and comply with RBI's prudential norms applicable to co-operative banks.

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9. 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 the 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 regular members** of the Bank. Lending through intermediaries such as Primary Agricultural Credit Societies (PACS), land development banks, or other cooperative institutions is **not permitted**.

b) A **'No Dues Certificate'** must be mandatorily obtained from local credit institutions and concerned financial agencies before the disbursement of any loan. This ensures that borrowers do not have existing unresolved liabilities with other financial entities.

c) All loans shall be sanctioned in alignment with the **approved scale of finance**, margin requirements, and **security norms** as prescribed periodically by RBI and NABARD. This includes adherence to crop-specific financing limits and acceptable collateral requirements.

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10. 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 applicable guidelines issued by the Reserve Bank of India (RBI). The following norms shall apply**:**

a) Lending shall be made directly to SHGs and JLGs. Financing through intermediaries or third-party entities is not permitted.

b) The unsecured loan ceiling prescribed by the Bank shall not apply to loans granted to SHGs. However, in the case of JLGs, loans extended without tangible collateral shall be treated as unsecured advances and will be governed by the Bank's internal limits on unsecured exposure.

c) All SHG/JLG credit facilities must strictly conform to RBI norms regarding individual and group exposure limits, risk classification, and prudential requirements.

d) The quantum of loan to an SHG shall generally be capped at four times the group's cumulative savings. For SHGs demonstrating consistent financial discipline—assessed through parameters such as repayment performance, savings regularity, bookkeeping standards, and overall group activity—the credit limit may be enhanced up to ten times the group's savings, based on a structured group rating mechanism.

e) JLGs, which are not required to maintain savings, shall be financed based on the Bank's creditworthiness assessment, which includes appraisal of cash flows, mutual guarantee mechanisms, repayment history (if applicable), and risk mitigation factors

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11. RESTRICTION ON ADVANCES TO DEFAULTERS OF STATUTORY DUES

The Bank shall exercise due diligence to ensure that no advances are granted to borrowers who are in default of statutory dues such as Provident Fund, Employees' State Insurance, Goods and Services Tax, or other government levies.
A declaration to this effect must be obtained from all borrowers at the time of credit appraisal or renewal. While submission of documentary proof is generally not mandatory, the Bank may call for supporting evidence in cases where there is a reasonable doubt regarding the accuracy of the borrower's declaration.
Acceptable documentary evidence may include:

- Payment receipts of statutory dues,
- Certificates issued by the statutory auditor of the borrower, or
- Any other credible documentation from a third-party source.

It is, however, not obligatory to obtain certificates from the office of the Regional Provident Fund Commissioner.
In cases involving sick units or financially distressed borrowers, where defaults on statutory dues are due to circumstances beyond the borrower's control, the Bank may consider such credit proposals on a case-by-case basis, based on merit and subject to appropriate risk assessment and justification.

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12. LOAN RULES AND GENERAL TERMS AND CONDITIONS

a) Advances Against Bank's Own Deposits

The Bank may sanction demand loans or overdrafts against its own term deposits. For loans up to ₹25 lakh, an interest rate of 2% above the deposit rate shall apply. For amounts exceeding ₹25 lakh, an interest rate of 1% above the deposit rate shall be charged. A margin of 5–10% of the deposit amount (including accrued interest) shall be maintained.

Loan Period and Margin:

Period	Margin	Maximum Limit
Till the maturity date of deposit	5 -1 0% of principal amount + accrued interest up to date of advance	90 - 95 % of principal amount + accrued interest up to date of advance

In case of demand loan or overdraft against third-party deposits, the Bank shall charge commercial rates of interest as determined by the Board of Directors from time to time.

Staff members may be granted loans against their own deposits at the same rate as the deposit, with a margin of 5%.

Branch Managers and the CEO/MD are authorized to sanction such loans, subject to post-facto approval of the Board in the next meeting.

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b) Advances Against Pledge of Gold/Silver Ornaments

The Bank extends loans to its members against gold or silver ornaments/jewellery, supporting household and personal needs.

Particulars	Period	Margin	Maximum Limit
Gold & Silver Ornaments			
a) Up to ₹ 4 lakhs (Bullet Payment)	12 months	15 to 25 % of Valuation	Up to 75% to 85% of valuation, subject to a maximum of ₹ 50 lakh
b) Above ₹ 4 lakhs (Monthly Installments) subject to maximum limit up	12 months	15 to 25 % of Valuation	

to ₹ 50 lakh per individual			

Eligibility:
Applicants must be regular members, majors, and Indian residents. A steady income source from salary or self-employment and a good credit history are essential.

Collateral Requirements:
Only ornaments of minimum 22 carat purity weighing at least 5 grams are accepted. Valuation is done by approved valuers.

Loan Disbursal and Repayment:
Disbursal takes place post verification and valuation. Repayment may be made via EMIs or bullet payment, with prepayment allowed.

Security & Risk Management:
Pledged items are stored in bank safe custody, and may be insured by the Bank. LTV is capped between 75–85% to ensure adequate risk cover.

Default & Recovery:
If the borrower defaults, the Bank may liquidate the pledged gold/silver to recover the dues.

Operational Guidelines:
Internal procedures for application, documentation, valuation, disbursement, and recovery must be followed to ensure secure and efficient operations.

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c) Advances Against NSC/KVP
Loans may be sanctioned against National Savings Certificates (NSC) or Kisan Vikas Patra (KVP), after obtaining a registered lien in favour of the Bank from the issuing Post Office.

Loan Period and Margin:

Period	Margin	Maximum Limit
60 months or till the maturity date of securities whichever is lower	5% of (Value + Accrued interest up to date of advance)	95% (Value + Accrued interest up to date of advance

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d) Advances Against Life Insurance Policies
A Life Insurance Policy, when offered as security, possesses several attractive features. Firstly, it

is not subject to market fluctuations. Secondly, loans against such policies require minimal supervision and administrative effort. Thirdly, the value of the policy tends to increase over time, making it a progressively stronger form of security.

The Bank may sanction loans to its members against Life Insurance Policies up to 90% of the policy's surrender value, without insisting on additional surety.

Loan Tenure, Margin, and Limit:

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

However, the Bank must observe the following safeguards and precautions before accepting insurance policies as security:

(a) Policies that cannot be legally assigned (e.g., those under Section 6 of the Married Women's Property Act, 1874) must not be accepted as security.

(b) Policies operative for less than 8 years should generally be avoided as they are prone to lapse if premiums are unpaid.

(c) Policies already assigned to a spouse or minor should not be accepted.

(d) Preference should be given to endowment policies due to their defined maturity date.

(e) If the policy is in the name of a third party, the Bank must verify that the borrower holds a valid insurable interest in the life of the insured (e.g., between spouses).

(f) The Bank must ensure that premiums are paid regularly to keep the policy active.

(g) Borrowers should be advised to submit the latest premium receipt.

(h) The age of the insured should be confirmed as "admitted" by LIC, either on the policy or via a separate certificate.

(i) A letter from LIC must be obtained, confirming the surrender value of the policy.

Before disbursing the loan, the borrower must also:

(j) Submit a declaration confirming that the policy is free from any encumbrance and that no further charge will be created while indebted to the Bank. The borrower should also commit to paying future premiums on time. As an added precaution, the Bank may obtain a written authority to debit premium payments directly from the loan account in case of delay.

(k) Execute an absolute assignment of the policy in favour of the Bank. If the policy is jointly held, all concerned parties must sign the assignment. The original policy document, along with a notice of assignment, must be sent to LIC for registration.

When forwarding the policy and the borrower's notice to LIC, the Bank must request written confirmation of the following:

1. The latest surrender value, including any cash bonus;
2. Registration of the assignment;
3. Confirmation that all premiums have been paid up-to-date;
4. Confirmation that no duplicate policy has been issued.

Loan Type and Monitoring:

Loans against Life Insurance Policies are generally granted by way of Demand Loan or Overdraft. During the loan tenure, the Bank must monitor premium payments. A due date diary should be maintained to track payments, and borrowers must submit premium receipts annually for verification.

Custody and Release of Security:

The Bank shall record all policy details in the securities register, and store the documents in sealed envelopes under the custody of a responsible official.

The policy will be released only after the entire loan is repaid. Before releasing, the Bank must reassign the policy to the borrower and notify LIC that the Bank no longer holds an interest in it.

In Case of Maturity Prior to Loan Closure:

If the policy matures before the loan is repaid, the Bank shall forward the policy and supporting documents to LIC, collect the proceeds, and adjust the loan dues. Any surplus amount shall be returned to the borrower after ensuring that there are no other outstanding liabilities or second charges against the policy.

e) Unsecured Advances

Urban Co-operative Banks (UCBs) are permitted to grant unsecured loans and advances, with or without surety, or for cheque purchase, within the following prescribed limits:

Criteria	UCBs with DTL up to ₹10 Cr	UCBs with DTL above ₹10 Cr & up to ₹50 Cr	UCBs with DTL above ₹50 Cr & up to ₹100 Cr	UCBs with DTL above ₹100 Cr
CRAR ≥ 9%	₹1 lakh	₹2 lakh	₹3 lakh	₹5 lakh
CRAR < 9%	₹0.25 lakh	₹0.50 lakh	₹1 lakh	₹2 lakh

Aggregate Limit: The total unsecured advances (with or without surety or for cheque purchase) granted by UCBs to members should not exceed 10% of total assets as per the audited balance sheet as on 31st March of the previous financial year.

As of March 31, 2025, our Bank's CRAR stood at 13.63%, and the Demand and Time Liabilities

(DTL) were ₹16147.56 lakh. Based on these criteria, the Bank is eligible to offer unsecured loans up to ₹5.00 lakh, subject to Board approval.

However, our Bank has opted to limit unsecured loans to ₹1.00 lakh, except in the following cases:

- Salaried Class Borrowers: Government and semi-government employees whose salaries are credited through our Bank.
- Borrowers with Satisfactory Credit History: Existing customers with a clean repayment track record.
- High Credit Score Customers: Individuals with a credit score above 650.

These exceptions help support valued clients while maintaining prudent lending discipline.
Unsecured Advances Include:

- Clean overdrafts
- Loans against personal security
- Clean bills or Multani hundies purchased or discounted
- Cheques purchased
- Drawals allowed against cheques under collection

Unsecured Advances Exclude:

1. Advances guaranteed by central/state governments, financial institutions, banks, or DICGC.
2. Advances against supply bills drawn on central/state governments or state undertakings with authorised inspection notes or receipted challans.
3. Advances against trust receipts.
4. Advances against inland D/A bills under letters of credit.
5. Advances against inland D/A bills (not under LC) with a usance of up to 90 days.
6. Advances to salaried employees backed by salary deductions as per applicable Co-operative Societies Act.
7. Advances against supply bills on private parties/public companies not outstanding beyond 90 days.
8. Advances against book debts not overdue beyond 90 days.
9. Cheques issued by government/public corporations/local bodies.
10. Packing credit for exports.
11. Demand drafts purchased.
12. Secured portion of partly secured advances.
13. Advances against legally assigned contract moneys.

Maximum Credit Limit: ₹5,00,000
Repayment Period: Up to 48 months
Surety Requirement: Minimum two members of the Bank with equal status and satisfactory

financial history.
Rate of Interest: As determined by the Board of Directors or RBI from time to time.
Terms of Sanction:

- Government Employees: Up to 10 times average monthly net salary, within Board/RBI limits.
- Businessmen: Up to 8 times average monthly income from ITR.
- Others (non-ITR filers): Loans between ₹50,000 to ₹1,00,000 on submission of income affidavit or non-taxable income salary certificate.
- Income to be determined via salary certificate, ITR, or affidavit (in case of non-taxable income).

Purpose of Loan:

- Marriage of self, children, or siblings.
- Family functions and social ceremonies.
- Medical treatment for self, spouse, children, or dependent parents (with doctor's recommendation).
- Higher education of dependents.
- Construction or extension of residential property.
- Business-related financial needs.
- Repair or alteration of residential premises.

Secured Loans (Individuals): -

1.Housing Loan(As per RBI Master Circular RBI/2025-26/17)

➢ **Eligible Borrowers**

The following categories are eligible for availing housing loans:

- Individuals seeking loans for the purchase, construction, or renovation of residential houses/flats.
- Co-operative Housing Societies and Group Housing Societies.
- Housing Boards undertaking housing schemes for Economically Weaker Sections (EWS), Low-Income Groups (LIG), and Middle-Income Groups (MIG).
- Owners of existing residential properties seeking loans for extensions, major repairs, or upgradation.

➢ **Purpose of the Loan**

Loans may be sanctioned for the following housing-related activities:

- Construction or purchase of new or existing residential houses/flats.
- Repairs, renovations, and extensions of existing houses/flats.
- Purchase of residential plots, subject to a binding commitment to begin construction within a stipulated time.

- Supplementary finance to complete ongoing housing projects.
- Government-supported housing for SC/ST beneficiaries and slum clearance projects, where a government guarantee is available.

- **Loan Limits**

Urban Co-operative Banks (UCBs) can extend housing loans as per their classification:

Tier	Loan Limit 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

Exposure Limits (as per RBI prudential norms):

- Single Borrower: Maximum 15% of Tier I capital.
- Group Borrowers: Maximum 25% of Tier I capital.

- **Security Norms**
- Primary Security: Registered mortgage of the property being financed.
- Alternative Security: Government guarantees or tangible securities such as LIC policies, NSCs, or gold, may be accepted.
- As per Responsible Lending Conduct norms, property documents must be returned within 30 days of full repayment.

- **Loan Tenure and Moratorium**
- Maximum Tenure: 20 years, including moratorium.
- Moratorium Period:
  - Until completion of construction, or
  - 18 months from the first disbursement, or
  - At the borrower's discretion (whichever is earlier).

- **Interest Rate and Charges**
- Interest rates shall be fixed by the Bank’s Board, based on borrower’s risk profile and creditworthiness.
- No foreclosure/prepayment penalties on floating rate housing loans.
- Penal charges, if any, must be levied separately and should not be capitalized with

interest.

- **Graduated EMI Facility**
- Banks may offer graduated EMI options, allowing lower EMIs in the initial years, followed by increased instalments, considering the borrower's expected income growth.

- **Loan Disbursement**
- Disbursements must be linked to construction progress, and verified accordingly.
- No upfront disbursal to builders is permitted unless construction is fully completed.

- **Exposure Ceiling**
- Housing Loans (Non-Priority Sector): Not to exceed 25% of total advances.
- Real Estate Exposure (excluding housing loans): Not to exceed 5% of total advances.
- Both fund-based and non-fund-based exposures are to be included in the ceiling.

- **Priority Sector Classification**

Loans qualify as priority sector housing loans if they meet the following conditions:

Area	Loan Limit	Property Cost Ceiling
Metropolitan Centres	Up to ₹35 lakh	Up to ₹45 lakh
Other Centres	Up to ₹25 lakh	Up to ₹30 lakh

- **Supplementary Loans**

Supplementary loans for repairs, alterations, or additions (even for non-owner-occupied properties) may be sanctioned up to:

- ₹10 lakh in metropolitan areas.
- ₹6 lakh in other centres.

- **Precautions and Compliance**

Banks must exercise due diligence and ensure:

- Verification against duplicate title deeds, fabricated salary/income certificates, and unauthorised constructions.
- No loans to unauthorised colonies, unless regularised by competent authorities.

Housing projects should comply with the National Building Code.

h) Loan Against Vehicle

Rate of Interest:

Rate of interest shall be as fixed by the Board / RBI from time to time.

Sureties:
Two sureties of equal status among the members of the Bank shall be required.

Maximum Loan Limit & Terms

Particulars	Period	Margin	Maximum Limit
Vehicle Loans (Cost + Road Tax)			
a) All types of cars	84 months	10–15% of quotation value (basic + road tax only)	85–90% of quotation value (basic + road tax) OR as per exposure norms, whichever is lower
b) All types of 2-wheelers / motorcycles	48 months	10–15% of quotation value (basic + road tax only)	85–90% of quotation value (basic + road tax) OR as per exposure norms, whichever is lower
c) Used Cars / Motorcycles (Not older than 5 years)	48 months	30% of approved valuer certificate/report	70% of approved valuer certificate/report OR as per exposure norms, whichever is lower
Commercial Vehicles			
a) New	84 months	15% of quotation value	85% of quotation value OR as per exposure norms, whichever is lower
b) Used (Not older than 4 years)	60 months	30% of approved valuer certificate/report	60% of approved valuer certificate/report OR as per exposure norms, whichever is lower

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Security:

- Payment must be made from the borrower's account via Pay Order / Demand Draft / RTGS / NEFT directly in favour of the dealer.
- Receipt / invoice should be obtained from the dealer.
- Bank’s lien must be recorded with the RTO and in the Registration Book.
- A bank official shall verify the original Registration Certificate (RC) to ensure the lien has been properly registered, and a remark shall be noted in the loan file.

Insurance:

- The vehicle must be comprehensively insured, and the insurance policy shall be assigned in favour of the Bank.
- It is the borrower's responsibility to renew the policy on or before the due date.
- In case of failure, the bank may renew the insurance at the borrower’s cost.

- In the event of an accident, the borrower must immediately inform the Bank, Insurance Company, and the Police, disclosing full details of the incident and extent of damage.

Notes:

1. Payment shall be made directly to the dealer / manufacturer.
2. The vehicle must be inspected once a year by a designated Bank official. The inspection report shall be kept on record.
3. The Bank should obtain the following RTO forms in duplicate, duly executed by the borrower:
    - Form No. 20, 29, 30, 34, and 35

Documents to be Obtained:

- Demand Promissory Note
- Hypothecation Deed
- Letter of Lien & Set-off
- Registration Certificate with Bank's lien
- Insurance Policy with Bank Clause
- RTO Forms (as mentioned above)
- Letter of Guarantee from Sureties and the Borrower

Books & Registers to be Maintained:

- Advances Register
- Inspection Register
- Valuation Report File
- Document Register

Special Resolution No. 15 (Board Meeting 22-03-2022)

Delegation of Power for Hypothecation – 2-Wheeler Vehicle Loan Sanctioning Authority to CEO / DGM

The matter regarding the delegation of authority for sanctioning of 2-wheeler vehicle loans under hypothecation was discussed in detail during the Board Meeting.

RESOLVED THAT the power to sanction 2-wheeler vehicle loans under hypothecation be delegated to the Chief Executive Officer (CEO) / Deputy General Manager (DGM) of the Bank, subject to the following terms and conditions:

1. The loan may be sanctioned by obtaining Nominal Membership, if the applicant is not an existing member of the Bank.
2. Only one surety shall be required for sanctioning the loan.

3. The loan amount shall not exceed 75% of the ex-showroom price plus Registration Fees, subject to a maximum cap of ₹1.50 lakh.
4. The loan may be disbursed within 3 working days from the date of application, upon satisfying all eligibility criteria including repayment capacity of the applicant.
5. The Rate of Interest shall be as fixed by the Board / RBI from time to time.
6. The Loan Processing Fee shall not exceed ₹3,000/- (excluding GST).
7. All such loans sanctioned under delegated authority must be confirmed in the subsequent Loan Committee Meeting or Board Meeting.
8. In case of default of three consecutive EMIs, the vehicle shall be seized, and seizing charges of ₹3,500/- shall be recovered from the borrower.
9. The vehicle seizing activity shall be outsourced to a suitable local seizing agency.
10. All seized vehicles shall be parked/stored safely under security at a designated place until further action is taken.

Loan to Individuals / Firms / Companies against Hypothecation of Machinery

Purpose	Repayment Period	Margin	Loan Limit
a) Purchase of New Plant & Machinery	Up to 84 months	25% of the Quotation/Invoice Value	Up to 75% of the Quotation/Invoice Value
b) Purchase of Old Plant & Machinery *(not older than 4 years)*	Up to 60 months	40% of the value as per Approved Valuer's Certificate/Report	Up to 60% of the value as per Approved Valuer's Certificate/Report

Maximum Loan Ceiling:

As per the prudential exposure limits fixed by the Bank for individuals/group of connected borrowers.

Rate of Interest:

Applicable rate of interest shall be as approved by the Board/RBI from time to time.

Sureties:

Two sureties of sound financial standing who are existing members of the Bank.

Margin on Collateral Security:

- 25% of the invoice value of the machinery.
- 25% of the realizable value of the immovable property offered as collateral.

Security:

- Primary: Hypothecation of Machinery.
- Collateral: Equitable mortgage of immovable property, free from encumbrances.

Disbursement Procedure:

- The term loan shall be disbursed directly to the supplier through Pay Order, Demand Draft, RTGS or NEFT based on original invoices.
- Stamped receipts must be obtained from the supplier and retained in records.
- The invoice amount must be cross-verified with the sanctioned estimate.
- Machinery must be verified at the borrower's site to match the items listed in the invoice.

Collateral Property Requirements:

- The immovable property offered as security must be free from encumbrances.
- An Encumbrance Certificate for the last 12 years must be obtained.
- A Legal Opinion from the Bank's approved legal advisor is required certifying:
  - Title is good, clear, and marketable.
  - Borrower's legal competence to create a mortgage.
- The mortgage must be registered with CERSAI.

Valuation:

- Valuation of machinery and property shall be done by an independent valuer approved by the Board.
- A stamped declaration from the borrower must be obtained confirming:
  - Ownership of the property.
  - Property is self-acquired, free from litigation, claims, or adverse notices from any authority.

Memorandum for Title Deeds:

- In case of equitable mortgage by deposit of title deeds:
  - A Memorandum of Deposit of Title Deeds must be prepared and signed only by the Bank official receiving the deeds.
  - The memorandum should merely record the fact of deposit and must not be signed by the borrower, to avoid the requirement of registration under the Indian Registration Act, 1908.
  - The mortgage must be registered with CERSAI.

Post-Disbursement Monitoring:

- A post-sanction inspection must be conducted to:
  - Confirm satisfactory installation and functioning of the machinery.
  - Verify the end-use of funds.
- Periodic inspection of the plant & machinery and other fixed assets should be carried out

at least once a year.

- Continuous monitoring of fund utilization must be ensured.

Insurance:

- The hypothecated machinery and the mortgaged property shall be insured against:
  - Fire, earthquake, riots, strike, and civil commotion.
- The insurance must include Bank Clause as beneficiary.

Required Documentation:

1. Demand Promissory Note
2. Continuity Security Letter
3. Letter of Lien & Set-off
4. Hypothecation Agreement / Mortgage Deed
5. Title Deeds of Property
6. Non-Encumbrance Certificate
7. Legal Opinion from Advocate
8. Valuation Reports (for Property and Machinery)
9. Invoice Copies (Plant & Machinery)
10. Memorandum of Deposit of Title Deeds (if applicable)
11. Lease Deed / Original Title (for Leasehold property)
12. Undertaking to pay taxes, rent, insurance premiums, etc.
13. Letters of Guarantee from Individuals/Partners/Directors/Guarantors

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Registers to be Maintained:

- Advance Register
- Insurance Register
- Property Register
- Documentation Register
- Inspection Register

4.Gold Loan (As per RBI Master Circular RBI/2025-26/47)

A. Scope and Applicability

The policy applies to all UCBs lending against gold and silver jewellery, ornaments, and coins for personal or income-generating purposes. Lending against primary gold (bullion) or financial assets backed by gold/silver is strictly prohibited. This policy replaces earlier fragmented regulations by creating uniform standards across all REs.

B. Key Credit Guidelines

1. Credit Policy Framework

- Define single borrower and aggregate exposure limits.
- Gold loans are categorized as Income-Generating Loans (for productive purposes like business) and Consumption Loans (for personal).
- Prescribe maximum LTV ratio as per RBI norms.
- Implement systems to monitor breach of LTV ratios.
- Standardize valuation methodology and purity assessment.
- Establish SOPs covering assaying procedures, auction process, compensation, and documentation.

2. Loan Assessment & Renewals

- Loans above ₹2.5 lakh require full credit assessment.
- Bullet repayment loans must be renewed only after accrued interest is paid.
- Top-ups/renewals must fall within LTV and creditworthiness norms.

C. Regulatory Ceilings and Restrictions

- Loans against bullion, re-pledged or third-party gold/silver not allowed.
- Borrower must provide a declaration of ownership.
- Gold jewellery limit:1kg,silver jewellery:10kg,gold coins:50g,silver coins: 500g per borrower.
- Bullet repayment loans capped at 12-month tenure.

D. Valuation Standards & LTV Norms

- Valuation based on the lower of 30-day average or previous day's closing price from IBJA/SEBI-regulated exchange.
- Maximum LTV ratios:
    - Up to ₹2.5 lakh: 85%
    - ₹2.5–5 lakh: 80%
    - Above ₹5 lakh: 75%
- Only intrinsic value of metal (no gems/stone value) to be considered.

E. Conduct, Documentation & Transparency

- Assaying must occur in borrower's presence with full disclosure.
- Borrower must receive duplicate assay certificate.
- Loan agreements must state details of collateral, valuation, auction terms, and borrower rights.
- Communication must be in borrower's chosen language or in presence of an independent witness (for illiterate borrowers).

F. Collateral Management & Security

- Storage must be in bank-secured vaults with staff-only handling.
- Inter-branch transfer of collateral allowed only under special conditions.
- Mandatory surprise checks and internal audits of pledged stock.
- Collateral must be released within 7 working days after repayment.

G. Auctions and Recovery Process

- Adequate notice to borrower/legal heirs before auction.
- Auction must be publicized in at least two newspapers.
- Reserve price: Not less than 90% of current value, reducible to 85% after two failed attempts.
- Lenders or related parties prohibited from bidding in auctions.
- Surplus from auction to be refunded to borrower within 7 working days.

H. Compensation to Borrowers

- ₹5,000/day penalty if collateral release is delayed beyond 7 working days.
- Bank must compensate for any damage, loss, or quality discrepancy in pledged collateral.
- For unclaimed collateral (post 2 years), special recovery drives must be conducted.

I. Operational Controls & Compliance

- Loans must be disbursed into the borrower's bank account.
- No third-party or pooling accounts allowed.
- Ensure proper KYC, AML checks, and reporting of suspicious patterns.
- Avoid misleading advertisements and adhere to RBI's fair practice codes.

J. Disclosures and Reporting

- The bank shall disclose loan amounts extended against gold/silver collateral (for consumption and income-generating purposes) in the Notes to Accounts, as prescribed in Annex 1 of the RBI directions.
- A half-yearly report on unclaimed collateral shall be submitted to the Customer Service Committee or the Board.

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j) Cash Credit Limit / Working Capital Loan Against Hypothecation of Goods and Book Debts
Eligibility:

Cash Credit Limit may be granted to proprietorship concerns, partnership firms, companies, or any other body corporate constituted under applicable law, excluding co-operative societies registered under the Co-operative Societies Act.

(a) Working Capital Requirements:
(i) Assessment Method:
Working capital limits up to the maximum permissible limit as fixed by the Board shall be assessed on the basis of projected annual turnover.
(ii) Minimum Financing Norms:
As per the guidelines, the working capital requirement shall be assessed at 25% of the projected turnover, with:

- 5% of the turnover to be brought in by the borrower as Net Working Capital (NWC).
- 20% to be financed by the Bank.

Note: Projected turnover includes gross sales, excise duty, and all other applicable duties/taxes.
(iii) Assessment Approach:
The Bank may use either the projected turnover method or the traditional production/processing cycle method. If the traditional method results in a higher requirement, such assessment may be considered, ensuring the borrower receives at least 20% of the projected turnover as finance.
(iv) Drawing Power & Utilization:
Drawals must be strictly based on the determined drawing power and only for the intended business purpose. Borrowers must submit monthly stock and receivables statements, which will be verified by bank officials through regular inspections.

(b) No Objection Certificate (NOC):
The Bank shall not extend working capital facilities to a borrower already enjoying credit from another bank unless a valid No Objection Certificate (NOC) is obtained from the existing financier.

(c) Maximum Credit Limit (MCL):
The MCL will be determined based on commercial judgment within the prudential norms approved by the Board:

- ₹ 145.05 lakhs for a single borrower.
- ₹ 241.75 lakhs for a group of connected borrowers.

Terms and Conditions:

- Rate of Interest: As decided by the Board / RBI from time to time.
- Margin:
    - 30% on Stock
    - 40% on Book Debts

- Sureties: Minimum of two sureties who are members of the Bank and have a satisfactory financial standing.

Security:

- Primary Security: Hypothecation of Goods and Book Debts.
- Collateral Security: Equitable mortgage of immovable property.

Valuation Guidelines:

- Stock should be valued at cost price or market price, whichever is lower, with reference to invoices and book entries.
- Valuation to be conducted by an independent valuer approved by the Board.

In case of equitable mortgage:

- A memorandum of deposit of title deeds must be recorded and signed only by the officer accepting the deeds.
- The memorandum should not be signed by the borrower to avoid registration under the Indian Registration Act, 1908.
- The charge must be registered with CERSAI.

Non-Encumbrance & Legal Compliance:

- A 12-year Encumbrance Certificate and legal opinion from an empanelled advocate are required, confirming that the title is good, clear, marketable, and the borrower has legal competence to create a mortgage.
- A stamped declaration of ownership must also be obtained from the borrower affirming that the property is self-acquired, free from claims/litigation, and no notices have been received from municipal or government authorities.

Insurance Requirements:

The hypothecated goods and mortgaged property must be insured against fire, earthquake, riots, strikes, civil commotion, and other applicable risks. The Bank Clause must be included in all insurance policies.

Book Debts:

- Book debts over 90 days old will not be considered for calculating drawing power.
- Debts relating to returned goods must be excluded.

Registration of Charges (for Companies):

In case of limited companies, the charge on hypothecated goods and book debts must be:

- Registered with the Registrar of Companies, and

- Verified that there are no prior subsisting charges.

Display of Charge (Bank's Name Board):

A board displaying the Bank's name and charge on stock should be prominently placed at the borrower's premises.

Stock Statement Submission:

Borrowers must submit monthly stock statements, including:

- Opening stock, purchases, sales, and closing stock.
- Quantity, rate, and value of each item.

All stock statements must be properly verified and recorded in the Stock Statement Register. Delays in submission may lead to temporary suspension of account operations.

Inspection of Stock & Book Debts:

- At least one inspection annually is mandatory.
- Inspection shall verify:
  - Accuracy of stock quantity and quality.
  - No inclusion of obsolete, damaged, or unsaleable stock.
  - Age-wise and value-wise classification of book debts.
  - Reason for non-payment of outstanding debts.
  - Debtor verification with records.

Insurance policy coverage and payment of premiums must also be verified.

Control Returns & Compliance Monitoring:

- Control returns from branches must be scrutinized, and timely remedial action must be initiated.
- Any irregularities such as:
  - Exceeding sanctioned limits,
  - Dishonour of cheques,
  - Non-submission of required returns,

must be promptly addressed.

Documentation Required:

1. Demand Promissory Note
2. Continuity Security Letter
3. Letter of Lien and Set-off
4. Hypothecation Agreement / Mortgage Deed
5. Title Deeds / Lease Deeds

6. Declaration of Ownership and Non-encumbrance
7. Valuation Reports (Stock & Property)
8. Memorandum of Deposit of Title Deeds
9. Legal Opinion
10. Insurance Policies
11. Letter of Guarantee from Promoter/Partners/Directors
12. Letter of Authority to Pay Debts Directly to Bank
13. Undertaking to Submit Invoices (in respect of future debts)

Registers to be Maintained:

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

h) Term Loan / Overdraft Facilities / Business Loan Against Immovable Property

i**) Eligibility:**

1. The borrower must be a Regular Member or Associate Member of the Bank and a resident of Belagavi.
2. The borrower must be gainfully employed or engaged in legitimate business activities within Belagavi.
3. The borrower must be of sound mental and physical health, possess good credibility, and have a proven repayment capacity.

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ii) Purpose of Loan:

1. Acquisition, additions, alterations, or construction of residential or commercial property in authorized zones.
2. Enhancement of business activities or expansion.
3. For the higher education of children/siblings in reputed, recognized institutions in India.
4. Any other lawful purpose not prohibited by the RBI.

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iii) General Conditions:

1. Loan/Limit can be sanctioned only against properties with a clear marketable title, held singly or jointly by the borrower/spouse/parents.
2. The property must be located in government-approved areas.
3. Loans shall not be granted against:
   - Property in non-approved zones of Belagavi.
   - Properties where a minor's interest is involved.
   - Agricultural land.
   - Properties purchased under Special/General Power of Attorney.
4. **For salaried applicants:**
   - Employment must be with Govt./Semi-Govt. departments or reputed private firms.
   - Minimum 5 years of continuous service preferred.
   - Must provide IT Returns for last 3 years.
5. **For self-employed/businessmen:**
   - Must be in business for at least 3 years, with supporting IT Returns and income statements.
6. Preference is given to existing borrowers with a good repayment record.
7. First-time borrowers must submit recent Bank Statements from their current bank.
8. In case of previous borrowings from another institution, an authenticated statement from that lender is required.
9. Two sureties of equal financial standing are mandatory.
10. For new businesses, the Bank will assess project viability before sanction.
11. Loans will not be granted for speculative purposes (e.g. stock trading, lotteries, speculative investments).

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iv) Limit:

1. The maximum loan limit shall be the lowest of the following:
   - The prudential exposure limit set by the Board of Directors in accordance with RBI guidelines.
   - 75% of the realizable value of the property (certified by a registered valuer or circle rate, whichever is higher). An additional 10% may be sanctioned in exceptional cases with justification.
   - EMI should not exceed 50% of borrower’s net income. Clubbing of family income may be considered in specific cases.

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v) Disbursement of Loan:

1. In case of property acquisition, the Bank will pay the balance sale amount directly to the seller via Account Payee Pay Order/Demand Draft/RTGS/NEFT, at the time of Sale Deed

execution.

2. For other cases, disbursement will be through Account Payee Pay Order, only after verifying the genuineness of end use.
3. Cash disbursement is strictly prohibited.

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vi) End Use Monitoring:

1. After disbursement, the borrower must provide a utilization certificate confirming use of funds as stated in the application.
2. Branch Manager must verify utilization through inspection and certify compliance.
3. Branches must maintain a Post-Disbursement Monitoring Register to ensure accountability.

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vii) Repayment Tenure:

1. Repayment allowed in up to 180 monthly instalments (including moratorium).
    - Moratorium period: up to completion of construction or 18 months from first disbursement, whichever is earlier.
    - EMIs should reflect actual repayment capacity.
2. For construction-linked disbursements:
    - 20% at foundation stage
    - 40% during construction (in phases)
    - 40% post-construction for finishing/interiors
3. OD limit is sanctioned for one year, renewable subject to satisfactory account operations and turnover.

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viii) Rate of Interest:

Interest will be charged at monthly rests as per the prevailing rates at the time of sanction, and is subject to revision by the Bank.

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ix) Security:

1. Loan to be secured by Registered or Equitable Mortgage of the property.
2. For joint ownership, a registered partition deed must be submitted.
3. CERSAI registration of the charge is mandatory.
4. Two sureties must be provided (preferably Govt. employees).
5. All original title documents and chain of documents to be held by the Bank.
6. If required, additional surety (spouse/son) may be insisted upon.
7. Legal requirements:
    - Clear marketable title, non-encumbrance certificate, and legal opinion.

- Valuation report with circle rate and occupancy status.

8. For construction loans:
    - Construction risk insurance to be submitted before project starts.
    - Post-construction, insurance must cover fire, flood, earthquake, terrorism, etc., with Bank clause.
9. Cost of verification, documentation, valuation, and insurance to be borne by the borrower.
10. Salaried borrowers must submit latest salary certificate; business borrowers must submit:
    - IT Returns, GST Returns, audited financials for 3 years
    - PAN card, approved plan, and construction estimate
11. If it's a turnkey project, the agreement with architect/contractor must be submitted.

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x) Documentation (Borrower to Submit):

1. Project Report with cash flow and margin.
2. NOC from other Banks, if any.
3. No Dues Certificate from Govt. authorities.
4. Proof of utilization of loan.
5. Latest House Tax Receipt and Electricity/Water Bills.
6. Voter ID / Aadhaar Card
7. Undertaking allowing the Bank to debit charges without notice.

For Proprietorship:

- Declaration of proprietorship
- PAN/Voter ID/Aadhaar/Driving License
- Address proof (Phone Bill, Bank Statement, etc.)

For Partnership Firms:

- Partnership registration certificate (if registered)
- Partnership Deed
- Power of Attorney
- KYC of all partners
- All partners must be regular members; firm to be associate member.

For Companies:

- Certificate of Incorporation, MoA, AoA
- Board Resolution for loan
- Power of Attorney
- ROC charge creation post-disbursement
- All Directors must be members; company to be associate member.

xi) Documentation to be Executed:

1. Demand Promissory Note
2. Continuity Security Letter
3. Title Deeds with complete chain
4. Mortgage Deed & Term Loan Agreement
5. Non-encumbrance Certificate
6. Property Valuation Report
7. Construction Estimate (if applicable)
8. Letter of Lien and Set-off
9. Memorandum of Deposit of Title Deeds (for equitable mortgage)
10. Lease Deeds (if leasehold)
11. Legal Opinion
12. Undertaking for taxes, insurance, rent
13. Letter of Guarantee from guarantors
14. Affidavit for debt acknowledgment, declaration, mortgage
15. Undertaking that construction will be as per approved plans

i) Educational Loan

1**. Objective & Purpose:**

The educational loan scheme is designed to provide financial assistance to deserving and meritorious students to pursue higher education in India and abroad. The objective is to ensure that no eligible student is denied the opportunity to pursue higher education due to lack of funds, by extending financial support on affordable terms and conditions.

Eligible Expenses:

The loan will cover reasonable and justified expenses, including:

- Fees payable to the college, school, or hostel
- Examination, library, and laboratory fees
- Purchase of books, equipment, instruments, uniforms
- Caution deposit, building fund, and refundable deposits (supported by bills and receipts)
- Travel expenses/passage fare for overseas education
- Purchase of a computer/laptop essential for the course
- Any other expenses required to complete the course, such as study tours, project work, thesis, etc.
- As per the institution’s brochure, demand letter, or fee schedule

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2. Eligibility Criteria:

a) Student Eligibility:

- The applicant must be an enrolled member of the Bank.

- Admission must be secured to a recognized institution in India or abroad, following completion of 10+2 or equivalent qualification.
- The applicant must possess a satisfactory academic record, indicating the ability to successfully complete the chosen course.
- The applicant must not have any existing outstanding education loan from another financial institution.
- Parent(s), preferably father and/or mother, must be co-borrower(s) and must also be members of the Bank.

b) Eligible Courses:

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

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3. Quantum of Finance:

- Need-based finance considering the future earning potential of the student, subject to a maximum limit of ₹20.00 lakh for studies in India or abroad
- Margin requirement: 10%

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4. Security:

Acceptable securities include:

- Immovable property (land/building)
- Public Sector Bonds
- National Savings Certificates (NSC)
- Life Insurance Policies
- Bank's own term deposits

Securities must be in the name of the student, parent/guardian, or guarantors, with suitable margin as determined by the Bank.

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5. Sureties:

A minimum of two sureties from bona fide members of the Bank is mandatory.

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6. Rate of Interest:

- Interest shall be charged at the rate of 10.25% per annum.
- Interest will be applied at monthly rests.

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7. Repayment:

- Repayment period: Up to 15 years
- The borrower and co-borrower (parent/guardian) shall repay the principal and interest

on a regular basis, commencing after the moratorium period

8. Disbursement:

- Interest accrued during the moratorium period may be:
  - Added to the principal and repaid along with the EMI, or
  - Repaid separately during the moratorium period (at the borrower's discretion)
- Disbursement will be made in stages as per the institution's demand schedule, directly to:
  - The educational institution
  - Bookshops/vendors (for purchase of equipment, books, etc.)

9. Other Conditions:

- The loan shall be sanctioned and disbursed in the joint name of the student and parent.
- The borrower must execute a consent letter, upon securing employment, authorizing the employer to deduct and remit the loan instalment amount directly to the Bank.
- The borrower must:
  - Inform the Bank immediately upon completion of the course and securing employment
  - Notify the Bank about any change in address without delay

10. Charge Creation:

- The loan charge shall be registered with CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest).

11. Bank Charges:

- Applicable processing, documentation, and service charges shall be levied as per the Bank's approved service charge policy.

Bank Guarantee Policy

i) Purpose

The bank may issue only financial guarantees and not performance guarantees. These financial guarantees are intended to support genuine trade and credit-related transactions of customers.

ii) Maturity

Bank guarantees should be issued for relatively short durations. Under no circumstances should the bank issue guarantees with a maturity period exceeding ten years.

iii) Volume Limits

The total volume of outstanding guarantee obligations at any given time shall not exceed 10% of the bank's total owned resources, which includes paid-up capital, reserves, and deposits.

Within this overall ceiling, the volume of unsecured guarantees outstanding at any time should be limited to the lower of:

- 25% of the bank's owned funds (i.e., paid-up capital + reserves), or
- 25% of the total amount of guarantees issued.

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iv) Secured Guarantees

The bank should preferably issue secured guarantees.

A secured guarantee refers to a guarantee backed by tangible security such as:

- Land or building
- Public Sector Bonds
- National Savings Certificates
- Life Insurance Policies
- Term deposits with the bank
- Or a counter-guarantee by the Central/State Government, public financial institutions, or insurance companies.

The market value of such securities must at all times be at least equal to the amount of the contingent liability under the guarantee.

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v) Unsecured Guarantees

The bank shall not issue unsecured guarantees under any circumstances. All guarantees must be adequately backed by appropriate securities or counter-guarantees.

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vi) Deferred Payment Guarantees

1. Banks intending to issue deferred payment guarantees (DPG) for acquisition of capital assets must ensure that the total credit exposure (including the DPG) does not exceed the prescribed exposure limits.
2. The viability of such proposals must be appraised thoroughly. Emphasis should be placed on the profitability and projected cash flows of the project to ensure that the borrowing unit will generate sufficient surplus to meet future liabilities. Appraisal norms applicable to term loan financing should also apply to deferred payment guarantees.

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vii) Safeguards in Issuance of Guarantees

While issuing financial guarantees, the bank must observe the following safeguards:

- (a) Guarantees must be issued on serially numbered security forms to prevent misuse or fraud.

- (b) Guarantees exceeding a specified limit must be issued under two authorized signatures, in triplicate—with copies retained by the branch, beneficiary, and the Controlling Office/Head Office. The guarantee should clearly mention that the beneficiary must seek confirmation from the Controlling Office/Head Office.
- (c) Guarantees should not be issued to customers who maintain only current accounts without sanctioned credit facilities. If such cases arise, the bank must conduct thorough financial scrutiny, including verifying income sources, analysing financial statements, and ensuring the customer has the means to honour the guarantee obligation without requesting additional bank credit.
- (d) If the customer enjoys credit facilities with another bank, the reason for approaching this bank for guarantee issuance must be ascertained. A reference should be made to the customer's existing banker.
- (e) When issuing guarantees in favour of another bank (for facilitating credit facilities by the latter), the bank must verify the need for such a guarantee, conduct comprehensive appraisal, and obtain dual authorisation for guarantees exceeding a stipulated limit. All such guarantees should be properly recorded. The issuing of the guarantee should not compromise the integrity or due diligence of credit evaluation.

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viii) Payment under Bank Guarantees – Immediate Settlement

Banks must honour invoked guarantees without delay. Prompt settlement of claims under bank guarantees is critical to maintain the trust and credibility of the banking system. Any reluctance or delay in settling valid claims could bring disrepute to the bank and the cooperative banking sector at large.

13. Handling of Export Documents

In accordance with the directives issued by the Reserve Bank of India (RBI), Urban Co-operative Banks (UCBs) that are not Authorized Dealers (ADs) in foreign exchange are strictly prohibited from handling export documents on behalf of their constituents.

Specifically, UCBs are not permitted to issue any undertaking or authorization to Authorized Dealer banks for the negotiation of export bills, nor can they authorize such dealers to debit the UCBs' current account in the event of return or rejection of export bills.

Engaging in such activities would constitute unauthorized involvement in foreign exchange business and would be a serious violation of the Foreign Exchange Regulation Act (FERA) and the provisions of the Foreign Exchange Management Act (FEMA), as applicable.

Therefore, unless expressly licensed and recognized as an Authorized Dealer by the RBI, UCBs must abstain from directly or indirectly participating in any transaction involving:

- Export documentation,
- Foreign currency flows,
- Trade-related credit arrangements in foreign exchange.

Strict compliance with these norms is essential to avoid regulatory penalties and maintain adherence to the legal framework governing foreign exchange transactions in India.

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14. Targets for Priority Sector Lending (PSL)

The RBI has mandated specific Priority Sector Lending (PSL) targets for all UCBs, which must be achieved in a phased manner. These targets are linked to either the Adjusted Net Bank Credit (ANBC) or the Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher, calculated as of March 31 of the previous year. For off-balance sheet items, banks may use the current exposure method to calculate the credit equivalent. It is clarified that inter-bank exposures shall be excluded from this computation.

a) Total Priority Sector Target

The total PSL obligation stands at 75% of ANBC or CEOBSE. However, this benchmark has been introduced gradually, and banks were required to meet the following phase-wise targets:

Financial Year	Minimum PSL Requirement
2020–21	45% of ANBC / CEOBSE
2021–22	50% of ANBC / CEOBSE
2022–23	60% of ANBC / CEOBSE
2023–24	75% of ANBC / CEOBSE

b) Micro Enterprises Target

Banks must ensure that at least 7.5% of ANBC or CEOBSE, whichever is higher, is advanced to Micro Enterprises under the broader Micro, Small & Medium Enterprises (MSME) category. This is to promote inclusive credit access to very small and grassroots-level businesses.

c) Weaker Sections Target

A minimum of 12% of ANBC or CEOBSE must be advanced to individuals and entities classified under weaker sections, which include economically disadvantaged groups. The phase-wise implementation of this requirement is as follows:

Financial Year	Weaker Sections Target

2020–21	10%
2021–22	11%
2022–23	11.5%
2023–24	12%

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15. Delegation of Powers

In order to facilitate timely decision-making and enhance branch-level autonomy, the following delegation of financial powers has been established:

a) Branch Managers' Authority

Branch Managers are authorized to sanction:

- Gold Loans
- Loans against the Bank's Own Fixed Deposits
- Loans backed by NSCs/KVPs/LIC Policies

These sanctions should be reported monthly to the Head Office for ratification by the Board of Directors to ensure proper oversight.

b) Internal Audit Oversight

Internal inspectors are required to verify that discretionary powers have been exercised judiciously. Any unauthorized sanction of loans must be immediately reported to the Head Office. Furthermore, any exceeding of limits by the CEO or Chairman must be brought to the attention of the Board of Directors for review and corrective action.

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16. Monitoring Operations in Loan Accounts

a) Post-Sanction Monitoring

i) Purpose-Specific Drawals:

Branches must ensure that withdrawals from Cash Credit or Overdraft facilities are strictly utilized only for the sanctioned purposes. Misuse of funds or diversion should be viewed seriously.

ii) Security Monitoring:

The post-sanction follow-up must include regular verification to ensure that securities such as pledged goods or hypothecated assets remain intact and adequate throughout the loan tenure.

iii) Accounts at Risk of Becoming NPAs:
Accounts exhibiting stress or signs of slippage into NPA status should be monitored rigorously. Enhanced inspections, stock verification, and pledging of goods instead of hypothecation should be insisted upon. Routing of all sales proceeds through the bank's account must be ensured.

iv) Restrictions on Clearing Cheques:
Drawals against cheques under clearing should be permitted only for first-class customers, and even in those cases, subjected to rigorous assessment. Issuance of banker's cheques/drafts/pay orders before credit of clearing instruments is strictly prohibited, especially for accounts nearing or exceeding sanctioned limits.

v) Permitted Instruments:
Clearing-related drawals must be restricted to instruments like bank drafts and government cheques only.

b) Responsibility and Internal Controls
i) Branch Administration:
Branches must reinforce internal controls to prevent diversion of funds, fraudulent activities, and procedural violations.

ii) Staff Accountability:
Any staff involved in misuse of authority, corruption, or malpractice shall be dealt with stringently. Investigations must be prompt and punitive action, including suspension or termination, may be initiated based on the severity of the misconduct.

c) Review of Advances
A half-yearly review of all loan accounts must be conducted by the bank's loan committee. This review should assess the credit quality, asset classification, fund utilization, and compliance with sanctioned terms.

d) Valuation of Properties
- Valuations should be conducted by independent, qualified valuers, not associated with the borrower or bank in any direct or indirect manner.
- For properties valued at ₹50 crore or more, a minimum of two valuation reports must be obtained.
- Revaluation must be done once every three years.
- A separate valuation register must be maintained and updated.

e) Empanelment of Valuers

- Valuers must be Registered Engineers, preferably Government-approved, and listed under Section 34AB of the Wealth Tax Act, 1957.
- The bank shall maintain an up-to-date list/register of empanelled valuers.

f) Diversion of Funds

Diversion of funds refers to the utilization of loan amounts for purposes other than what was originally sanctioned. This includes:

- Using working capital for long-term asset acquisition
- Investing in subsidiaries/group companies
- Routing funds through unauthorised banks
- Acquiring securities/debentures without permission
- Withdrawing large cash amounts without justification
- Under-deployment of sanctioned limits

Such actions, especially stock sales without crediting proceeds to the loan account, may be considered fraudulent, and the bank must take immediate corrective measures, including:

- Recall of loan
- Penal interest
- Legal proceedings

g) Ensuring End-Use of Funds

To verify and ensure that the borrowed funds are utilized properly, the following practices should be followed:

i) Annual inspection of assets provided as security

ii) Scrutiny of books of accounts, especially with external bank relationships

iii) Review of quarterly progress reports in case of project loans

iv) Annual site visits to the borrower's place of business

v) Stock verification every six months

vi) Obtaining a Chartered Accountant's certificate confirming the end-use of funds

17. Exchange of Credit Information

In line with regulatory directives and prudent banking practices, The Mahaveer Co-op. Bank Ltd., Belagavi, has institutionalized robust mechanisms for the exchange of credit information. This ensures transparent and informed lending decisions, risk mitigation, and better financial discipline among borrowers.

a) Membership of Credit Information Companies (CICs)

The Bank has acquired membership with all four Credit Information Companies (CICs) registered under the Credit Information Companies (Regulation) Act, 2005, namely: CIBIL, Equifax, Experian, and High Mark. This step is in compliance with Section 15(1) of the Act, mandating all credit institutions to become members of at least one CIC. With effect from January 29, 2015, as per RBI directive DBR.No.CID.BC.59/20.16.056/2014-15, the Bank expanded this to include all CICs. Data, including historical records, is submitted regularly to ensure the comprehensiveness of the credit database.

b) Credit Information Reports (CIRs)

As a part of the credit appraisal process, the Bank obtains Credit Information Reports (CIRs) from one or more CICs. This enables a holistic view of a borrower's credit history and financial discipline, thereby improving the quality of credit decisions and minimizing the risk of delinquency.

c) Exchange of Information in Consortium and Multiple Banking Arrangements

To fortify the information framework around borrowers availing credit from multiple banks, the following protocols are adopted:

(i) At the time of sanctioning fresh facilities, the Bank obtains a declaration from borrowers regarding their existing credit relationships with other banks.

(ii) For ongoing accounts, especially those with sanctioned limits of Rs. 5.00 crore and above, a quarterly system of mutual information exchange with other lending banks is followed.

(iii) Certification regarding statutory compliance is periodically obtained from professionals like Company Secretaries, Cost Accountants, or Chartered Accountants.

(iv) The Bank makes optimal use of credit reports from all four CICs.

(v) All new loan agreements, and renewed agreements in case of existing borrowers, include clauses authorizing the Bank to exchange credit information, thus addressing any confidentiality issues.

18. Central Electronic Registry under SARFAESI Act, 2002

The Bank is registered with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). Records of all equitable mortgages created are uploaded to this registry to avoid duplication of lending on the same immovable property and to prevent frauds. Ongoing transactions and modifications are continuously updated with CERSAI.

a) Disclosure and Monitoring of Defaulting Borrowers

(i) The Bank submits quarterly lists of suit-filed accounts with outstanding dues of Rs. 1 crore and above to CIBIL and other recognized CICs.

(ii) Details of wilful defaulters with outstanding balances of Rs. 25 lakh and above are also submitted quarterly.

(iii) Data related to legal actions against borrowers is verified through CIBIL's website.

(iv) Lending to individuals/entities listed as defaulters or associated with defaulting units is strictly prohibited.

19. Linking Shareholding to Borrowing

In accordance with RBI Circular No. UBD.BPD.(PCB).Cir.No.22/09.18.201/2010-11, borrowers are required to subscribe to the Bank's shares equivalent to 2.5–5.0% of their borrowings. However, banks maintaining CRAR above 12% are exempted from this requirement.

20. Interest Application

To maintain accounting discipline and regulatory compliance, the Bank adheres to the following guidelines regarding interest application:

(a) For NPAs (Non-Performing Assets), interest accrued but not received for over 90 days is not treated as income. Such interest is shown separately as "Interest Receivable" under assets and matched by an "Overdue Interest Reserve" under liabilities.

(b) For performing assets, interest is treated as income. However, if these accounts turn NPA, previously recognized interest must be reversed or fully provided.

(c) The Bank maintains a standardized method for recording accrued interest, complying with the format prescribed under the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

(d) The "Overdue Interest Reserve Account" is not treated as owned funds.

21. Provisioning Norms

In accordance with applicable prudential norms and RBI guidelines, the Bank shall make provisions for loan assets based on their classification, as follows:

i) Loss Assets:

- Assets identified as non-recoverable or having negligible realizable value are classified as **Loss Assets**.
- The Bank shall make a **100% provision** for such assets, or write them off in the books, as per statutory and audit directives

ii) Doubtful Assets

- Loans that remain sub-standard for more than 12 months are classified as Doubtful Assets.
- Provisioning shall be made as under:

  For the unsecured portion:
- 100% provision is mandatory.

For the secured portion:

- Doubtful for up to 1 year: 20%
- Doubtful for more than 1 year and up to 3 years: 30%
- Doubtful for more than 3 years: 100%

iii) Sub-standard Assets:

- Loans that are overdue for a period of more than 90 days but not exceeding 12 months are treated as **Sub-standard Assets**.
- The Bank shall provide **10% of the outstanding balance** as a general provision.

iv) Standard Assets:

- Performing loans with no overdue beyond the 90-day threshold fall under **Standard Assets**.
- As a prudential measure, the Bank shall maintain the following provisions:
  - Agriculture and SME Sectors: 0.25%
  - Commercial Real Estate (CRE): 1.00%
  - Commercial Real Estate – Residential Housing (CRE–RH): 0.75%
  - Other Sectors: 0.40%

These provisions shall be shown under "Contingent Provision Against Standard Assets" and will be eligible for inclusion in Tier II Capital, enhancing the Bank's capital adequacy position.

v) Higher Provisions:

- The Bank reserves the right to make additional or higher provisions for stressed assets, restructured loans, or sector-specific risks, as may be deemed appropriate.
- Such provisioning may also be mandated under the State Co-operative Societies Act, RBI directives, or internal stress-testing outcomes.

(e) Provision for Retirement Benefits:

- The Bank shall assess liabilities towards Provident Fund, Gratuity, and Pension based on actuarial valuations.
- Full provisioning for these liabilities shall be made annually in the Profit and Loss Account, ensuring compliance with employee benefit obligations.

22. General Terms and Conditions

- Loan applications shall be accepted only after a minimum period of one month from the date of Board-approved membership.
- Applicants and their sureties must submit valid proof of income along with the application.
- A member may stand as surety for a maximum of three active loan accounts at any given

time.

- Applicable processing fees must be paid at the time of loan application.
- Incomplete applications shall be summarily rejected without any separate intimation to the applicant.
- The Bank reserves the right to demand additional sureties at any stage, based on risk assessment.
- In cases where all parties (borrower and sureties) are from the same institution, at least one surety must be from an external institution.
- The repayment behaviour of existing sureties will be taken into account and may impact the eligibility of the loan applicant.
- Loans must be availed within three months from the date of sanction; failure to do so will necessitate resubmission of the application.
- Incomplete applications pending for over three months shall be deemed cancelled without further notice.
- Applicants with poor credit histories, including salary attachments, legal recovery actions, or negative repayment behaviour, will be disqualified.
- Applicants or sureties with outstanding penal interest may face postponement or rejection of their applications.
- All loan limits and conditions are subject to periodic review and revision by the Board.
- The Bank retains sole discretion to reject any loan application without assigning any reason.
- Borrowal accounts with sanctioned limits exceeding ₹10.00 lakh shall be subject to annual review and credit monitoring.

24. Recovery Procedure

a) Monthly Instalments and Monitoring

All loans must be repaid by borrowers through monthly instalments, as stipulated in the sanction terms. In the event of default:

- A formal notice shall be issued immediately after the first missed payment.
- Continued non-payment may result in the account being classified as a Non-Performing Asset (NPA), as per RBI guidelines.

b) NPA Classification Criteria

An account shall be classified as NPA under the following conditions:

- Principal or interest remains overdue for a period of more than 90 days.
- In the case of cash credit or overdraft facilities, the account remains out of order for more than 90 days.

- Bills or other receivables remain overdue beyond 90 days.

c) Legal Action

In the event of persistent default:

- A registered legal notice shall be issued to the borrower, stipulating a 15-day period for repayment.
- If unresolved, the case shall be escalated to the NPA Review Sub-Committee and referred to the Registrar of Co-operative Societies for arbitration or recovery under applicable laws.

d) Staff Accountability

As per RBI norms, concerned bank officials may be held accountable for avoidable slippages into NPA, arising due to negligence, procedural lapses, or lack of monitoring.

e) Recovery under SARFAESI Act

Where applicable, the Bank may initiate enforcement of security interest under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, without the need for court intervention, to expedite recovery from secured assets.

Conclusion

The Board of Directors of the Bank reserves the right to amend, revise, or modify the Loan Policy from time to time, keeping in view the evolving business requirements and any changes in laws governing the banking sector. Any modification or addition to this policy necessitated by changes in the regulatory framework issued by the Reserve Bank of India (RBI) or the Government of India shall be incorporated immediately and shall form an integral part of this policy from the date such changes take effect. This Loan Policy is a dynamic document intended to align with the changing financial, regulatory, and economic landscape. Accordingly, the policy shall remain in force until it is duly reviewed and revised by the Board of Directors.

The Mahaveer Co-operative Bank Ltd., Belagavi

Sd/-

Chief Executive Officer/Vice-Chairman/Chairman