

**STUDY MATERIAL FOR OFFICERS BELONGING TO SC/ST/OBC/PH CATEGORY
UNDER VIRTUAL TRAINING**

S.No.	E-LEARNING MODULE
1	KYC/AML/ BCSBI/COPRA/RTI & Banking Ombudsman
2	Types of Accounts
3	Types of Customers
4	Various Deposit Products
5	Non-Fund Based Business
6	ADC & ITES Products - I
7	ADC & ITES Products - II
8	Various Card Products
9	Types of Charges
10	Officers' Service Regulations
11	Overview of Balance Sheet - Part I
12	Overview of Balance Sheet - Part II
13	Preventive Vigilance & Security
14	Priority Sector, Agriculture & Allied Activities - I
15	Priority Sector, Agriculture & Allied Activities - II
16	MSME & CGTMSE
17	Assessment of Working Capital & Term Loan
18	Documentation
19	Laws Affecting Bankers
20	RECENT TRENDS IN CRR, SLR, MCLR, REPO RATE etc.
21	RETAIL CREDIT - I
22	RETAIL CREDIT - II
23	IRAC Norms
24	Credit Monitoring & NPA Management
25	Various Recovery Tools
26	GOVT. SPONSORED SCHEMES-I
27	GOVT. SPONSORED SCHEMES-II
28	OVERVIEW OF FOREX - PART I
29	OVERVIEW OF FOREX - PART II
30	KNOW YOUR BANK & BANK'S PERFORMANCE

CHAPTER 1

KYC / AML / BCSBI / COPRA / RTI / BANKING OMBUDSMAN

What is Banking Codes & Standard Board of India?

The Banking Codes and Standard Board of India is an independent and autonomous banking industry watchdog to monitor and ensure that banking codes and standards adopted by the banks are adhered to in true letter and spirit while delivering banking services in India. It provides protection to customers and explains how a member bank is required to deal with customers in its day-to-day operations.

Formation of the Board

The BCSBI is a society registered under the Societies Registration Act, 1860 on 18th February 2006 with its registered office in Mumbai, based on the recommendation of S.S. Tara pore Committee.

Management of the Board

The Board is governed by a six member Governing Council including Chairman, three of whom are nominated by RBI and two by banks in consultation with RBI.

Objectives

- **Promote good and fair banking practices**
- **Increase transparency**
- **Achieve higher operating standards**
- **Promote a fair and cordial relationship**
- **Foster confidence in the banking system**
- **Promote safe and fair customer dealing**
- **Increasing awareness of customers**

Code Of Bank's Commitment To Customers

This is a voluntary code of Customer rights, which sets minimum standards of banking practices for all the member banks to follow while dealing with individual customers and Micro and Small Enterprises. The codes formulated by BCSBI in collaboration with Indian Bank Association (IBA) are:

- **Code of Commitment to Customers**
- **Code of Commitment to Micro and Small Enterprises**

The Code deals with:

Deposit Accounts, Safe Deposit Locker Accounts, Settlement of Claims in Deceased Depositor's Accounts, Foreign exchange services, Remittance services, Loans and Advances, Guarantees Debit cards, Credit Cards, Internet banking, etc.

What does the Code do?

Code mentions the interest rate, tariff schedules, compensation and loss due to omission and commission on the part of bank, privacy and confidentiality of the information relating to customers, norms of advertisement, sales marketing, activities of direct selling agents and sale of third party products etc.

Application of the Code

- **Current accounts, term deposits, recurring deposits, and all other deposit accounts.**
- **Payment services such as payment orders, remittances by way of Demand drafts and wire transfers, and all electronic transactions like RTGS (Real Time Gross Settlement), EFT (Electronic Funds Transfer) , NEFT (National Electronic Fund Transfer) or any other mode.**
- **Banking services related to Government transactions.**
- **Demat accounts, Equity, Government Bonds.**
- **Indian currency notes exchange facility.**
- **Collection of cheques/instruments/safe custody services.**
- **Loans and other credit facilities, which include fund based such as Cash Credit , Overdraft cheque and bills purchase/discounting (both inland and foreign), non-fund based such as establishment of inland and or / foreign Letter of Credit (D/P or D/A), issuing of Guarantee (both inland and foreign), Inland or foreign bill or cheque for collection, Co- acceptance of bills, buyer's credit, etc.**
- **Third party insurance and investment products marketed through branches and/or authorised representatives or agents.**
- **Card products like ATM/Debit/Credit Cards and services**
- **Factoring services.**

- **Merchant services.**
- **Micro and Small Enterprises engaged in the manufacturing or production or processing or preservation of goods and those engaged in providing or rendering of services**

Important Provisions of the Code

- **Bank will promote good and fair banking practices based on the ethical principles of integrity and transparency so that the customer can operate in a secure and reliable banking system.**
- **Bank will not reveal information and data relating to account except as provided by law and banking practice.**
- **The bank will maintain decency and decorum while visiting the borrower for collection of dues.**
- **Bank will have a policy on seizure of assets, i.e., Security Repossession Policy and the same should be made available to the borrower on request.**
- **Where a complaint is received in writing, the bank should acknowledge the same within 7 days.**
- **The final reply to the complainant should be sent within six weeks from the date of the complaint**
- **All branches of a bank must display in their notice board that they are covered under Banking Ombudsman Scheme and that a copy of the scheme is available with them for reference at free of cost and the same can be supplied at a nominal fee.**
- **Where a customer is not happy with SB or CD account opened with a bank, it can close the account within 14 days of opening without any charges.**
- **When a customer requests for closing his SB/CD account, the closure should be done maximum within 5 working days from the date of receipt of intimation.**
- **The customer will be advised 3 months in advance from the date his account is**

going to be transferred to in-operative or dormant account.

- The bank will give 30 days notice before closing any account of the customer.
- While closing or shifting a branch, the bank has to give minimum 3 month's notice to the customer if no other bank branch is operating in that place and minimum 2 month's notice if some other bank branch is functioning in that place.
- The bank will settle the claim in case of a deceased account within 15 days from the date of receipt of claim along with death certificate and other papers.
- Bank should acknowledge in writing, the receipt of loan application, whether submitted manually or online indicating therein the timeframe within which the application will be disposed of.

What is Banking Ombudsman Scheme?

The Banking Ombudsman Scheme is an expeditious transparent and inexpensive mechanism available to customers of banks for resolution of complaints relating to deficiency in banking services.

Who is Banking Ombudsman?

Banking Ombudsman is a senior officer in the rank of Chief General Manager or General Manager appointed by the RBI for redressal of customer complaints in banks. RBI first introduced the Banking Ombudsman Scheme in 1995. Banking Ombudsman is a quasi-judicial authority. An Ombudsman is appointed for a period of 3 years at a time. The Scheme is applicable to all :

----- Commercial Banks

----- Regional Rural Banks

----- Scheduled Primary Co-operative Bank

Duties and Powers

1. Receive complaints relating to deficiency in banking services.
2. Facilitate settlement of complaints through conciliation and mediation process.
3. Issue 'awards', which are to be complied by the bank.
4. Power to summon the bank and the complainant.
5. Power to call for production of any information or certified copies of any

document relating to complaint.
Grounds of Complaint

The Banking Ombudsman will hear complaints relating to deficiency of service in these areas:

- 1. Non- adherence to prescribed working hours**
- 2. Delay in : (a) Collection of cheques (b) issue of drafts (c) in providing banking services**
- 3. Complaints relating to loans and advances**
- 4. Complaints related to non- adherence of RBI's directives**
- 5. Complaints related to levying of service charges**
- 6. Pension payment related complaints**
- 7. Card-related (ATM/Debit Card and Credit Card) Complaints**
- 8. Complaints from NRIs in respect of their deposit accounts**
- 9. Forced closure or delay in closure of deposit account**
- 10. Refusal to : (a) open accounts (b) close accounts**
- 11. Failure to honour Guarantee/ Letter of credit commitment**
- 12. Non- acceptance of small denomination notes/coins**

Procedure for Filing Complaints

- 1. First approach the respective bank**
- 2. If no satisfactory solution has been given by the bank, then approach Banking Ombudsman**
- 3. Complaint has to be made in writing by the aggrieved person or his authorised representative (except advocates).**
- 4. Complaint can also be made online/ email/in hard copy, but incorporate all the required information.**
- 5. The complaint has to be made within one year from the date of receipt of reply from the bank.**
- 6. If no reply is received, within one year and one month from the date of representation to the bank.**

Non-Consideration of Complaint

- 1. The complaint is made after the lapse of more than one year and one month from the date of complaint made to bank.**
- 2. The subject matter of the complaint has already been settled previously by Banking Ombudsman.**
- 3. The subject matter of complaint is pending for disposal before any other legal fora (sub judice cases).**
- 4. Frivolous or vexatious complaints.**
- 5. The institution complained against is not covered under the scheme.**

Rejection of the Complaint

- 1. The nature of complaint requires consideration of elaborate documents and oral evidence**

- 2.** Complaint is not pursued by the complainant with reasonable diligence.
- 3.** When no loss or damage or inconvenience is caused to the complainant.
- 4.** The complaint is without sufficient cause.

Limits of Compensation

- **The amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant is limited to the amount arising directly out of the act or omission of bank or Rs. 20.00 lakh, whichever is lower.**
- **The ombudsman may choose to award the compensation, not exceeding Rs. 1.00 lakh , to the complainant for mental agony and harassment.**

Appeal

- **Anybody aggrieved by the award of the Ombudsman can prefer an appeal within 30 days to the Appellate Authority, who is Deputy Governor of RBI.**
- **A bank has to first get the permission from its chairman / Chief Executive / Executive Director for preferring an appeal.**

Consumer Protection Act (COPRA)

What is COPRA?

Consumer Protection Act (COPRA) enacted in 1986 is a path-breaking socio economic legislation and most important milestone in the area of consumer movement in India. It provides the consumer a simple, speedy and inexpensive way of seeking grievance redressal options and opportunities in case of any defects in goods and deficiencies in services.

CONSUMER PROTECTION ACT, 2019

Consumer markets for goods and services have undergone drastic transformation since the enactment of Consumer Protection Act in 1986. The modern market place contains a plethora of products and services. The emergence of global supply chains, rise in international trade and the rapid development of e-commerce have led a new delivery system for goods and services and have opened wide choices for consumers. In this backdrop, The Consumer Protection Act, 2019 replaced the more than three decades old Consumer Protection Act, 1986.

Objectives

1. To provide a simple, speedy and inexpensive way of redressal of consumer grievances.
2. To protect the consumer from unfair trade and unethical business practices.
3. To ensure better quality of living by improving the quality of consumer products and services.
4. To provide new options and opportunities for consumers.

Features

1. It applies to all goods, services and unfair trade practices unless specifically exempted by the Central Government.
2. It covers all sectors; private, public or co- operative.
3. It provides for the establishment of a three-tier quasi- judicial consumer redressal commissions at the District, State and National levels.
4. The admissibility of complaints made to Consumer Commissions are to be decided within 21 days.
5. The Act provides for the legislative framework to promote and protect the rights of consumers.

Who is Consumer?

Any individual who purchases products or services for his personal use and not for manufacturing or resale is called a consumer.

- A consumer is a person who hires or avails of any services for a consideration.
- A consumer can be an individual, or firm or HUF or any type of organisation.
- The definition of consumer includes those who make purchases 'online'.
- 'Telecom has also been added to the definition of 'services' to bring telecom service providers within the purview of the Act.
- The definition of 'goods' has been amended to include 'food' as defined in the Food Safety and Standards Act, 2006.

Who is not a Consumer?

1. Persons buying goods for resale.
2. Persons buying goods for any commercial purpose.
3. Persons receiving goods and services free.
4. Persons enjoying personal services under a contract.

Who can file a Complaint?

A Complaint can be filed by a Complainant. A Complainant means [Sec 2(5)]:

- A consumer
- Any voluntarily registered Consumer Association
- The Central Government or any State Government
- Central Authority
- One or more consumers in case there are numerous consumers having the same interest
- In case of death of a consumer, his legal heir or legal representative
- In case of a consumer being a minor, his parent or legal guardian.

What is a Complaint?

Complaint means any allegation in writing made by a complainant for obtaining any relief under The Consumer Protection Act 2019.

- Goods bought/agreed to buy suffers from one or more defects.
- Service hired/availed or agrees to hire/avail suffers from any deficiency/
- A trader/service provider has charged excess price for the goods/service.
- Hazardous goods/service are offered for sale in contravention of safety standards.
- An unfair/restrictive trade practice has been adopted by a trader/service provider.

Consumer Disputes Redressal Commission (CDRC)?

Consumer Disputes Redressal Commission has been set up at the District, State and National Levels.

- District Commission is empowered to settle claims upto Rs. 1 crore.
- State Commission is empowered to settle claims exceeds Rs. 1 crore but does not exceed Rs. 10 crores and also hears appeals against District Commission.
- National Commission is empowered to settle claims exceeds Rs. 10 crores and also hears appeals against State Commission.
- Supreme Court takes appeal against National Commission will lie before the Supreme Court and shall be filed within 30 days from the

date of order.

Central Consumer Protection Authority (CCPA)

A Central Consumer Protection Authority has been set up to promote, protect and enforce the rights of consumers. It regulates matters relating to violation of consumer rights, unfair trade practices and misleading advertisements. The CCPA has an investigating wing headed by a Director General, who conducts enquiry or investigation into such violations.

How Complaints are to be made?

Time Limit: A complaint can be filed within two years from the date in which cause of action has arisen.

Application Form: Application should contain name and address of the complainant, particulars of the opposite party, nature of deficiency, relief claimed, limitation period or any application to condone delay, if any.

Cost of Suit: All complaints should be filed along with the prescribed fee.

Appearance: The complainant and the respondent can appear in person or can authorise his representative or can engage advocates or voluntary consumer associations for appearance.

Prevention of Money Laundering

What is Money Laundering?

- **Money Laundering is the process of transferring illegitimate money into legitimate money.**
- **It is the act of concealing or disguising the source and ownership of the money obtained from criminal activity and integrating the same into the financial system so as to look as if it has been acquired by legitimate means.**
- **Example:**
 - **Human Trafficking**
 - **Sale of Narcotic drug**
 - **Illegal dealings in arms and ammunition**
 - **Financing Terrorism**

Definition of Money Laundering

Money Laundering (Sec 3 PMLA,2002)

Whoever attempts to indulge in any process or activity connected with proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering.

Objectives of PMLA

- **Prevent**
- **Combat**
- **Control Money Laundering**

Process of Money Laundering

STRUCTURING : Structuring is the placement of funds in fictitious accounts.

LAYERING : Layering is the process of transferring the funds placed in fictitious accounts through a series of complex transactions so as to confuse the audit trail/detection.

INTEGRATION : Integration is the mingling of the illegal property with legitimate property.

Measures Against Money Laundering Internationally

- **Money Laundering has become a menace for almost all countries of the world and therefore, United Nations has taken many measures to curb this activity.**
- **In 1988, UN General Assembly adopted a resolution calling upon member countries to pass Anti Money Laundering (AML) legislation in their respective countries.**
- **Financial Action Task Force (FATF) In September 2004, the G7 countries formed an inter- governmental body called Financial Action Task Force (FATF) to combat money laundering and invited others to join this body. This organisation sets standards, develops and promotes policies for prevention of money-laundering.**

Measures Against Money Laundering in India

- **The Government of India has enacted The Prevention of Money Laundering Act, 2002 and has notified on 1st July 2005 the rules under this Act.**
- **Both the Act and the rules have come into effect from 1st July 2005.**
- **The PML Act is administered and enforced by the Directorate of Enforcement, FEMA in the Ministry of Finance for all sectors other than banking sector. In banking sector the Act is administered by Financial Intelligence Unit (FIU-IND).**

- **FIU-IND acts as the national agency to receive, process, analyse and disseminate information on all suspicious financial transactions.**

Important Provisions of Money Laundering Act

- **Money-Laundering [Sec 2 (p)]: Whoever has anything to do with the proceeds of crime and projects such proceeds as untainted money commits the offence of money-laundering.**
- **Not only persons actually involved in money-laundering activities, but any other person including bank official who are directly or indirectly connected with the process by opening the account or otherwise will also be guilty of money-laundering.**
- **An offence of money-laundering attracts rigorous imprisonment for not less than three years but which may extend to seven years with a fine upto Rs. 5.00 lacs. (in case of drug trafficking the imprisonment can extend upto 10 years) [Sec 4].**
- **Banks must maintain the documents of identity proof of all customers and these records and documents are to be preserved for a minimum period of 10 years from the date of cessation of transaction between the bank and the customer.**
- **As per section 13, the failure to produce these records and documents, the bank can be fined with an amount not less than Rs. 10,000 and not exceeding Rs. 1.00 lac.**

Types of Transactions

- **Cash Transactions**
- **Suspicious Transactions**

Types of Reports

- **Cash Transactions Report(CTR)**
- **Suspicious Transactions Report(STR)**
- **Counterfeit Currency Report(CCR)**

Cash Transactions Report

- **All cash transactions of the value more than 10 lakhs.**

- **Series of cash transactions integrally connected each other.**

Suspicious Transactions Report

- **Large cash transactions**
- **Multiple accounts under the same name**
- **Large deposits immediately followed by wire transfers.**
- **Frequent conversion of currency from small to large denominations**

Counterfeit Currency Report

- **As soon as counterfeit currency is found, inform to FIU & RBI.**

Preservation of Records

- **KYC documents obtained initially for minimum 5 years after business relationship ended.**
- **Appointment of Principal Officer: Banks should appoint a PRINCIPAL OFFICER for timely submission of information and returns to FIU-IND.**

Right to Information Act

RTI ACT

- * **A Central legislation**
- * **Applicability : Whole of India**
- * **Enactment : 15 June 2005**
- * **Enforcement : 12 October 2005**

Grants access to information held by a public authority.

Aims & Objectives

- **Provides a legal framework of citizens' democratic right to access information**
- **Promotes Openness, Transparency and Accountability in the working of every public authority.**
- **Reduces corruption**

- Prevents administrative arbitrariness
- Makes citizens part of decision making
- Strengthens the foundations of democracy.

Information – Sec 2(f)

Information means:

- ❖ Records
- ❖ Documents
- ❖ Memos
- ❖ E-mails
- ❖ Opinions & Advices
- ❖ Press Releases
- ❖ Circulars, Orders & Logbooks
- ❖ Contracts
- ❖ Reports, Papers, Samples & Models
- ❖ Data Material in any electronic form
- ❖ Information relating to any private body which can be accessed
by a public authority.

Right to information- Sec2(j)

Right to information means:

The right to:

- Inspect works, Documents , Records
- Take notes, Extracts, Certified copies of documents and records
- Take certified samples of materials

- Access information in the following forms:-
 - Print-outs
 - Diskettes
 - Floppies
 - Tapes
 - Video cassettes and other electronic mode

Who can Disclose Information?

Information can be disclosed by a Public Authority.

Public Authority means any authority / body / institution of self- government established or constituted :

- ❖ **By or under the Constitution**
- ❖ **By any other law made by Parliament**
- ❖ **By and other law made by State Legislature**
- ❖ **By notification issued or order made by the appropriate government.**

Exemptions from Disclosures

- **Disclosures negatively affecting the sovereignty and integrity of India**
- **Disclosures expressly forbidden by any Court or Tribunal**
- **Breach of privilege of Parliament or State legislature**
- **Trade secrets or Intellectual property**
- **Information received in confidence from a foreign Government**
- **Information impeding the process of investigation**
- **Cabinet papers, i.e., deliberations of council of ministers**
- **Information endangering the safety of the informer**
- **Central Intelligence and Security Agencies.**

Procedure for Request

- Apply in writing or through electronic means to the public information officer (PIO), specifying the particulars of the information sought for.
- Pay fees as may be prescribed.

Fees Payable

- ₹ 10 has to be deposited along with the application form.
- ₹ 2 has to be paid for every page of information sought.
- Actual cost price for any samples & models
- For inspection of records, no charge for the first hour but a charge of ₹5 for every 15 minutes thereafter.
- Actual cost price for paper larger than A3 size
- ₹50 for information provided on diskette

Time Limit to get Information

- 30 days; if application is filed with the PIO
- 35 days; if application is filed with the Asst. PIO
- 40 days; if interest of third party is involved
- 48 hrs; if information pertains to life & liberty of individual.

Public Information Officer (PIO)

Every Public Authority is required to designate PIOs to provide information to the public. If providing information, PIO requires the help of any other officer, he is known as Assistant PIO.

Duties :

- Deal with all the applications for information being received in the office.
- Timely redressal / disposal of applications within 30 days.
- If information concerns life or liberty of applicants, respond within 48 hours.
- If information sought is held by another public authority, transfer the request to the appropriate authority within 5 days and inform the applicant.
- In case of rejection of the application, it must be suitably communicated.

If the PIO fails to give decision on the request sought within the specified period, he shall be considered to have refused the request.

Information Commission

Under the RTI Act, there are two Information Commissions viz., Central Information Commission (CIC) and State Information Commissions (SIC) constituted by Central and State Governments respectively.

POWERS:

- **Authorised to receive complaint from any person who has been denied information**
- **Have some powers of a civil court**
- **Empowers to impose stringent penalty on a PIO for failing to provide information**
- **Have powers to recommend disciplinary action against PIO for violation of any provisions of RTI Act.**

Rejection of Information

In case of rejection of the request, PIO shall communicate suitably to the applicant:

- **Reason for rejection**
- **Period for preferring an appeal**
- **Particulars of the appellate authority**

Penalty

The penalty levied by CIC/SIC will be @ ₹ 250 per day subject to a maximum of ₹ 25,000 for the following reasons :

- * **Refusal to receive an application**
- * **Not furnishing information within the stipulated time**
- * **Malafidely denying information**
- * **Giving incomplete, incorrect or misleading Information.**
- * **Destroying information sought**
- * **Obstructing furnishing of information in any manner**

Appeal under RTI

- Any person who does not receive a decision within the specified time or is aggrieved by the decision of the PIO, can file an appeal u/s 19 of RTI Act.
- First Appeal is to be filed before the officer, senior in rank to the PIO within 30 days of the expiry of the time limit.
- Second Appeal is to be filed before the appropriate Information Commission (Central/State) within 90 days of the decision on the first appeal.

Know Your Customer (KYC)

What is KYC?

- KYC stands for 'Know Your Customer'
- It is a process by which banks obtain information about the identity and address of the customers and helps to ensure that banks' services are not misused
- Banks are also required to periodically update their customers' KYC details
- It enables banks to know / understand their customers and their financial dealings better which in turn help them manage their risks prudently.
- Know your customer (KYC) policy is an important step developed globally to prevent :
 - Identity theft
 - Financial fraud
 - Money laundering
 - Terrorist financing

Who is a Customer?

- A person on whose behalf the account is maintained (i.e. the beneficial owner)
- A beneficiary of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction
- A person or entity that maintains an account and/or has a business relationship with the bank.

What to Know?

- True identity and beneficial ownership of the accounts
- Permanent address, registered and administrative address
- Sources of funds
- Nature of Customers' business, etc.

Who Should Know?

- Branch Manager
- Audit Officer
- Monitoring Official

KYC Policy

- RBI has advised banks to make KYC procedures mandatory while opening and operating accounts and has issued the KYC guidelines u/s 35 A of the BR Act, 1949.
- Any contravention of KYC guidelines will attract penalties under the relevant provisions of the Act. Therefore, Bank has to be fully compliant with the provisions of the KYC procedures.
- Banks are required to frame their KYC policies incorporating the following four key elements :
Customer Acceptance Policy; (CAP), Customer Identification Procedures (CIP), Monitoring of Transactions and Risk Management.

Customer Acceptance Policy (CAP)

Every Bank has to develop their CAP with explicit guidelines as under:-

- No account is opened in fictitious / anonymous / benami names
- Obtain ID proof, Address proof, customer profile and other appropriate documents/information, keeping in mind PML Act and RBI guidelines.
- While opening the account, bank should judge the risk associated with the customer and based on risk perception categorise customers into HIGH, MEDIUM & LOW.
- Without CDD (Customer Due Diligence) process, no account can be opened or an existing account can be closed. CDD means accepting the customer after knowing entirely his identity, address, and authority to deal with the bank in a representative capacity,

if any.

- While opening the account, bank must verify that the identity of the customer does not match with any other person with criminal background/ or any members of entities of terrorist individuals.
- The customer acceptance policy should not be too restrictive and must not result in denial of banking services to general public, especially to those, who are financially or socially disadvantaged.
- KYC Procedure shall be followed during the periodic updation.

Customer Identification Procedure

- Customer Identification means identifying the customer and verifying his/her identity by using reliable and independent source of documents, data or information.
- The Customer Identification Procedure is to be carried out at different stages i.e. while establishing a banking relationship, carrying out a financial transaction or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data, etc.
- Banks need to obtain such information that are sufficient to establish to their satisfaction the identity of each new customer irrespective of the nature/status of the people and taking into account the risk perception involved.
- In case of any suspicion of money laundering or terrorist financing, banks should carry out full scale customer due diligence (CDD) before opening an account.
- In case of any suspicion in existing customer accounts banks should review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship.
- In case of close relatives (e.g. wife, son, daughter and parents, etc.), who live with their husband, father/mother and son, as the case may be, find difficult to open an account for want of address verification, Banks can open account by obtaining an identity document and a utility bill of the relative with whom the prospective customer is living along with a declaration from the relative that the said person (prospective customer) wants to open an account is a relative and is staying with him/her.
- Banks should introduce a system of periodical updation of Customer identification data (including photograph/s) after the account is opened.

Monitoring of Transactions

- Based on the background of the customers, sources of funds, the type of transactions involved and other risk factors, Banks have to set key indicators for all the accounts
- There must be a system of periodical review of risk categorization of accounts.
- Based on transactions/turnover in the account, review exercise is to be carried out once in every 6 months.
- Based on assessment and risk perception, customers are to be classified into LOW, MEDIUM and HIGH.
- Customer's profile is to be periodically updated as below:

Low Risk : Every Ten Years

Medium Risk : Every Eight Years

High Risk : Every Two Years

- High risk-associated accounts are to be closely monitored to identify the presence of any suspicious transactions and for filing Suspicious Transaction Reports (STRs) to Financial Intelligence Unit- India (FIU-IND).
- Banks are required to exercise ongoing Customer Due Diligence and close monitoring of accounts.
- Accounts of the customers who are non-compliant of KYC requirements and are not responding to the reminders sent by the branches are to be either partially frozen or closed by observing the following procedure :
 - Initially a notice of three months should be sent to the customer to comply with KYC requirement
 - It should be followed by a reminder for further period of three months.
 - Thereafter, branches may impose "partial freezing" by allowing all credits and disallowing all debits with the freedom to close the account.
 - If the accounts are still KYC Non-compliant after six months of imposing initial partial freezing, branch may disallow all debits and credit to/from the account.
 - Decision to close such accounts shall be approved by the Branch Manager.

Risk Management

- The Board of Directors of the bank should ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring

their effective implementation.

- **Responsibility should be explicitly allocated within the banks for ensuring effective implementation of the policies and procedures.**
- **Banks should also ensure that its internal audit and compliance functions specifically check and verify the application of KYC procedures at branches.**
- **Based on assessment and risk perception, customers are to be classified into LOW, MEDIUM & HIGH**
- **As a part of risk management, close monitoring is to be ensured in the case of :**
 - **High risk accounts**
 - **NRE accounts**
 - **Accounts with high turnover**
 - **Large amount of cash transactions**

CHAPTER 2

TYPES OF ACCOUNTS

We maintain broadly two types of accounts:

1. Customer's Account
2. Office Account

Customer's Account:

We have two types of customer's accounts:

1. Deposit accounts
2. Advances accounts

Deposit Account: These accounts are classified in two parts that is :

Demand Deposit: means a deposit received by the Bank, which is withdraw able on demand at any time without notice or penalty.

Term Deposit or Time Deposit: Such deposit have a specific maturity date or period to maturity.

Demand Deposit is of two types:

1. Saving Bank Deposit: means a demand deposit which is subject to restrictions to no. of withdrawals permitted by bank during any specific period.

2. Current Deposit: means a demand deposit wherefrom no restrictions on withdrawals depending upon the balance in the available or up to a particular agreed amount.

Also known as "CASA" deposit in our Bank.

SAVING BANK Account: A basic type of bank account that allows to deposit money, keep it safe and withdraw funds, all while earning interest. Basically the feature of this account is designed to promote the habit of saving.

SB A/c can be opened for eligible person/persons and certain organizations / agencies (as approved by RBI from time to time)

Only non profit oriented entities are permitted to open a Saving Bank account like:

- Individuals but not for trading activity including NRO,NRE,RFC
- Trusts/ Club / Society / Association
- Institutions permitted by RBI
- Agencies aiming to serve weaker sections of society
- BDO,DRDA,DDA,KVIC,SHG etc who are working for betterment of weaker section.

Profit oriented entities are not permitted to open a Saving Bank account like:

- Firms
- Company
- Other Bank including RRB, LDB, Co-operative Bank
- Corporations, Boards
- Political Party
- Government Department etc.

To prevent the use of SB A/c in trading activity there may be restriction on deposit or withdraw within a month.

There is no restriction on deposit but fifty withdrawals within a year is permitted without penalty.

Rate of Interest was fixed by RBI earlier, now it varies from bank to bank.

In our bank, presently it is 3.25% per anum with quarterly rests for deposit upto Rs.1.00 Lakh & 3.00% for deposit over Rs.1.00 lakh.

Minimum deposit an account holder has to maintain in SB account is determined by the banks. Some banks also offer zero balance accounts.

At our bank, in rural and semi urban branches average quarterly balance of Rs.500/- to maintained, whereas in Urban and metro branches presently it is 1000/-. Failing which bank charges penalty.

SB account holders may be provided with 25 Cheque leaves free in a year, thereafter Rs.3/-per leaf plus applicable GST.

RBI has permitted a special type of saving bank account for the customers who are not able to submit KYC documents, belongs to lower income group and where joint account is not permitted.

There are some special features in this type of account like:-

- Balance will not exceed Rs.50,000/-at any point of time.
- Total aggregate credit should not exceed Rs.100,000/- in a F/Y.
- Total withdrawals not exceed Rs.10,000/- in a month.
- No Foreign transaction allowed.

Apart from Normal SB A/c and Small SB A/c which will be opened with relaxed customer acceptance norms as per regulatory guidelines.

Our bank has designed several Saving Bank schemes targeting different group of people where bank has provided many facilities as per the requirement of that group.

In these schemes bank has given concession in AQB (average quarterly balance) and also offered Insurance cover without any cost.

Different Saving Bank Deposit schemes are:

BOI Saving Plus account & BOI Super Saving Plus account:

A mix of SB & TDR, targeting high & very high net worth individuals & Institutions where benefit of higher ROI is provided for balance over Rs.50,000/- & over Rs.5.00 Lakh respectively as per norms.

BOI Saral Salary A/c (SB165) & BOI Salary Plus Account (SB163):

Targeting salary class people where charges for AQB has been waived and Insurance cover of Rs. One lakh to ten lakh according to their salary group has been offered free of cost. Also several concessions & privileges has been provided to this group of people.

Jai Jawan Salary Plus → (SB161 & SB162)

- All permanent Defence personnel i.e, employees of Indian Army, Indian Air Force; Indian Navy and Coast Guards are eligible .
- This account has been divided for commissioned officers (Scheme code SB161) & Non-commissioned officers (Scheme code SB162) separately .
- Ex-servicemen are also eligible and covered under the scheme .
- This is Zero Balance account.
- Group personal Accident death insurance cover Max. 10 Lakhs & death in Terrorist attack\war Insurance cover is 50 lakhs.
- 100% PPC waiver in Retail Loans.
- Free Platinum Card/Cheque Book & 30% concession on Locker Charge

BOI Rakshak Salary Account:

- All existing employees of Central Police Organization, Civil police, Home Guards, traffic police, Railway Police Force are eligible to open the account.
- Min. Balance Zero.
- Scheme Code SB163 and Spl. Charge Code is RAKSA
- Group personal Accident death insurance/ Permanent Total Disability Insurance, cover up to Max. 30 Lakhs available for AQB maintain above Rs.50000/- and up to Rs.15 lakhs for AQB below Rs 50000/-
- If there is any existing customer of above category in different scheme code say SB101 they can change the scheme code after obtaining acceptance letter.

BOI Star Gurukul SB Account

- Target Group- All teaching & Non Teaching staff of school/colleges/universities.
- Min. Balance Zero.
- Scheme Code SB163 and Spl. Charge Code is Guru
- Group personal Accident death insurance of 5 Lakhs
- Overdraft four times of net salary max.2.00 lakh
- Zero PPC on Retail loan
- Concession in ROI on H\L & V\L.

BOI Star Mahila SB : Scheme Code SB167:

- All women of 18 years and above, who are salaried/self employed/ earning from rent and independent source of income are eligible to open the account
- Balance should be maintained Rs. 5000/- AQB
- Group Personal Accident death Insurance cover of Rs. Five lakh on Debit Card activated in POS swipe for each financial year and several privileges like discounted health check-up facility, Relationship Manager facility (for the a\cs where average balance is over Rs.1.00 lakh), etc.

BOI Star Senior Citizen SB Account: Scheme Code SB166:

- All citizens of 57 years of age and above & all senior citizens drawing pension from other bank.
- AQB of Rs.10000.00 to be maintained
- Group Personal Accident death Insurance cover of Rs. Five lakh on Debit Card activated in POS swipe for each financial year and several privileges like discounted health check-up facility, Pilgrimage tour, Relationship Manager facility (for the a\cs where average balance is over Rs.1.00 lakh), etc.

BOI Star Yuva SB account:

- Target group: Student & young people upto 35 years (SB116)
- Category A Age 10 – 18 years Students
- AQB –for students up to 21 years - nil, total debit Rs.2 lac every F.Y
- Category Age 18-35 years Students , professionals with/ without dependents
 - o AQB- for age group 21 – 35 years – Rs.5000.00 in metro/urban & Rs. 2500.00 in semi urban/rural Branches. Free personal accidental insurance cover (death benefits) of Rs.50,000 for age group of 18-21 years and after 21 years group personal accidental death insurance cover of Rs. 5 lakhs on debit card activated by single POS Swipe, this clause applies to every financial year.

MACT CLAIMS SB ACCOUNTS: (SB170)

(Motor Accidental Claimant Annuity Deposit & Motor Accidental Claim Tribunal)

- Eligibility – Individual including minor (through guardian) in single name.
- Balance limit – no limit.
- No facility of cheque book/ATM/Internet Banking/Mobile Banking
- Nomination – as per court order.

Current Account: A Current account is opened for business transactions.

- Banks offer no rate of interest on money held in the current account but provide extra features as compared to saving account like there is no limit on deposit or withdrawal.
- No passbook is issued, but statement of account is issued every month.
- Minimum deposit needed to open/maintain is decided by the respective banks.
- At our bank, in rural & semi urban branches AQB of Rs.2000/- is to be maintained, whereas in Urban and metro branches Rs.5000/- and Rs.7500/- respectively is required.

Apart from Normal Current A/c our bank has designed several CD schemes targeting different group of people where bank has provided many facilities as per the requirement of that group.

Some schemes are as under:

Current Plus Account: A mix of CD & TDR, targeting high & very high net worth entities where benefit of interest is provided as per norms.

- Average Quarterly Balance Rs. 4 Lakh.
- Sweep in / out amount in multiples of Rs.75,000

Super Current Plus Account:

- Initial Deposit Rs.50 Lakh
- Average Quarterly Balance Rs.35 Lakh
- Sweep in Daily, Sweep out Daily
- Multiple Amount Rs.15 Lac

STAR RERA & RERA PLUS CD A/C:

- STAR RERA (Real Estate Regulatory Authority) Plus
- There will be three accounts under the same Cust- ID and except the operating a/c two separate a/cs under scheme code CD224 (RERA) & CD 225 (RERA PLUS).

- RERA Collection Account [RCA]:- All collection proceeds of the project shall be deposited.
- RERA Project Account [RPA] :- Minimum 70% or of the proceeds from the RCA will be transferred as per mandate given by the a/c holder.
- Operative Account [OA] :- Balanced fund transferred from RCA i.e. 30% or less

DORMANT/INOPERATIVE ACCOUNTS

- Saving a/cs & Current a/cs would be treated as inoperative accounts if there are no transactions (both credit and debit) in the in the account for a period over one year and Dormant if there are no transactions in the account for further period of one year i.e., no transactions in the account for a period over TWO years .
- HOBC 113/220 dated 27.02.2020 Deposit Policy

Term deposit:

Term Deposit accounts are classified as :

1. Short Term Deposit:

- For 7 days to 179 days and where simple ROI is calculated on deposit.
- Minimum amount Rs1,00,000.00 for 7 to 14 days

2. Term Deposit or Time Deposit: These deposits are for the period from 6 months to 10 years where quarterly compounded (except MIC/QIC) ROI is calculated on deposit.

Different types of Term Deposit accounts are:

- (a) Recurring Deposits
- (b) Double Benefit Deposit
- (c) Monthly/Quarterly Income Certificate
- (d) Star Sunidhi Tax Savings Scheme
- (e) Capital Gains Tax Saving Scheme

Different schemes of Term Deposit accounts are:

STAR SUNIDHI TAX SAVING SCHEME

- Eligibility- Individuals, HUF having PAN
- Minimum Deposit –Rs 10,000/-
- Maximum Deposit -1,50,000 (in a Financial Year).

- Type- MIC/QIC/DBD
- Tenure – Min 5 years, Max 10 years.
- Lock in Period - 5 years
- ROI –as applicable to Normal TDRs (0.5% extra for citizen, 1% extra for staff members).
- No Loans against TDR during Lock in Period.

CAPITAL GAINS ACCOUNT SCHEME :

- The Income –tax Act 1961 provide for capital gains tax for a seller if the Seller /assessed utilize the amount of capital gain for the specified purpose.
- Capital Gains accounts can be opened in all branches except Rural Branches for the specified transactions as –
 - Sale of Residential Property (Sec 54) Long Term Capital Gains ;
 - Transfer of Agriculture Land (Sec 54 B) ;
 - Compulsory acquisition of land & building forming part of an Industrial Undertaking (Section 54D).
 - Transfer of any other “Long Term Capital Asset” (other than residential House –Section 54F).
 - Transfer of Assets on shifting of industrial undertaking from urban area (Section 54G).

MACT (Motor Accidental Claimant Annuity Deposit & Motor Accidental Claim Tribunal).

- Purpose – One time lump sum amount as decided by the court/ tribunal, deposited to receive in EMIs comprising of principal and interest. No loan against this deposit allows.
- Eligibility – Individuals including minors through guardian.
- Mode – Singly
- Type of Account – Motor Accident Claims Annuity Deposit Account
- Amount – Based on monthly annuity of Rs.1000.00 for relevant period.
- Period – 36 to 120 months (or as directed by the court)
- If period exceeds 36 months, then FD only.

Some important points:

- All the term deposit accounts are opened with a specific maturity date or period to maturity but it can be withdrawn before maturity as per bank’s guidelines but penalty

for premature payment may be charged. Premature renewal of term deposit is permitted and will not be treated as premature payment if renewed for a period longer than previous contract.

- Deposit a/c over 10 Years are allowed in case of court order issued in this regard.
- Accounts can be opened with operational instruction like SB a/c.

INTEREST PAYABLE ON TDR IN DECEASED ACCOUNT

- **Death of the depositor before the date of maturity**
 - If the deposit and amount is claimed after the date of maturity :-
 - The Bank shall pay interest at the contracted rate till the date of maturity. From the date of maturity to the date of payment, the Bank shall pay simple interest at the applicable rate prevailing on the date of maturity, for the period for which the deposit remained with the Bank, beyond the date of maturity as per the Bank's policy in this regard.
- **Death of the depositor after the date of maturity of the Deposit:-**
 - The Bank shall pay Interest at Savings Deposit rate prevailing on the date of maturity, from the date of maturity till the date of payment.

ACCOUNT OF PERSONS WITH AUTISM, MENTAL RETARDATION & MULTIPLE DISABILITIES:

- Bank will facilitate opening of SB A/c and TDR a/c of persons with autism, cerebral palsy, mental retardation and multiple disabilities by the legal guardian appointed by the district court under Mental Health Act 1987 or by the Local Level Committees set up under the National Trust for welfare of persons with autism, cerebral palsy, mental retardation and multiple disabilities under Disability Act 1999.
- Legal guardian, so appointed, will furnish an indemnity-cum-under taking bond duly stamped as per the local law in force along with Guardian Certificate.

ACCOUNT OF TRANSGENDER:

- In case of a person claiming to be transgender and wants to open account or to do any banking transaction, the person to be recognised as “THIRD GENDER”.
- The salutation of such person shall be “ Mx”.
- All transgender customers will be treated equally to other male/ female customers without any discrimination.

Loans / Advances Accounts:

Bank provides:

- Fund Based facility and
- Non Fund based facility also.

In Fund Based facilities bank charges interest on daily balance with monthly compounding except in case of some Agriculture loans.

In Non Fund Based facilities bank charges commission for the service depending upon amount, maturity period and available security.

The Fund Based facilities further divided as:

- **Demand Loan:** Given for the period up to 3 years and repayable in instalments/EMI.
- **Term Loan:** Given for period over 3 years to acquire an asset or to setup a business & repayable in instalments/EMI.
- **Cash Credit:** A type of Demand loan specially designed for running business where fund can be withdrawn or deposited as per the requirement of business against the security of Stock and/or Book Debts, within the sanctioned limit. Basically this facility is provided for one year and reviewed further as per the requirement.
- **Overdraft:** A type of Demand loan designed for the people or enterprises where fund can be withdrawn or deposited as per the requirement against the security, within the sanctioned limit.

Non Fund Based Facilities: Such facilities do not involve outgo of FUNDS from the bank when the customer avails the facility but may a later date crystallise into financial liability.

As Non Fund based facility, Bank commonly provides:

- **Bank Guarantee and**
- **Letter of Credit**

Office account: Apart from all the above mentioned customer accounts bank maintain some office account as under:

1. Sundry Deposit A/c (SUNDEP):

- This ledger head contains only credit items that are under liability nature as defined under RBI Act 1934, Sec42(2).
- It is maintained for amounts of deposit (credit balances) nature that are not specifiable by any account number immediately. Provision of interest on FDR; Margin Money of LCs, unclaimed balances; amount of Income Tax and duties paid at Branch for remitting to the concerned authority.

- And for the purpose of Bank's Balance Sheet it is included in the Current Deposit.

2. Sundry Credit A/c (SUNCR):

- This ledger head contains only credit items that are not under liabilities nature as defined under RBI Act 1934, Sec42(2).
- It is maintained for credit balances that do not pertain to deposits. Such amounts are parked here for temporary period. Provision of various expenses accrued but not paid, URI of NPA accounts, LIC premium of staff; GST collection accounts, auction sales proceeds ; Rent on Safe Deposit Vault , Safe Custody Charges; Commission on Guarantees, subsidy, etc.

3. Suspense A/c:

- It is maintained for debit balances which pertain to many heads of expenditure that are immediately unclassifiable pending their actual incurrence/ recovery.
- Such amounts are parked here , mainly related to advances nature e.g., Festival Advance to staff, Pension paid , Any payment made in advance to contractor; Land Lord for renovation of branch building ; items purchased for branch like furniture/fixtures etc.

4. OTHER OFFICE ACCOUNTS : Other Office accounts reflect in General Ledger Balance (GLB) in the form of Profit & Loss, Cash, Bank, Clearing related, Drafts Payable related, Payslips Issued, Furniture & fixtures, Contra Liability, etc.

Banker Customer relationship

Transaction	Bank	Customer
Deposit account	Debtor	Creditor
Loan account	Creditor	Debtor
Locker	Lesser	Lessee
Safe custody	Bailee	Bailor
Collection of Cheque & standing Instruction	Agent	Principal
Pledge (as per sec.172 of Indian contract act)	Pawnee (pledgee)	Pawner (Pledger)

Mortgage	Mortgagee	Mortgagor
Hypothecation	Hypothecatee	Hypothecator
Assignment	Assignee	Assignor
Payee of draft	Trustee	Beneficiary
Money received no instruction for its disposal	Trustee	Beneficiary

Nomination

- Banking Regulation Act 1949 amended by Introducing Sections 45ZA to 45ZF in 1983 Provides for nomination facilities to bank customers.
- Rules thus framed are termed “Banking Companies (Nomination) Rules,1985”.
- Nomination Applicable for:-
 - Deposit accounts,
 - Safe Custody accounts
 - Safe Deposit Vault Lockers(SDV)

	Deposit a/c	Safe Custody	SDV
Enabling section	45ZA -45ZB	45Zc-45ZD	45ZE-45ZF
Allowed in joint a/c or not	Allowed	No	Allowed
Maxi No of nominees in Jt ac	One	NIL	Equal to No. of hirers
Form for Nomination	DA-1	SC-1	SL-1 SL 1A
Cancellation	DA-2	SC-2	SL-2 SL 2A
Modification	DA-3	SC-3	SL-3 SL3A
Can a minor or /NRI be nominee	Yes	Yes	Yes

Variation of nominee by survivors (Jt ac)allowed	Allowed	Not applicable	Not allowed
Death of one of the Jt holders	Nominee does not come into picture	Not applicable	All nominees along with survivors to take delivery

CHAPTER 03

TYPES OF CUSTOMERS

❖ **CUSTOMER :-** No legal definition but PMLA defines customer. Customer availing casual service from the bank is not called the customer.

❖ **BANK (Sect-5C of BR Act):-**

One which conducts the business of Banking.

❖ **BANKING (Sect 5B of BR Act) :-**

Accepting of deposit of money from public for the purpose of lending or investment, repayable on demand or otherwise, withdrawal by cheque, demand draft or otherwise.

The Due Diligence process

While opening a Deposit Account, will satisfying about :

- the identity of the person,
- verification of address,
- satisfying about his/her occupation,
- source of income,
- obtaining recent photograph and
- Ownership of the account (in case of Firm/Company) of the person/s opening / operating the account, as a part of the due diligence process.

Types of Customers

1. Individual --- Single/Joint
2. Minors
3. Illiterate
4. Blind
5. Pardanashin/Married Woman

6. HUF
7. Firm--- Proprietorship / Partnership / LLP
8. Companies--Pvt. Ltd./Pub. Ltd./Govt/One Person
9. Trust
10. Club/society

1.Individuals

- Documents required are:-
 - One ID proof out six Officially Valid Documents
 - Photograph
 - PAN/Form 60
- It includes all
- Single accounts,
- by an individual in his own name
- In single A/cs operational instruction will be 'Self'.
- joint accounts including NRI/PIO etc.
- by more than one individual in their own names
- In joint A/cs operational instruction/mandate will be as under:-

Operational Instruction in Jt. Account

- A. **"Either or Survivor"** : If the account is held by two individuals, say A & B, the final balance along with interest if applicable, will be paid to the survivor on death of anyone of the A/c Holders.
- B. **"Former or Survivor"** : The instructions "Former or Survivor" convey that the Account will be operated upon by the "Former" "A" alone, so long as he is alive.
 - **Some other features related with F or S:**
 - If "B" dies first the A/c is to be operated upon solely by "A".

- The legal representative of "B" will have no right to the balance in the A/c or to operate the A/c.
 - Only the legal representatives or nominee of the last A/c holder after his death are entitled to the balance in the A/c.
 - An A/c with instructions "F or S" should NOT be allowed overdraft at any point of time and it should be brought to the notice at the time of opening the A/c.
- C. **"Anyone or Survivor/s"** : If the A/c is held by more than two individuals, say A, B and C, the final balance along with Interest, paid to any one if all of them are alive or to the survivor of the A/c Holders.
- D. **"Jointly by all or survivors"**:- Operations and all the instructions in this account shall be accepted under joint signatures of all account holders if all are alive and of all the survivors in case of death of any of the joint a/c holders.
- E. **"Jointly by all"**:- Operations in the account will be done by the joint signatures of all account holders. Operation has to be stopped on death of any of the account holder.
- F. **Special instructions:-**

"President & treasurer and any one",

"Mr. A and any two" ,

"Any one from group A & two others", etc.

A/c with Survivor : Premature payment may be allowed to surviving depositor without seeking concurrence of legal heirs if mandate in this regard has been obtained.

Power of Attorney:- It should be registered & permitted in exceptional cases.

2.MINORS

- Agreement with Minors- as per Sec-11 of Indian Contract Act, is *Void-ab-initio*.

- As per Indian Majority act Sec-3 a person who has not completed 18 years of age.
- *Guardian:*
 - Natural - by birth
 - Testamentary - appointed by Will
 - Legal - appointed by Court

Guardian of Minors

- **Natural guardian:-** Father/ Mother except in case of Muslim.

Under Mohammedan (Sunnite) Law – Mother can't be natural guardian. After death of Father -> father's Father.

- Where the father changes religion, he ceases to remain natural guardian.
- In case of other than Muslim, Mother is as good as natural guardian for all banking purpose. She alone can open a/c in the name of minor as “Guardian” with no other formality.
- Minor Married Girl- including widow
 - Husband if he is major
 - Husband (minor) → Father/Mother of Girl
- Illegitimate boy or girl : Mother
- Adopted child: Adoptive Father/Mother
- Step Son/daughter: Own father/Mother
- Testamentary Guardian-
 - Appointed by “WILL” of minor’s father -who can act only after death of father & mother in case of other than Muslim but in case of Muslim after death of father & father’s father. However, Mother can act as Testamentary Guardian if appointed by Court in case of Muslim.

- Legal Guardian :-
- Legal Guardian appointed by “Court” -where there is no Natural or testamentary guardian. A person holding a guardianship certificate from a competent Court can act as guardian.

Transactions by Minor

- Sect 26 of Negotiable Instrument act- a minor can draw, endorse or negotiate a chq or a bill but he can't be held liable.

Minor in Partnership:- Minor can't become Partner but as per sect 30 of Indian Partnership act 1932, a minor can be admitted to the benefits of partnership with the consent of other partners, but is not liable for losses.

Ratification of Contract

Contract by minor during minority can't be ratified during majority.

- A loan given to minor can't be enforced even after he attains majority.
- Minor is not liable personally so his guarantor.
- Minor can not appoint agent on his behalf.
- But a minor can be appointed as an agent.

However he can't be held responsible to principal, rather the principal is responsible for the act of minor.

Nomination in Minor A/c

- Nomination :- he cannot nominate but can be appointed as nominee.

- Guardian can appoint nominee
- After death of guardian next guardian shall operate the account.
 - In case of death of minor the guardian shall withdraw the amount and close the account.
- Deposit account - SB/TDR but CA not allowed

DOB certificate is not required declaration by parent is adequate.

Self Operated Account by Minor

- **As per sect 26 of NI act-**

An Account may also be opened in the single name of a minor aged 10 years or more to be operated upon by the minor.

- Cheque book can be issued.
- Minor cannot give mandate or POA
- Nomination not permitted
- No loan against TDR should be allowed but closure allowed.

Joint account with Minor

An account of a minor may be opened and operated upon by the natural guardian of the minor or by the guardian appointed by the Court. Loan can be granted for the benefit of the minor.

- A Savings Bank Account may also be opened in :
 - (i) the joint names of two minors who have; completed the age of 10 years, to be operated upon by them jointly.
 - (ii) the joint names of two or more minors to be operated upon by a person who is the natural guardian of both or all the minors.
- With guardian – yes (10 yrs and above & capable of signing)

Guardian of Minors

A/c Opening with mother in case of Muslim- operated by mother

BY	Father	Document required
Mother Singly	Alive	A letter of consent by father as per appendix VI and deleting the word Natural & she will be treated "Guardian" only.
Mother singly	Alive but consent cannot be obtained	Stamped indemnity by mother with acceptances as per appendix VII
Mother singly	Father not alive	Stamped indemnity by mother with acceptances as per appendix VII & A/c to operated "Guardian" not as Natural Guardian.

JT account with Minor

When minor attains majority:

1. If a/c is operated by minor itself—

- A/c will continue,
- balance confirmation with fresh KYC will be obtained.

2. If a/c is operated by Guardian---

- A/c will continue,
- balance confirmation with fresh KYC will be obtained.

-signature verification/Identification to be done by Guardian.

3. If a/c is operated jointly by more than one minor—

- now one minor has become major so a/c can not be allowed to continue, balance will be paid jointly.

3. Illiterate Person

- Left hand Thumb impression (LHTI) for male and Right Hand Thumb impression (RHTI) for female should be used in place of signature.
- Joint a/c of two illiterates after observing usual safeguards
- Normally no cheque book or ATM to be issued.
- Two witnesses required for nomination.

4. Blind person:-

All facilities should be provided to them (RBI 04.07.2008 after supreme court verdict) because they are legally competent to contract only thing risk element is higher.

5. Pardanashin woman

- A Pardanashin Lady is a woman who remains in complete seclusion and dose not transact any business with people other than her family members.
- Banks should take all precautions in opening an account in her name. Generally banks should discourage to open accounts in her name as her identity cannot be ascertained.
- Photograph of the pardanashin must be tallied while opening account in her name.

6. Married Woman

- The legal status of a married women is regulated by Hindu Succession Act 1956, Married Woman's Property Act 1874 and Indian Succession Act 1925.
- She is considered to have a legal entity separate from her husband. Her marriage does not affect any right of her separate property.
- If a woman request to change her name after marriage, bank can do it after obtaining copy of her marriage certificate.
-

7. H U F (Hindu Undivided Family)

- HUF is formed to manage the joint family business. HUF can be formed by Hindus, Sikhs and Jains. It is a separate entity, hence separate PAN no. is required.
- Senior most member of the family (either male or female) is called KARTA who operates the Account who is empowered to handle the affairs of the HUF.
- Joint owner of HUF are known as coparceners.
- Karta has all powers to raise loans, execute documents etc and can appoint agent.
- When KARTA expires or become insolvent next senior most Male or Female becomes Karta .
- Son & daughters by birth or adoption get the right to property and business become coparceners .
- HUF declaration form or account opening form should be signed by Karta in his Karta capacity and by all major coparceners in their personal capacity.
- Minor coparceners signature by his guardian.

HUF Document

- PAN of HUF
- KYC documents of KARTA;
- Joint Hindu Family Letter (CD 115) signed by KARTA as well as all major coparcener.

8. Proprietorship firm

There is no difference between individual and proprietorship account.

Following documents are required for opening of account of the firm:-

- KYC documents of the Proprietor
- Any registration certificate such as VAT, GST, IEC code etc.
- Address proof of the business establishment
- Proprietorship letter in bank's format
- Personal assets of the proprietor are liable for credit to firm.
- Hence in case of loan to a Proprietorship firm, document should be executed in individual capacity also.
- Proprietor can give mandate/POA to other to operate the account

Sole Proprietary Firms

- (a) Registration certificate
- (b) Certificate/License issued by the Municipal Authority under Shop and Establishment Act.
- (c) CST/VAT/ GST Certificate (provisional/final).
- (d) Certificate of Registration issued by Sales / Service/ Professional Tax Authority.

- (e) IEC (Import Export Code) issued to the proprietary concern by the office of DGFT/
License/certificate of practice issued in the name of the proprietary concern by any professional
body incorporate.
- (f) Complete Income Tax Return (not just the acknowledgement) in the name of the sole prop.
where the firm's income is reflected, duly authenticated / acknowledged by the Income Tax
Authority .
- (g) Utility bills such as electricity, water, and landline telephone bills.

Partnership firm

- U/S 4 of IPA – two or more persons who agree to share the profit of business carry on
by all or any of them on behalf of all.
- Partnership Deed- contract in writing, is now mandatory for opening of an account.
- Who can be a partner - an individual, company or firm
- Who cannot- minor, insolvent, insane, NBFC, HUF. (However, minor can be admitted
for his benefit)
- After attaining majority within 6 months, the minor must declare whether he wants to
become partner or not. He can be held responsible from the date of admission.
- Liability of partners is unlimited and they are jointly or severally liable for all debts of
the firm.
- Number of partners- max 100 / min 2 (exc. Minor). If minor admitted - not to be counted
- Registration:- Now registration is must to be called a Partnership firm.
- Cheques favouring firm can not be deposited in partner's A/c but cheque favouring
partners can be deposited in firm's account.

Documents for Bank Account

- Following documents are required for opening Bank account in the name of partnership firms:-
 - KYC documents of all the partners including PAN & Photograph; PAN of firm
 - Partnership deed
 - Registration certificate
 - Address proof of firm, if any
 - Partnership letter in bank's format
- All Partners will sign jointly on behalf of the firm and also as in individual capacity.

Operation in Bank Account

- **Stop payment- by any partner.**

Payment of such cheques can be made on authority from any partner authorised to operate the account.
- **Withdrawal of authority** - In case of dispute between partner and any one of them revokes the authority – stop operation in the a/c but it will be restored when all partners sign.
- **3rd party mandate-** can be given by all partners.
- A partner can not delegate his authority to operate the account.

In case of Death/Retirement/Insolvency

- In case of death or retirement or insolvency of any partner operation should be stopped immediately, if the balance is in debit fresh a/c be opened after sanctioning of fresh limits.
- Cheques signed by insane, insolvent and dead partner shouldn't be paid. (u/s 34 insolvent ceases to be a partner)

Limited Liability Partnership (LLP)

- A mixer of company and partnership firm
- Registration with ROC
- Minimum 2. Maximum no Limit
- A partner is not liable for another partners misconduct or negligence, except some cases
- No unlimited liability of a partner except in case of fraud. His liability is limited upto his contribution in LLP

Company Account

Pvt. Ltd Companies- Whose articles restrict the co. to invite public to subscribe to its shares. Minimum paid up capital- 1.00 lac.

Public Ltd Co. - Minimum paid up capital-5.00 lac (Ltd means liability of shareholders).

Particulars	PVT CO.	PUBLIC CO
MIN. MEMBERS	2	7
MAX. MEMBERS	200	NO CEILING

MIN. DIRECTOR	2	3
MAX. DIRECTOR	NO CEILING	NO CEILING IF 15+ Permission From AGM.

Company Account

- Government Company- where not less than fifty one percent of the paid-up capital is held by the Central Govt. or by the State Govt. or partly by Central Govt. and partly by State Govt.
- One Person Company- where only one person as its member (permitted under section 3(1) of Company Act 2013.

Documents for Bank Account

- Certificate of incorporation:- Birth certificate issued by Registrar of Companies (ROC)
- Memorandum of Associations- Also known as charter of company or document for outdoor management (6 clause related to name , authorized capital, Regd. office, object, liability and association clause. If goes beyond the object clause called ultra-virus and the company is not liable for such contracts even after it is ratified by AGM .
- Articles of Association-

Document for indoor management-right and powers of director, rules of conducting meeting, use of common seal, borrowing powers, nature of business.

- Cert. of commencement of business- by ROC (not required for private Companies)
- Resolution of Board- shareholders are the owners of company but co. functions through board of directors and all decision taken by board.
- KYC documents of Authorized signatories along with latest balance sheet & present list of directors.

- Charges on asset required to be registered with ROC where regd. office is situated.

Some Important points

- Cheques signed by authorised person including director can be paid even after his death.
- Insolvency or death of director - operation will continue.
- Bearer cheques fvg. self/cash/wages/salaries issued by co. itself can be paid in cash across the counter only to authorized persons.
- Cheques favouring company can not be credited in Director's A/c

9. Trust Accounts

- TRUST is created when ownership of a property is transferred to someone for holding or managing it for the benefit of another person. (ITA 1882)
- Parties-Author, trustee & beneficiary- the person transferring the ownership is called author and in whose favor possession is transferred is called trustee. The person for whose benefit trust is created is called beneficiary.
- The document which creates trust is called trust deed.
- It may be Public Charitable or Private. We have to act as per the trust deed.
- Trustees are not empowered to delegate their authority.
- Trustees have no implied authority to borrow unless provided in trust deed.
- Death of trustee does not effect, however in case of sole trustee --new trustee will be appointed by court.
- Cheques signed prior to death will be paid
- Documents required for opening of account:-
 - Copy of Trust deed
 - Registration with charity commissioner - for public trust

- KYC document of trustees/authorized signatory,
- PAN (trust & trustees),
- Photograph,
- Resolution

10. CLUB/SOCIETIES

- Governed by Rules & Regulations (bye laws).
- Cheques favouring society/club can not be collected in individual A/c
- Following documents are required for opening the account:-
 - Certified copy of bye laws
 - Copy of certificate of Registration
 - Copy of Resolution
 - KYC documents of authorized signatories

CHAPTER 04

BOI SAVINGS PLUS SCHEME

- In this scheme, account is maintained as a mix of Savings Bank Account and Term Deposit Accounts.
- Minimum balance in SB portion -- Rs. 50,000/-.
- Any amount in excess of Rs. 50,000/- will be swept out in the multiples of Rs. 10,000/- into SDR or DBD portion as per customer's request.
- Sweep out means transfer of funds from SB portion to term deposit portion.
- Allowed period of term deposit is minimum 15 days and maximum 120 months.
- In case of withdrawal, funds from TDR portion "sweep in" to SB portion to maintain the SB balance at Rs. 50,000/-. Such sweep in occurs in the multiples of Rs. 1,000/- on LIFO (Last In First Out) basis.
- Upon maturity, the principal in the SDR/DBD portion would be auto-renewed for an equal period, while the interest would be credited to the SB portion on the due date. The same, if not withdrawn can be swept back again into SDR/DBD for a period of the customer's choice.
- Rate of interest on the SB portion would be at SB rate.
- For TDR portion, the rate would be as applicable for the respective tenure on date of opening of TDR.
- The customer may not assign, charge, pledge or otherwise encumber any BOI sb Plus deposit, except in favor of Bank.
- SB deposit in this account will be accounted under SB GL head but for TDR funds, separate GL Head is maintained under term deposit head in GLB.
- Penalty of Rs.200/- per quarter will be imposed, if average SB portion goes below Rs. 50,000/-.
- TDS is applicable on the interest credited in SDR / DBD amount.
- No penalty is imposed on premature withdrawal of funds from TDR portion.

BOI SUPER SAVINGS PLUS SCHEME

- In the line of BOI Saving Plus Scheme, there is another such scheme for bulk depositors named as "BOI Super Saving Plus".
- This account can be opened with an initial deposit of Rs. 20.00 lakhs.
- Minimum AQB required in SB portion is Rs.5.00 lakhs and amount in excess of this, would be swept out to TDR portion in multiples of Rs.15.00 lakhs.
- Maximum allowed period for TDR IS 6 Months.

CURRENT PLUS ACCOUNT

- As Saving Plus Scheme is meant for maximizing return for SB account holder, Current Plus Scheme maximizes return for current account holders such as proprietary concerns, partnership firms, companies, etc. (except Banks).
- This account is combination of Current account and term deposit account.
- Minimum deposit of Rs.4.00 lakhs is maintained at Current account portion and amount in excess of this, would be swept out to term deposit portion in multiple of Rs. 75,000/-
- Sweep out will be on fortnightly basis i.e. on 1st and 16th of every month.
- Sweep in is on daily basis.
- Term allowed for term deposit portion is 15 days to 91 days.
- Customer may not assign, charge, pledge or otherwise encumber any Current Plus deposit except in favor of our Bank.
- TDS norms would apply to the accounts.

CURRENT SUPER PLUS ACCOUNT

- It is again for bulk current account depositors.
- Can be opened with initial deposit of Rs.50.00 lakhs in current account.
- Minimum of Rs.35.00 lakhs will remain in CD portion and excess will sweep out to TDR section in multiples of Rs.15.00 lakhs.
- Sweep In and Sweep Out operation will be executed on daily basis.
- Maximum period for term deposit is one year.
- Maximum period for term deposit is one year.
- TDS norms will be applied on TDR portion.

DEPOSIT PRODUCTS ON SALARY ACCOUNTS

JAI JAWAN SALARY PLUS SCHEME

- For all permanent employees of defense forces i.e. Indian Army, Indian Navy, Indian Air Force and Indian Coast Guard.
- It has two categories, one for commissioned officers (SB161) and the other for Non Commissioned (SB162).
- For Commissioned officers, OD facility of 4 times the net monthly salary, maximum Rs.2.00 lakhs and for Non Commissioned officers 3 times of the net monthly salary, maximum Rs. 1.00 lakh is available.

- Group Accidental Death Insurance of Rs.30 lakhs / Rs.15.00 lakhs for PPD & Air accidental death insurance of Rs.1.00 Crore is available. (Subject to 10 times of Gross annual salary)
- Minimum Balance Requirement: Nil (Zero Balance Account).
- 100% processing charge waived and 0.50% of interest concession on Home Loan, Vehicle loan and Personal Loan (Subject to minimum @ MCLR).
- Jai Jawan Home Loan Scheme i.e. Scheme for financing home constructed by “Army Welfare Organization” is available.
- Under this scheme, in case of death of borrower in war / terrorist attack, outstanding loan (subject to maximum Rs. 50.00 lakh or to the extent of drawing limit, whichever is lower) will be written off.

BOI SALARY PLUS ACCOUNT

- This account facility is available for employees on regular pay roll of
 - Para Military Forces
 - Central / State Government
 - Public Sector Undertaking
 - Private Sector
- Account will be opened under scheme code (SB163) but Special charge code is different for employees of different sectors.
- Minimum Net Take Home Salary of employees – Rs.10,000/- (min 70% of the employees)
- 50% concession on processing charges and 0.50% rebate on ROI for all except private sector employees in Home loans. Vehicle loan & Personal loan. (0.25% rebate to private sector employees).
- OD facility of 4 times of Net Salary, maximum Rs.2.00 lakhs is available to all the employees. Such OD can be converted into personal loan on request of customer with a maximum repayment period of 60 months.
- Platinum Debit card: Free to all employees of Govt. /Para Military/ PSU & to those private sector employees whose minimum NTH salary is Rs.25, 000/- pm or with an AQB of Rs. 1.00 lakh.
- Credit Card: Free Gold Card to all.
- Free Gold International Card (above Net Salary Rs.25, 000/-).
- Group accidental insurance of Rs.30.00 lakhs, PPD Rs.15.00 lakhs & Air accidental insurance of Rs.1.00 Crore available to all except Private sector employees.
- Jai Jawan Home Loan Scheme i.e. Scheme for financing home constructed by “Army Welfare Organization” is available to employees of Para Military Forces.

- Under this scheme, in case of death of borrower in war/terrorist attack, outstanding loan (subject to maximum Rs 50.00 lakhs or the extent of drawing limit, whichever is lower) will be written off.

BOI SARAL SALARY ACCOUNT

- It is salary account package for employees, whose salaries are in lower bracket. This account facility is available for employees of
 - Central / State Government
 - Public Sector Undertaking
 - Private Sector
- With minimum 10 employees having net monthly salary of Rs.5, 000/- but special charge code is different for employees of different sectors.
- Platinum Debit Card is free for employees with minimum NTH salary of Rs.25, 000/- pm or AQB of Rs.1.00 lakh.
- Free Gold Credit Card (if Net Salary Rs.10,000/- & above)
- Free Gold International Credit Card (if Net Salary Rs.25, 000/- & above).
- 50% concession on Processing Charges in Home loan, Vehicle loan & Personal Loan.
- Personal Accidental Death Insurance of Rs.1.00 lakh is available.

BOI STAR GURUKUL ACCOUNT

- Target Group under this scheme is teaching & Non Teaching staff of school / colleges / universities.
- Eligibility:
 - Minimum 10 employees with minimum NTH Rs.5, 000/-.
 - The institutions should agree to pay the salary through the “Gurukul Account” only.
- Scheme code of this account is SB163 with special charge code as “GURU”.
- Minimum Balance – Nil / Zero Balance.
- Facilities:
 - No minimum balance condition.
 - Overdraft facility equal to Net Salary for last 4 months. Max 2 lakhs.
 - 50% concession in processing charge and 0.25% concession on ROI in Home Loan and Auto Loan subject to minimum MCLR.
 - Free Group Personal Accident Insurance cover Rs. 5.00 lakhs. (Activated on single POS swipe every financial year).

BOI RAKSHAK SALARY ACCOUNT

- All permanent employees of following Departments are eligible.

- Central Police Organizations (other than Para Military Forces).
- Civil Police, Traffic Police and Home Guards.
- Reserve Police of all States.
- Police forces of the Union Territories.
- Railway Protection Forces.
- Government Railway Police (GRP) – (Part of State Police Force)
- Facilities
 - No minimum balance condition.
 - Overdraft facility equal to 2 times of Net monthly salary. Max 1 lakh.
 - Personal accidental Insurance Cover

Where AQB in account in immediate previous quarter was	AI/PTD	PD
Above Rs.50000/-	s. 30 Lakhs	s. 20 Lakhs
Below Rs. 50000/-	s. 20 Lakhs	s. 10 Lakhs

STAR RATNAKAR BACHATA SALARY ACCOUNT

- This scheme is applicable in selected branches only.
- Employees of Diamond traders are eligible to open this account.
- This account has all facilities as of Star Salary Plus Scheme.
- In addition to facilities of “Star Salary Plus”, it has few more facilities.
 - Concession in margin in auto loan – 5% than usual requirement.
 - Salary of employees can be of any range.
 - Concession in purchase of Gold Coins – Rs. 10 per gram on any quantity.

BOI STAR MAHILA SB ACCOUNT

- For adult female having independent source of income i.e. salary / self employment or having source of regular income like rent, etc.
- Scheme Code SB167
- Minimum AQB Rs.5,000/-
- Features:
 - Free Group Personal Accident Insurance cover of Rs.5 lakhs is available. (Activated on Single POS swipe every financial year).
 - Discounted Health Check up (for family members also) is available under tie up with Jainam Wellness Limited (JWL).
 - Easy overdraft facility up to salary of one month is available to salaried women.

STAR YUVA SAVING BANK SCHEME (SB116)

- This scheme focuses on Youth and categorize them in two groups:

- Category A – Aged 10 to 18 years
- Category B – Aged 18 to 35 years
- Category A is obviously students.
- Category B focuses on students, professionals with or without dependants.
- Features (Category A):
 - AQB – Nil
 - Transaction Limit – Total debit Rs.2.00 lakhs per financial year.
 - Incentive in the form of BOI Star reward points using alternate delivery channel.
- Features (Category B):
 - AQB – Nil up to 21 years old. Thereafter Rs.5000/- in Metro / Urban and Rs.2, 500/- in Semi Urban and Rural areas.
 - Up to the age of 21, personal accidental death insurance of Rs.50,000/-, thereafter PAI of Rs.5.00 lakhs.
 - Incentive in the form of BOI Star reward points using alternate delivery channel.
 - Incentive on using ADC

for Debit Card usage in our ATMs	reward point per Rs.1, 000/- subject to first 5 transactions every month.
for Mobile Banking, BTM & IMPS	reward points per transaction subject to maximum 10 transactions every month.
for opening FDR,RD & PPF online	reward points per account opened online.
for using Internet Banking services	reward points per transaction subject to maximum 10 transactions.

BOI STAR SENIOR CITIZEN SAVING ACCOUNT

- Scheme Code -- SB 166
- Eligible Customer – Citizens completed 57 years of age & above.
- Minimum AQB Criteria – Rs. 10,000/-
- Discounted Health Check Up (for family member also) with service provider Jainam Wellness Limited (JWL).
- Personal Accident Insurance cover Rs.5.00 Lakhs (Activated on Single POS swipe every financial year).

MOTOR ACCIDENT CLAIMANT ANNUITY DEPOSIT (MACAD)

- It is Motor accident claim term deposit (Scheme Code – TD549)
- Eligibility – Individuals including minors through guardian.

- Mode of Operation – Single.
- Min amount – Based on min monthly annuity payment of Rs.1, 000/- for relevant period.
- Max amount -- No limit.
- Period – Minimum 36 – Maximum 120 months (if less than 36 months, then general FD will be opened and for more than 120 months, court order is required)
- Receipt will not be issued, only passbook is issued.
- Premature closure not allowed without court order.
- Loan facility is not available.
- TDS norms will be applied as per IT rules.

MACT CLAIMS SB ACCOUNT

- Eligibility – Individual only (including minor through guardian)
- Operation – Single operation (minor through guardian)
- Cheque book, Internet Banking, Mobile Banking, Debit Card facilities are not available. Withdrawal will be through Slip or biometric.
- Nomination – As per court order

STAR RERA (CD 225)

- To bring transparency and financial discipline in Real estate sector, Govt. enacted “Real Estate (Regulation & Development) Act 2016 (RERA).
- It came into effect from 1st May 2017.
- Under this Act, every builder is bound to register every project with RERA authorities, and maintain project wise RERA account with Bank.
- Features:
 - Under this scheme three accounts will be opened under the same Cust Id.
 - RERA Collection Account (RCA)
 - Collection proceeds of project will be deposited in this account.
 - RERA Project Account (RPA)
 - Minimum 70% (or more) of the collection proceeds from RCA will be transferred as per mandate given by account holder.
 - Operative Account (OA)
 - Balance fund of RCA i.e. 30% or less should be transferred in this account.
- Only one account form should be obtained for all the three accounts.
- Existing CD account can be treated as Operative Account, but rest two must be opened under same Cust Id.
- No cheque book should be issued.
- Only view facility should be given in Internet Banking.

- At the end of the day, system will automatically transfer balance of RCA account to RPA & OA in prescribed ratio.
- Withdrawal from RPA account is permitted as per RERA rules only, and after receipt of undertaking by account holder on his letter head along with document as per State Govt. Rules.
- Upon completion of project, account holder will submit his request to transfer funds from RPA account along with completion certificate and occupancy certificate.

BASIC SAVING BANK DEPOSIT ACCOUNT (BSBDA)

- In terms of RBI guidelines on Financial inclusion, existing basic SB / Small SB can be converted into BSBD account or new BSBD account can be opened by any person by submitting KYC doc and written mandate for their option and acceptance of payment of applicable charges.
- Customer has to give written declaration that he / she is not having a BSBD account in any other Bank.
- Eligibility:
 - Individual resident, including illiterate, visually challenged, physically challenged, and minor above 10 years.
 - Joint account cannot have more than four account holders.
- Features:
 - Bank will provide following basic minimum facility in BSBDA, free of charge and without requirement of minimum balance.
 - Deposit of cash at Bank branch as well as ATMs / CDMs.
 - Receipt / Credit of money through any electronic channel / collection of cheque drawn by Central / State Govt. agencies and departments.
 - No limit on number and value of deposit.
 - Minimum four withdrawals in a month, including ATM withdrawals.
 - ATM cum Debit card.

PUBLIC PROVIDENT FUND ACCOUNT

- Who can Open:
- Any resident Indian can invest in this scheme. (HUF and NRIs are not allowed to open PPF account. Any existing account of HUF will not be extended after maturity. NRIs cannot open PPF account but in case of resident account holder being NRI, can retain existing account and contribute in it within prescribed limit on non repatriation basis).

- Resident individuals can also open an account on behalf of minors (Only father & mother or legal guardian) and person of unsound mind of whom he is a guardian.
- KYC & PAN
 - Applicant is required to submit Aadhar Card or enrollment for Aadhar, at the time of account opening. Other OVDs regarding identity and address should be obtained.
 - All including minor should mandatorily submit PAN card at the time of opening account or within six months, failing which PPF account operation should be ceased till submission of PAN.
- Features
 - No upper age is prescribed for opening PPF account.
 - Joint account cannot be opened.
 - One person can have only one PPF account.
 - Nomination can be made in favor of more than one persons but nominee cannot be a NRI at the time of opening account.
 - Interest will be calculated on the lowest balance from 5th to last day of month. Any deposit made after 5th of month will not earn interest in that month.
 - The balance amount in PPF account is not subject to attachment order.
 - A Power of attorney holder can neither open nor operate a PPF account.
 - Interest rate will be published by Govt. on quarterly basis but interest will be credited in account annually i.e. at the end of every Fin. Year.
 - Minimum Rs.500/- and Maximum Rs.1, 50,000/- can be deposited in a F.Y. that to, in lump sum or any number of instalments in multiples of Rs.50/-. Non deposit of minimum amount will discontinue the account and revival will fetch a penalty of Rs.50/-.
 - The deposit in a minor / unsound person's account, is clubbed with that of Guardian's account, for the maximum limit of Rs.1, 50,000/-.
 - The scheme is for 15 years. (Calculation of Years: Account opened in F.Y. 2001-02 will complete one year at the end of Fin.Year. The account will thus mature on 31.03.2017).
 - After maturity, the account can be extended no. of times in a block of 5 years each.
 - Non extended account will earn interest as applicable to PPF account.
 - The account can be maintained at any Bank or Post Office. It is transferable from Bank to Bank / Branch to Branch / Bank to Post Office / Post Office to Bank.
- Loan & Part Withdrawal

- After expiry of one year from account opening, loan equal to 25% of balance, at the end of second preceding year, can be availed. This facility is not available after 5 years. This loan can be repaid lump sum or in maximum 36 installments.
- Part withdrawal facility initiates from the end of 5th year. Once in a F.Y., 50% of amount outstanding at the end of fourth immediately preceding year of withdrawal or at the end of preceding year, whichever is lower, can be withdrawn.
- Premature Closure
 - Allowed only after 5 years in the following cases.
 - When the amount is required for the treatment of life threatening diseases of the account holder, spouse, dependent children or parents, on production of supporting documents from competent medical authority.
 - When the amount is required for higher education of the account holder or dependent children, on production of documents and fee bills in confirmation of admission in a recognized institute in India or abroad.
 - On change in residency status of the account holder on production of copy of Passport and visa or Income tax return (the rule shall not apply for the PPF account opened before 12th December, 2019). In this case interest will be paid @ 1% less than applicable, since the date of account opening.
 - This option of pre mature closure cannot be opted before completion of 5 years.

SENIOR CITIZENS SAVINGS SCHEME (SCSS)

- Who can open?
 - An individual who has attained the age of 60 years and above on the date of opening of an account.
 - Who has retired on superannuation or otherwise at the age of 55 or more but less than 60 years, subject to deposit within one month from the date of getting terminal benefits.
 - The retired personnel of Defense Services, after attaining age of 50 years.
- KYC & PAN
 - Applicant is required to submit Aadhar Card or enrollment for Aadhar, at the time of account opening. Otherwise OVDs regarding identity and address should be obtained.
 - All including minor should mandatorily submit PAN card at the time of opening account or within six months, failing which account operation should be ceased till submission of PAN.
- Features

- Minimum deposit of Rs.1,000/- and Maximum deposit Rs. 15 Lakhs subject to amount of terminal benefits if opened before 60 years.
- Depositor may operate more than one account subject to the maximum limit as mentioned above.
- Single or jointly with spouse. In case of joint account, deposit shall attribute to first account holder only.
- Both the spouses can open single account and joint accounts with each other with the maximum deposit of up to Rs. 15 Lakh rupees in each account provided both are individually eligible to open the account.
- Period:
 - All TDRs will be fixed for five years.
- Renewal:
 - The depositor may extend the TDR account for a further period of three years after the maturity period of five years. An application required within a period of one year after the date of maturity period.
- Overdue Term Deposit:
 - In case a depositor neither closes the account on maturity nor extends it, the account will be treated as matured and the depositor will be paid interest @ the rate of post office saving account till closure of the account.
- Premature Closure:
 - In case, the account is closed before one year after the date of opening of account, interest paid on the deposit in the account shall be recovered from the deposit and the balance shall be paid to the account holder.
 - In case the account is closed after the expiry of one year but before the expiry of two years from the date of its opening, an amount equal to one and a half percent of the deposit shall be deducted and the balance shall be paid to the account holder.
 - In case the account is closed on or after the expiry of two years from the date of its opening, an amount equal to one percent of the deposit shall be deducted and the balance shall be paid to the account holder.
- Income Tax Provisions (Subject to change by Govt. of India)
 - Deposit in the account qualifies for deduction under section 80C of Income Tax Act.
 - Interest earned in the account is taxable.
 - TDS is applicable in case of interest payment beyond the specified limit.

- No TDS is to be deducted in case of submission of Form 15G or 15H by the depositor.

SUKANYA SAMRIDDHIYOJANA (SK 169)

- Who can open the account?
 - The account may be opened by one of the guardians in the name of a girl child, who has not attained the age of ten years as on the date of opening of the account.
 - Both guardian and the girl child shall be resident citizen of India at the time of opening the account.
 - Every account holder shall have a single account under this Scheme.
- Documents required:
 - Birth Certificate of Girl Child.
 - Aadhar Card of Aadhar enrollment / OVD for identity & address of guardian.
 - PAN Card of Guardian, if he does not have, then to be produced within 6 months from the account opening.
- Features:
 - The account may be opened with a minimum initial deposit of Rs.250/- and subsequent deposits shall be in multiples of fifty rupees subject to the condition that a minimum of Rs. 250/- shall be made as deposit in each F.Y., failing which the account will come under default and to regularize it, penalty of Rs.50/- per defaulted year along with minimum deposit amount will be required.
 - The total amount deposited in an account shall not exceed Rs.1, 50,000/- in a financial year.
 - The account shall be operated by the guardian till the account holder attains the age of eighteen years.
 - Deposits may be made in the account till the completion of a period of fifteen years from the date of opening of the account.
- Premature closure of the account:
 - In the event of the death of the account holder i.e. the girl child.
 - In case of the account holder / guardian ceases to be an Indian citizen, the account shall be closed w.e.f. the date of cessation of being Indian Citizen.
 - Where the accounts office is satisfied (with documentary evidences) that in case of extreme compassionate grounds such as medical support in life-threatening diseases of the account holder or death of the guardian, the operation or continuation of the account is causing undue hardship to the

account holder. No premature closure of an account under this condition shall be made before completion of five years from the date of opening of the account.

- **Withdrawal:**
 - Maximum withdrawal of 50% of the amount in the account at the end of the financial year preceding the year of application, shall be allowed for the purpose of education of the account holder (i.e. the girl child after attaining the age of 18 years or passes 10th standard, whichever is earlier)
 - Such application should be supported by documentary proof of admission and fee requirement.
- **Closure on maturity**
 - Account will mature after 21 years from the date of opening.
 - Can be closed at the time of the marriage of the girl (after attaining age of 18 years) that too, before one month of marriage date or after three months of the marriage.
- **Maximum number of accounts:**
 - Up to two girl children or three in case of twin girls as second birth or the first birth itself results in three girl children.
- **Income Tax Benefits:**
 - Deposits in the account qualify for tax rebate under section 80C of the Income Tax Act.
 - Interest accrued in the account and withdrawals thereof are fully exempt under Sec 10(11a) of Income Tax Act.

CHAPTER 05

INTRODUCTION TO NON-FUND BASED BUSINESS

NON FUND BASED BUSINESS

The credit facilities given by the banks where actual bank funds are not involved are termed as 'Non-fund based facilities'. These facilities are divided in THREE broad categories as under:

1. Letters of credit
2. Guarantees
3. Co-acceptance of bills/Deferred payment guarantees

RBI GUIDELINES - LETTER OF CREDIT

- Bank should normally open letters of credit for their own customers who enjoy credit facilities. Customers maintaining current account only may also be granted L/C facilities provided no other credit facility is needed by them
- Such request for letter of credit should be properly scrutinized to establish the genuine need of the customer.
- The customer is required to submit a complete loan proposal including financial statements to the satisfaction of the bank and his financial resources, as regards payment of the bills drawn under LC.
- Where a customer enjoys credit facilities with some other bank, the reasons for his approaching the bank for sanctioning L/C limits

have to be clearly stated. In such cases the bank should invariably make a reference to the existing banker of the customer.

RBI GUIDELINES - BANK GUARANTEES

- The conditions relating to obligant being a customer of the bank enjoying credit facilities as discussed in case of letters of credit are equally applicable for guarantees also. In fact, guarantee facilities also cannot be sanctioned in isolation.
- Financial guarantees will be issued by the banks only if they are satisfied that the customer will be in a position to reimburse the bank in case the guarantee is invoked and the bank is required to make the payment on invocation of guarantee.
- Performance guarantee will be issued by the banks only on behalf of those customers with whom the bank has sufficient experience and is satisfied that the customer has the necessary experience and means to perform the obligations under the contract and is not likely to commit any default.
- Normally, no bank guarantee will have a maturity of more than 10 years.
- In case of guarantee with maturity of more than 10 years, approval should be taken from appropriate authority.
- Normally Bank will not issue guarantees on behalf of those customers who enjoy credit facilities with other banks.

RBI GUIDELINES - CO-ACCETANCE OF BILLS

- Limits for Co-acceptance of bills will be sanctioned by the bank after detailed appraisal of customer's requirement and the bank is fully satisfied about the genuineness of the need of the customer. Co-acceptance of bills facility should be sanctioned to customers who enjoy credit facilities with the bank
- Only genuine trade bills shall be Co-accepted and the bank should ensure that the goods covered by bills Co-accepted, are shown in the stock statements of the borrowers. The valuation of goods as mentioned in the accompanying invoice should be verified to see that there is no overvaluation of stocks.
- The banks shall not extend their Co-acceptance facility to house bills/ accommodation bills drawn by group concerns on one another.
- When banks open L/C and also Co-accept bills drawn under such L/C, the discounting bank, before discounting such Co-accepted bills, must ascertain the reason for Co-acceptance of bills and satisfy themselves about the genuineness of the transaction.
- Co-acceptance facilities are normally not be sanctioned to customers enjoying credit limit with other banks.

LC/BG POLICY

- The LC/BG policy guidelines were reviewed & circulated vide branch circular No. 112/39 dated 20/06/2018 which mentions that:
 - 1) Caution should be exercised when facility is granted to customer who is already enjoying substantial exposure with other banks.

- 2) Share in fund based limit should be taken when the customer availing fund based limit of more than Rs.50 crore from other banks approaches us for Non-fund based facility only.

SPECIAL FEATURES

- Non Fund Based Limit refers to giving a commitment by the Bank on behalf of the borrower
- No immediate outlay of funds
- Contingent liability which may or may not result deployment of funds in future.
- Risks are similar to fund based exposure and procedure is same, hence bank has to apply same dimension Risk Management.

ADVANTAGES

- Earnings by way of commission, fees and exchange income
- Source for mobilization of deposits
- Comparatively easy to monitor
- Costs less to the bank
- Low probability of default

LETTER OF CREDIT

- It is one of the most convenient methods of settling payments in International Trade. It provides complete financial security to the Seller of the goods. The Seller may not know the credit worthiness of the Buyer and the prevailing Regulations in the country of the

buyer. But once a letter of credit is established by the buyer's bank on behalf of the buyer in favor of the seller and the seller submits the set of required documents to the opening bank or to the nominated bank, the seller is assured of payment. Buyer also gets the advantage of his banker's assistance in closely scrutinizing the documents and only after receiving the relevant documentary evidence from the seller by the banker nominated in the credit, the nominated banker releases the payment.

- All letters of credit in India relating to the foreign trade i.e., export and import letters of credit are subject to provisions of 'Uniform Customs & Practice for Documentary Credits' (UCPDC). The latest revision of these provisions effective from 1st July, 2007 has been issued by International Chamber of Commerce vide its publication No. 600 of 2007.
- These provisions neither have the status of law nor automatic application but parties to a letter of credit bind themselves to these provisions by specifically agreeing to do so. These provisions help to arrive at unambiguous interpretation of various terms used in letters of credit and also set the obligations, responsibilities and rights of various parties to a letter of credit.
- Inland letters of credit may also be issued subject to the provisions of UCPDC and it is, therefore, important that customers should be fully aware of and understand complete L/C mechanism.

ARTICLES IN UCP 600

- Article 1, they are binding on all parties thereto, unless expressly modified or excluded by the credit.
- Article 2 of UCPDC defines a letter of credit as under-

“The expression “**credit**” means any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honor a complying presentation.
- **Honor** means:
 - i. To pay at sight if the credit is available by sight payment.
 - ii. To incur a deferred payment undertaking and pay at maturity if the credit is available by deferred payment
 - iii. To accept a bill of exchange (Draft) drawn by the beneficiary and pay on maturity if the credit is available by acceptance.
- Letter of credit is a written undertaking by a bank (issuing bank) given to the seller (beneficiary) at the request and in accordance with the instructions of buyer (applicant) to effect payment of a stated amount within a prescribed time limit and against stipulated documents provided all the terms and conditions of the credit are complied with".
- Letters of credit thus offers both parties to a trade transaction a degree of security. The seller can look forward to the issuing bank for payment instead of relying on the ability and willingness of the buyer to pay. He is further assured of payment being received on due date enabling him to have proper financial planning. The only condition being attached is submission of stipulated documents and compliance with the terms and conditions of credit. The buyer on the other hand will be obliged to pay only after receipt of documents to title of goods to his satisfaction.

- Branches of a bank in different countries are considered to be separate banks (Article 3)
- Letter of credit is an independent document in itself as provided vide article 4 of UCPDC which states that:
- The Letter of Credit by its nature is a separate transaction from the sale or other contract on which they may be based. Banks are in no way concerned with or bound by such contract.
- This article 4 is very important and has a direct bearing on the relationship of the opener with bank. Many disputes have arisen due to the reference of sale contract in the letter of credit. The letter of credit is issued in accordance with the instructions of the applicant who should provide complete and precise instructions to the bank to avoid any dispute later. The undertaking of a bank to pay, accept and pay drafts or negotiate and/or to fulfill any other obligations under the credit is not subject to claims or defenses by the Applicant resulting from his relationship with the issuing Bank or the Beneficiary.
- Another very important provision which is very vital to letter of credit operations is regarding disputes emanating from the quality/quantity of goods covered under a letter of credit. Article 5 of UCPDC states:
- Banks deal with documents and not with goods, services or performance to which the documents may relate.
- An important point which emerges from the above article is that any dispute regarding the quality/quantity of the goods may have to be settled outside the terms of Letter of Credit.
- Letter of credit thus provides no protection on this account and the applicant must specify submission of necessary weight

certificate/quality analysis certificates etc. as considered necessary to satisfy himself regarding the goods on the basis of these documents alone.

Let's Revise Letter of Credit

- A documentary credit can be defined as a written undertaking given by a bank (issuing bank) to the seller (beneficiary) on the instruction of the buyer (applicant) to pay at sight or at a determinable future date up to a stated amount of money. Such undertakings are conditional upon the beneficiary's compliance and are satisfied by a 'complying presentation 'of documents.

IMPORT DOCUMENTARY CREDIT

- The applicant must possess an importer-exporter code number (IEC) allotted by **DGFT** (unless they belong to an exempted category)
- If import is covered under other than OGL then license is marked Exchange Control Purposes.
- Imports from Nepal & Bhutan require payment to be made in INR and are treated as domestic credit.

ICC AND DOCUMENTARY CREDIT

- The International Chamber of Commerce is the world Business Organization of **non-government nature**. It was established in the **year 1919** and has international secretariat in **Paris**.
- ICC first published INCOTERMS (International commercial terms) in 1936, which provide internationally accepted definition and rules

of interpretation for most common commercial terms used in contracts for for sale of commercial goods.

- Some of the commonly used INCOTERMS are :
 - ✓ FOB – Free on Board
 - ✓ CFR – Cost and Freight
 - ✓ CIF – Cost Insurance and Freight
 - ✓ CIP- Carriage and Insurance Paid
 - ✓ EXW – Ex-works

UCP 600

- First published in 1933, and revised on five occasions since, the latest version is known as UCP 600. This comprises 39 Articles, which establish the requirements necessary to regulate documentary credit operations.

PARTIES INVOLVED IN LC

It is essential to be aware of the parties involved in documentary credit transactions, a brief summary of which follows:

- **Applicant:** It is generally the buyer of the goods who gets the letter of credit issued by his banker in favor of the seller. The person on whose behalf and under whose instructions the letter of credit is issued is known as applicant/ opener of the credit.
- **Issuing Bank:** The bank issuing the letter of credit.

- **Advising Bank:** The bank that advises the credit at the behest of the issuing bank.
- **Beneficiary:** The seller of goods in whose favor the letter of credit is issued.

PARTIES INVOLVED IN LC

- **Confirming Bank:** Is one of the parties involved in a letter of credit. Confirming bank as a party to letter of credit confirms and guarantees to undertake the responsibility of payment / negotiation/ acceptance under the credit. The bank adds its confirmation to a credit at the request of the issuing banks.
- **Negotiating Bank** –The bank who negotiates the documents drawn under letter of credit and makes payment to beneficiary.
- **Reimbursing Bank** – Which maintains the **Nostro Account** of the opening/issuing bank and reimburses to the claiming bank?

TYPES OF DUCUMENTARY CREDITS

IRREVOCABLE LC

- A Credit issued subject to UCPDC, 2007 Revision, ICC Publication no. 600 (“UCP”) is an irrevocable credit even if there is no indication to that effect (article 2 & 3).
- The Irrevocable Credit is a definite undertaking of the Issuing Bank and cannot be amended or cancelled without the agreement of the

Issuing Bank, the confirming bank (if any) and the beneficiary (article 7 & 8).

REVOCABLE LC

- This may be amended or cancelled without prior warning or notification to the beneficiary. Such letter of credit will not offer any protection and should not be accepted by beneficiary of credit.

TRANSFERABLE LC

- As the name indicates, it is a credit which can be transferred by the original beneficiary in favor of a Second Beneficiary or several Second Beneficiaries.
- As per Article 38 of UCP, Credit can be transferred only if it is specifically stated as “Transferable” in the credit.
- Further, such credit can be transferred only once (i.e. from the First beneficiary to several Second Beneficiaries and not (thereafter) from the Second Beneficiary to third beneficiary) and subject only to the original terms and conditions of the credit excepting the amount of credit, unit prices, percentage of insurance terms, period of validity and shipment.

CONFIRMED LC

- Confirmed credit is a Credit to which another bank (bank other than the issuing Bank) has added his confirmation or guarantee.
- It means that, in a Confirmed Credit, the beneficiary will have a firm undertaking from not only the issuing bank, but also of another bank. Thus, there is a double undertaking in such a Credit and it is more favorable to the Beneficiary.
- The bank which adds its confirmation is called a Confirming Bank. Generally the confirmation to a Credit is desired by Beneficiary

from bank known to him, preferably the one located in his country so that his risk becomes localized and he can deal easily with a local bank rather than deal with a bank abroad which has issued the Credit. But this type of Credit is a bit costlier to the parties concerned, since there would be charges of the confirming bank.

- Credit will be confirmed by another bank only when it is advised to do so by the issuing bank. When a confirming bank effects payment to the beneficiary, the payment made by them will always be 'without recourse'

REVOLVING LC

- Revolving Credit is when after a drawing is made under the LC, the Credit gets reinstated to its original amount for the use of the beneficiary.
- There are two types of Revolving Credit:
 - 1) In the first type of Revolving Credit, credit gets reinstated immediately after a drawing is made (for example if a credit is issued for USD100,000 and beneficiary draws a bill for USD 100,000 immediately after that drawing, the credit gets reinstated to its original amount of USD100,000).
 - 2) In the second type of Revolving Credit, the Credit reverts to original amount only after it is confirmed by the Issuing Bank (i.e. after the documents reach the Issuing Bank and it pays for the documents / or such fact is confirmed by the Issuing Bank).

BACK TO BACK LC

- Back to back letter of credit is actually made of two distinct LC's.

- 1) One LC is issued by the buyer's bank in favor of the intermediary.
 - 2) The second LC is issued by the intermediary's bank in favor of the seller.
- The seller is thus ensured of the payment upon fulfilling the terms of the contract and presenting appropriate documents to intermediary's Bank.
 - In some cases the seller may not even know who the ultimate buyer of the goods.
 - Back to back LC is usually used in international transaction where the first LC is taken as collateral for the second LC.
 - The need for such credits arise mainly when
 - The ultimate buyer is not prepared to open a transferable Credit
 - The beneficiary is not willing to disclose or divulge the source of supply to the openers.
 - Actual manufactures /suppliers insist on payment against documents for goods but the beneficiary of credit is short of funds.

RED CLAUSE LC

- Red Clause Letter of Credit goes a step further and authorizes the advising bank to grant an advance to the beneficiary at the pre-shipment stage itself. The advance by the advising bank shall be recovered at the time of negotiation of documents under L/C. In case, however, no shipment is effected by the beneficiary or if he fails to present documents under L/C, the bank making advance under such credit will claim reimbursement of advance made, from the issuing bank.
-

GREEN CLAUSE LC

- It is extended version of Red Clause Credit in the sense that it not only provides for advance towards purchase, processing and packing but also for warehousing and insurance charges at port when the goods are stored pending availability of ship/shipping space.
- Generally money under this credit is advanced after the goods are put in bonded warehouse (customs controlled) up to the period the ship or shipping space is available. In such cases, warehouse warrants are given as security.

STAND BY LC

- These credits are generally used as substitutes for performance guarantee and very much in use in certain countries like **USA**.
- No transport document is called for under this credit.
- ICC has covered standby credit in a separate publication **called ISP98**.

EVIDENCE OF IMPORT – BILL OF ENTRY

- **A bill of entry is a legal document i.e. filed by the importer or custom clearance agents on or before the arrival of imported goods.**
- **In case of Physical Import** –the bill of entry should be submitted to the banker within 3 months from date of remittance.

- **Non Physical Imports** – A certificate from Chartered Accountant that the software / data / drawing design has been received by the importer.

PAYMENT OF BILL UNDER LC

- If the documents are as per the terms of LC, the payment should be made as under :
- Sight Bill: Within 10 days
- Usance Bill: On Due Date
- In case of discrepant documents, the discrepancy should be advised to presenting bank within 5 banking days.
- Rate Applicable: The Bills Selling Rate on the date of payment or Forward Contract Rate if Forward Contract is booked.

INTRODUCTION TO BANK GUARANTEE

- A bank guarantee is a written contract given by a bank on the behalf of a customer. A bank takes responsibility for payment of a sum of money, in case it is not paid by the customer.
- Bank Guarantee is an indemnity letter where in the bank is legally bound to pay a certain sum of money mentioned therein, if the party fails to perform or if any other form of default occurs.

DEFINITION OF BG

- Section 126 of Indian Contract Act, 1872 defines guarantee as a contract to perform the promise or discharge the liability of a third person in case of his default.
- In case of any changes or cancellation during the transaction process, a bank guarantee remains valid until the customer fully releases the bank from its liability.
- In the situations, where a customer fails to pay the money, the bank must pay the amount within three working days. This payment can also be refused by the bank, if the claim is found to be unlawful.

BG PURPOSES

Generally bank guarantees are issued for the following purposes. However the list is illustrative.

- 1) Issue of power connections
- 2) GST registrations
- 3) Construction contracts for road, bridges or other projects
- 4) Supply of services / goods
- 5) Participation in tender or bids
- 6) Security deposits
- 7) Guaranteeing the performance of machinery / equipment

PARTIES to BG

The contract of guarantee has three principal parties as under:

- **Principal debtor** - the person who has to perform or discharge the liability and on whose behalf the guarantee is given.
- **Principal creditor** - the person to whom the guarantee is given for due fulfillment of contract by principal debtor. Principal creditor is also sometimes referred to as beneficiary.
- **Guarantor or Surety** - the person who gives the guarantee.

IMPORTANT POINTS

- Primary Contract is between the **applicant** and the **beneficiary**.
- Bank Guarantee is the **secondary contract** and is consequential to the main contract.
- Bank's liability begins only after the default by the principal debtor.
- **Every BG must have defined period / amount / purpose.**

Types of Guarantees

INLAND GUARANTEE

- Both applicant and beneficiary reside in India. The Guarantee is issued in India in INR.

FOREIGN GUARANTEE

- The beneficiary is in a country outside India and the guarantee is issued in a foreign currency.

FINANCIAL GUARANTEE

Financial guarantee is issued for guaranteeing financial obligation, for example:

- In respect of excise/custom duties and octroi, tax under dispute etc.
- Payments for supplies/services favoring oil companies, Steel Authority of India Limited (SAIL), Railways and so on.

PERFORMANCE GUARANTEE

A performance guarantee is issued in respect of performance of a contract or some other non-financial obligation by the applicant.

DEFERRED PAYMENT GUARANTEE

It guarantees payment of installments by borrower where the borrower has purchased capital goods from supplier on long term credit given to him by supplier.

LIMITATION PERIOD

- Section 28 of the Indian Contract Act, 1872 pertaining to limitation clause has been amended **w.e.f. 08/01/1997**.
- Due to this amendment, if the claim period is **restricted below one year** then bank would not be discharged from the liability till 3 years for the guarantees issued in favor of private persons and 30 years for the guarantees issued in favor of Government (**Br. Cir. 111/150 Dt.26/12/2017**).

TENURE / MARGIN

- No bank guarantee should normally have a maturity of 10 years (as per RBI). However guarantee can be issued beyond 10 years period under a policy approved by the Board of Directors.
- **Guarantees on behalf of Share / Stock / Commodity brokers in favor of Stock Exchanges in lieu of security deposit and margin requirements:**
- In above cases, we have to obtain minimum margin of 50% (including 25% cash margin).

ONEROUS CLAUSE

Any provision in the guarantee which is likely to give rise to pecuniary liability like interest or liability which is unlimited in terms of money as well as validity period is considered as on ONEROUS CLAUSE, such as,

- 1) Auto Renewal / Extension
 - 2) Jurisdiction clause in different places
 - 3) Where time limit is specified for payment say 24 hours, 48 hours etc.
 - 4) Payment of interest on invoked amount
- In case of onerous clause guarantees, the margin should be 115% of the amount of guarantee.
 - GM /GM NBG and above level may consider such guarantees with lesser margin on case to case basis.

PRECAUTIONS

- Bank Guarantees issued by Bank in favor of the President of India – Precaution to be adhered (Circular Letter No. : 2019-20/100 dated 26/12/2019).
- The branches must communicate with The Secretary of the Government Department concerned and abide by the instructions of the Deptt. of Financial Services in the matters related to expiry / cancellation / extension of Bank Guarantees which are issued in favor of the President of India.

LIMITATION CLAUSE

Bank's standard Limitation Clause must be inserted at the end of the text of guarantee to limit the liability period of guarantee. Format of limitation clause is as under.

Notwithstanding anything contained herein above our liability under this guarantee is restricted to Rs.----- (Rs.-----) and this guarantee is valid up to ----- and we shall be released and discharged from all liabilities hereunder unless a written claim for payment under this guarantee lodged on us within ----- months from the date of expiry of this guarantee i.e. on or before ----- irrespective of whether or not the original guarantee is returned to us.

Branches should transmit BG message through SFMS

(Structured Financial Messaging System)

CONCESSION IN CHARGES FOR ISSUANCE OF GUARANTEE

- **Charges related to guarantee which has been linked with External Credit Rating vide Br. Cir. No. 110/162 dated 15.11.2016.**
- **Commission on issuance of Guarantee (I/F) and Letters of Credit (I/F) with higher Cash Margin : (HOBC 109/195 dated 22.01.2016)**
- **Extent of Cash Margin* available Reduced Commission to be charged**
- **100% and more 25% of the applicable commission**
- **80% and more but less than 100% 40% of the applicable commission**
- **60% and more but less than 80% 60% of the applicable commission**
- **40% and more but less than 60% 75% of the applicable commission**
- **Less than 40% As per the existing applicable rates**

***cash Margin to include Bank's own Fixed Deposits.**

REFUND OF GUARANTEE COMMISSION

- As per BC 107/133 Dt. 15-10-2013, on receipt of original guarantee from customer before expiry date branches can refund the commission for the remaining period, on quarterly basis.

- Guarantees given for export obligations, the refund will be for **50% of the unexpired period.**

EXPIRY OF GUARANTEE

- On expiry of validity period of guarantee, the bank should follow the below given norms.
- Expired bank guarantees which are outstanding in the branch books **attract risk weight.** Hence expired bank guarantee should be cancelled as per procedure given in branch circular number **101/74 dated 25-07-2007 and circular letter number C&IC/AK/2015-16/2358 dated 17-12-2015.**
- The branch should follow-up with the beneficiary and applicant for return of the original guarantee duly discharged or a discharge letter from the beneficiary after expiry of the guarantee.
- If the original guarantee is not received for cancellation, the bank should send a Regd. A.D notice to the beneficiary with copy of notice to applicant & the acknowledgement should be kept on record.
- In case no response is received within **1 month** from the date of notice, the Guarantee should be treated as cancelled and liability should be reversed.

INVOCATION OF GUARANTEE

Whenever there is a default by the applicant and the beneficiary lodges a claim under the guarantee, it is known as Invocation of Guarantee.

- Points to be noted regarding Invocation of Guarantee:
 - Whenever a guarantee is invoked, the amount claimed there under should be settled without delay.

- Branches are not empowered to postpone payment of a guarantee beyond 3 days from the date of invocation.
- Invocation has to be made by the same authority in whose favor guarantee is issued.
- In case the payment is to be refused, due to valid reason the permission of the controlling authorities must be obtained before refusal.

PRECAUTION

Following precautions should be taken while issuing Bank Guarantees:

- A request letter should be taken from the applicant along with copy of contract, each time the Guarantee is issued
- Guarantee should be serially numbered and correctly classified, i.e. financial or performance.
- In case guarantee is issued on casual basis necessary documents should be obtained.
- As far as possible there should not be any onerous clause in the guarantee, if required by the applicant and acceptable to the bank proper approval, margin, and security should be obtained.

CHAPTER 06

Session –I → ADC & ITeS Products

POS, MPOS, BHARAT QR, BHIM AADHAAR,

BBPS, MOBILE BANKING & NUUP

POS & MPOS (Point of Sale & Mobile Point of Sale)

- **Introduction**
- **Various Features of POS & MPOS**
- **Prerequisite condition to issue, POS & MPOS**
- **Advantages & Disadvantages**

Objective of this Session is, we will understand what is POS & MPOS. Go through Various Features of POS & MPOS. What are the Prerequisite condition to issue POS & MPOS to our Customers. What are the Advantages & Dis-Advantages of POS & MPOS.

Introduction:::This actually refers to the machine or terminal which is used at a Point of Sale location for making payment. The payment is not by Cash but by using the Plastic Money, i.e., using a Card issued by any Financial Institution. Be it a, § Credit Card § Debit Card § Value Loaded Card i.e., Prepaid Card or Gift Card

POS are of two categories, 1. PSTN 2. GPRS , These terminals require Landline Telephone connections.

PSTN (Public Switched Telephone Network)→ Through dial-up facility these are connected and the approvals are communicated. Fixed telephone connection is mandatory.

GPRS(General Packet Radio Service) →These terminals do not need Landline telephones. These have a SIM Card and similar to mobile phones, these get connected through the SIMs

MPOS(Mobile Point Of Sale) → These terminals are connected through Bluetooth with a Smartphone (Android) and the transactions are processed. M-POS can be integrated with “Apple iPhone”, “Ipad” alsoThe App has to be downloaded from Play Store. On the Smartphone and through the phone the device is connected to network. **An M-POS is a Smartphone, Tablet or dedicated wireless device that performs the functions of an electronic Point Of Sale terminal. With m-POS one can harness the power of a Smartphone, Tablet or other Mobile Device to accept payments on the spot.**

M-POS variants are Mosambee & Ongo Merchant

Key Features of M-POS

- **Suits small businessmen and merchants**

From individuals offering professional services to small to small and medium business set ups – MPOS is a perfect payment solution. Smaller merchants cannot afford to use traditional POS due to various reasons, but with M-POS all they need is a Smartphone with internet access. M-POS eliminates the requirement of a fixed line, hassles of applying and maintaining POS from banks; thus saving merchants time and money.

➤ **Cheaper as compared to conventional POS machine**

Compared to a regular POS, MPOS comes with a much lesser monthly maintenance cost.

➤ **Convenient to use**

M-POS is a convenient option as employees can meet consumers on the floor, help them check out without standing in line, and aid them in their decision-making process without risk of consumers opting for their phones as an aid.

Rental:

- **Mosambee and M-Swipe is provided by vendor M/S. Worldline**
- **Monthly rent is Rs.350/- per terminal**
- **Ongo Merchant is provided by India Transact Services Ltd.**
- **One time setup fee Rs.749/- per M-POS and monthly rent Rs.349/-.**

M-POS Merchant Discount Rate:

In the normal POS terminal installations, for Debit Cards the MDR is as per the RBI guidelines and for Credit cards we are charging @ 1.65% or as per sanction of Zonal Manager.

- **Credit Cards – Standard (1.4%), Premium (1.95%) and Super Premium (2.20%)**
- **Credit Cards – International Cards (2.50%)**

Main Advantages of Mobile Point-of-Sale

1. Customer Experience Improvements

Mobile broadband has become the “fastest growing technology in human history.” The unprecedented speed and availability of mobile networks is driving consumer demand for a new class of travel experiences.

2. Increased Sales

The mobile device can do more than simply process more transactions faster

3. Improved Security

Among the mPOS benefits is that using an mPOS device limits your liability because transactions are encrypted and card data is not stored on the mPOS device. This minimizes the risk of a security breach and makes it quicker and easier to comply with regulations like PCI DSS.

4. Efficient and accurate transactions

Thanks to their mobility and flexibility, one of the great mPOS advantages is that the devices make the purchase process an efficient one.

5. Accommodation of growing transaction volumes

The size of the market enables small travel operators to increase volumes without investing heavily in new systems, security, or infrastructure, to compete with big players.

6. Less expensive and easier solution for migrating to EMV(Euro, Master, Visa)

Mobile POS systems allow travel businesses to easily and inexpensively accept EMV transactions as well as offer NFC (Near Face Communication) capabilities.

7. Easily accept mobile wallet payments

It is easy and affordable to have a good mobile payment app combined with the mPOS to allow additional types of mobile payments, like email request for payment, which is offered with mSWIPE.

Eligibility Norms for Merchants/Traders

For small traders whose turnover is not more than 10 lakhs/annum: (Category-I)

- ✓ KYC verification,
 - Aadhaar card;
 - Photo of the shop with sign board;
 - Both shop address and residential address (For hawkers, shop address is waived)
 - + all other KYC documents
- ✓ **Inspection of the Merchant/Trader premises/address,**
- ✓ **Assessment of existing turnover and projected turnover.**

Condition: Ceiling for per day transactions is Rs.10,000/- per day

Merchants turnover is 10 lakhs < 40 lakhs: (Category-II)

- ✓ IT Returns and/or Statement of Accounts for last 3 months;
- ✓ CIBIL Reports
- ✓ Licenses

Conditions: No floor limit for transaction

Merchants Turnover > 40 lakhs: (Category-III)

- ✓ Audited B/S
- ✓ IT Returns
- ✓ CIBIL Report
- ✓ Licenses

Conditions: No floor limit for transaction

BHARAT QR:

Objective

- ✓ What is Bharat QR & QR ?
- ✓ Types of QR Code
- ✓ Features & Advantages Bharat QR

Bharat QR code is an interoperable payment acceptance solution that supports Visa, MasterCard, Amex and RuPay cards & BHIM-UPI for wider acceptance. Bharat QR code will enable rapid rollout of digital payments acceptance infrastructure throughout the country, as it does not involve any upfront investment in Point of Sale (PoS) machine.

QR Code. A **QR code** (QR → "Quick Response" **code**) is a type of barcode that contains a matrix of dots. It can be scanned using a **QR** scanner or a smartphone with built-in camera. Once scanned, software on the device converts the dots within the **code** into numbers or a string of characters

What is QR ?

- ✓ The QR (Quick Response) code is a unique barcode that contains the merchant's Information (**Merchant Name & Account Number**) required for the payment.
- ✓ The customer just need to scan this QR code with the scanner built in the consumer app to Start the payment process.

Types of Q R Codes

Ready (Static) QR code: This code will prompt the receiver (Trader/ Shopkeeper/ Merchant) to enter the amount.

This type of Bharat QR code is best for small merchants where all type of products is available but in lower quantity.

Dynamic QR code: The receiver (Trader/ Shopkeeper/ Merchant) have to **generate this code** for a specific amount. **That means sender (Customer) can't enter his/her desired amount to transfer.**

The amount is fixed for each Dynamic QR code. **Shopkeepers or retailers can use dynamic Bharat QR code to sell fixed rate products.** So, customers can't bargain at the time of payment

Features and Advantages

- ❖ Interoperability among QR based payment products of different networks: RuPay, Visa, MasterCard and Amex.
- ❖ Substitute for PoS Terminals.
- ❖ Low cost acceptance payment solution.
- ❖ Push based transaction i.e. transaction originates from card holder.
- ❖ No need to share physical card with merchant.

How, We issue BHARAT-QR to our Customers?

The Terms & Conditions to issue BHARAT QR same as POS & m-POS

BOI - BHIM Aadhaar Pay

Objective

- Introduction to BHIM Aadhaar Pay
- Requirements
- Features & Benefits

BHIM Aadhaar Pay is meant for merchants to receive digital payments from customers over the counter through Aadhaar authentication. It allows for any merchant associated with any acquiring bank on BHIM Aadhaar Pay service, to allow the merchant to accept payment from a customer of any bank, by authenticating the customer's biometrics – currently only fingerprints, directly from the customer's Aadhaar enabled bank account and receive the sale proceeds instantaneously directly into merchant's own bank account.

Requirements for Merchant:

- ✓ Merchant must have Android mobile version **4.2 or higher** with internet & BHIM Aadhaar app installed. Mobile has and OTG support for connecting biometric device & able to power the biometric reader.
- ✓ A certified Biometric Scanner attached with the mobile phone on the USB port/ USB C-Type connector.
- ✓ Merchant & Customer should have hand linked/ seeded their Aadhaar numbers to their bank accounts respectively

Features:

- Only Aadhaar number linked to Bank account required for making payments
- Fingerprints used for authentication
- No need to remember passwords, Card PIN and wait for OTP

Benefits:

- ❖ No need to carry any CREDIT/DEBIT Card, Cash, Cheque or Mobile Wallets.
- ❖ Reduction of PoS terminals.
- ❖ Customer does not need to download any app when making payments
- ❖ Mobile phone not required while making payments.
- ❖ More secured than cash, card, mobile wallets as customer needs to be physically present for making payments.

Limit on value of transactions:

- ✓ The minimum amount is Rs. 1/- and maximum amount is Rs. 10,000/- for customer
- ✓ No limit on the amount for merchant to receive payment.

Note:→BHIM Aadhaar Pay is different from BHIM (NPCI UPI's Product)

BBPS

BHARAT BILL PAYMENT SYSTEM

The One stop destination for all utility bills

BBPS is managed & maintained by our Transaction Banking Department at Head Office

Run by National Payments Corporation of India (NPCI)

It is a one-stop payment platform for all bills providing an interoperable and accessible “Anytime Anywhere” bill payment service to all customers across India with certainty, reliability and safety of transactions

BBPS module can be accessed through following platforms

- ❖ Mobile Banking
- ❖ Internet Banking
- ❖ BHIM Application
- ❖ BOI Billpay Application
- ❖ Branch Channel Menu BBPS

Facilities are available to pay to-

- **Electricity bill**
- **Water Bill**
- **Mobile Post paid Bill**
- **Gas Bill**
- **DTH Bill**
- **Landline Post Paid Bill**
- **Broadband postpaid Bill**

Facilities are Proposed in future -

- **School fees, college fees , subscription**
- **Insurance, Mutual fund, credit card Bill Payments**
- **Govt. Payments, Charity ,one time payment etc.**

BOI - MOBILE BANKING

Objective

- **INTRODUCTION**
- **AVAILABILITY**
- **REGISTRATION**
- **FEATURES/FACILITIES**
- **LIMITS**

INTRODUCTION :: Talking about the introduction, this app is for retail banking customers. You can do anytime, anywhere banking using your smart phone. Using Mobile banking for financial transactions is fully safe as end to end encryption is available across all the networks.

- For Retail Banking Customers.
- Anytime, anywhere banking through mobile phone.
- Completely safe, end-to-end encryption across all networks

AVAILABILITY

- Available in **Google play store** and **apple store**.
- **Android version above 5.0.2 and iOS above 8.0**

REGISTRATION

- **Mobile number should be registered with us.**
- **Mode of operation should be SELF, E or S, F or S.**
- **Enrol by downloading the app from Play Store/App Store.**
- **Two types of Users, View User and Financial user.**
- **Financial user can set password by using Debit card.**
- **Alfa-numeric account number of any number of digit is accepted for fund transfer.**
- **You can mark any completed transaction as Favorite transaction. So next time when you make any transaction in that account , you will not require filling details like account number**
- **Mobile device is Authenticated by system at the time of registration.**
- **We have to choose SIM registered in Finacle**

- Every time we want to connect, System will auto verify SIM number.
- We will get media permission at the time of setting Profile Photo. (If you want to set profile photo, you have to give media permission)

FEATURES/FACILITIES

Non Financial

- Cheque book
- SB-25, CD-50 leaves. (Saving & Current)
- Delivered to the registered address.
- View cheque status as- Stopped/Un-used/Passed
- Change Login Pin
- Change Transaction Password
- Forgot Transaction Password
- DE-Register Mobile No. for Mobile Banking
- Change of Mobile Number - Mobile application will ask for the update.
- View Account Details & Balance
- All loan accounts along with outstanding amount Summary or statement of a particular loan account
- Download the loan interest certificate in PDF format up to Last 10 years

Non Financial

- ❖ Deposit accounts with current balance
- ❖ Summary of deposit accounts
- ❖ M-Passbook - Generate statement of a/c. downloaded in PDF, send through e-mail on registered e-mail id.

Generate MMID (Mobile Money Identifier) for A/cs.

PROCESS – Go to My Account, Click on icon  at the left of account number for which you want to generate MMID - Click on Generate MMID.

Financial

Fund transfer in

- Self accounts
- Third party fund transfer RTGS (8 AM to 6.00 PM)
- NEFT- 24X7 (including Sunday and holiday)

IMPS – 24X7 (including Sunday and holiday)

(IMPS → IMmediate Payments Service)

1. **Payment through IMPS Using (Mobile No. + MMID) (person to person ie P2P)**
2. **Payment through IMPS Using (Account No. + IFSC) (person to account ie P2A)**

Payment of utility bills through BBPS Module

LIMITS

Minimum and maximum transaction limit Of Mobile Banking-

Sl. No	Transaction Type	Per Transaction	Daily Limit
1	Self-Link	50 Thousand	2 Lac
2	Third Party	25 Thousand	1 Lac
3	NEFT	25 Thousand	1 Lac
4	RTGS	3 Lac	3 Lac
5	IMPS	25 Thousand	1 Lac

Opening & Accessibility to Term Deposits is determined based on:

- **Mode of Operation**
- **Constitution Code**
- **KYC Compliance**
- **Customer's Age**

Code	Mode of operation	Open TDR	Pre-Close	Register Nominee
001	Self	Yes	Yes	Yes
003	Either or Survivor	Yes	No	No
004	Former or Survivor	Yes	No	No
005	Any one or Survivor	Yes	No	No
011	Karta (HUF)	Yes	No	No

NUUP (NATIONAL UNIFIED USSD PLATFORM) (USSD → Unstructured Supplementary Services Data)

- **USSD (Unstructured Supplementary Services Data) is a technology unique to GSM (Global System for Mobile communication)**
- **Started by NPCI to bring all Banks under a common platform**
- **Account details are safe through our in-built USSD encryption* “No store, just forward” facility**
- **Quick and secure transmission of information over GSM networks through session-based service**

Features

- ✓ Works on ALL GSM mobiles as well as GPRS mobiles
- ✓ Funds transfer is instantaneous & 24x7x365 basis
- ✓ Provides interactive menu
- ✓ GPRS is not required, works on voice connectivity
- ✓ More secure than SMS channel as data including MPIN is not saved anywhere
- ✓ USSD allows faster communication as it is directly sent to receiver
- ✓ Can be accessed only on the mobile number that you have registered with BOI.
- ✓ Your account number is partially masked while you access *99#
- ✓ You can use this facility by dialling *99#

Registration – One can get himself registered for USSD;

- Using Finacle at branches by menu option BOIUSSD
- Or Using Internet Banking – Mobile Banking Registration Request
- Or Using SMS channel. For using SMS channel one has to send a SMS to 9212304242 in the format IMPSREG <space> CUSTID

Using USSD

Dial *99#

***99*3# → Direct BOI Bal Inquiry**

*99*22#- Hindi

*99*23#-Tamil

*99*24#- Telugu

*99*25#-Malayalam

*99*26#- Kannada

*99*27#-Gujarati

*99*28#- Marathi

*99*29#-Bengali

*99*30# Punjabi

*99*31#-Assamese

*99*32#- Oriya

By dialling ***99*99#**. You will know whether his/her AADHAAR number is seeded/linked to any bank account number or not. If yes, then with which bank.

Facilities available accessing through *99#

- Send Money
- Request Money
- Check Balance
- My Profile
- Pending Request
- Transactions
- UPI PIN
- **Transaction limit using USSD is Rs 20,000**

We can send money by Entering their

- ▶ mobile number,
- ▶ Virtual Payment Address (VPA)
- ▶ Choose from already saved beneficiaries
- ▶ Using IFSC code and account number
- ▶ Using MMID and mobile number.

U P I (Unified Payment Interface) 2.0

Features of UPI 2.0

- **Transaction Limit Has Been Enhanced**
- **Over-Draft (OD) account as an underlying account in UPI**
- **Invoice in the Inbox Function (view attachment & pay)**
- **One Time Mandate**
- **Signed Intent And QR Code**

In UPI 2.0 the transaction limit will be enhanced to Rs.2,00,00/- (two lakhs) from existing limit of Rs20,000/- (twenty thousand) per transaction.

Overdraft accounts will also be included in USSD where as now it is limited to SB and CD account





Invoice will be lying in the inbox when a collect request reaches to you. You can view the invoice and pay

You can make one time mandate to pay in a future date and block the same amount in your operative account

While making payment using the intent or through scanning QR code, the user will get additional security in the form of signed QR / Intent

ADC & ITeS Products – PART II

INSTANT MONEY TRANSFER-IMT

-  **IMT- Domestic Self Service 24*7*365**
-  **IMT can be sent by our Bank's customer either through our Retail Internet Banking
or our Bank's IMT enabled ATM.**
-  **There is no need to be a Bank customer/ATM card holder of our Bank or any other Bank for the Beneficiary**
-  **The withdrawal details are partially communicated to the beneficiary on his mobile and partially by the sender**

IMT Limits & Charges

Sender Limit- Min Rs.100 and Max Rs.10,000 per transaction in multiples of Rs.100

Receiver Limit- Max Rs.25,000.00 per month

The sender will be charged IMT fee of Rs.25 for every IMT transaction. For staff Rs.10

Validity of IMT transaction is only 14 days.

There are three steps

1. Beneficiary Registration

I. Through Internet Banking

II. Through SMS

(Beneficiary activated instantly)

2. Initiate IMT

I. Through Internet Banking

II. Through ATM

3. Withdraw IMT

(BOI,Axis,PNB,Kotak and Laxmi Vilas Bank

IMT Registration-SMS



Beneficiary Registration- Customers can send an SMS to +919223009988 from their registered mobile number with following details

IMT <Beneficiary Mobile Number>#< Beneficiary name>#<Beneficiary Address>#< Beneficiary Add. Pin Code

Details required for IMT Withdrawal

- **IMT can be withdrawn by the beneficiary from bank's IMT enabled ATM with following details:**
- **Mobile number on which he has received the IMT details**
- **The sender's Code(conveyed to him by the Sender)**
- **The SMS pin (Received by him in SMS)**
- **The IMT amount**

Internet Banking

What is Internet Banking

Internet Banking is a platform which allows customers to fulfil their Banking needs like Inquiry/Financial transactions through a secure Website anytime, anyplace at their convenience.

We are providing two types of Internet Banking to our customers

- **Retail Internet Banking**
- **Corporate Internet Banking**

	Retail Internet Banking	Corporate Internet Banking
Customer Constitution in CUMM	<ul style="list-style-type: none"> • Individual • HUF • Proprietor 	<ul style="list-style-type: none"> • Non Individuals • Partnership • Trust • Private Ltd Companies • Public Ltd Companies • Society • Body Corporate
Trade Finance Facility in CUMM	NO	YES

Internet Banking- Registration

Retail Internet Banking	<ol style="list-style-type: none"> 1. Online registration- Self registration on Website with help of Account number, Registered Mobile number and ATM card credential. 2. Through branch, at the time of account opening Various options are available under "Appl. ref ID" under menu "OAAC" 3. Through Branch menu STCON.
Corporate Internet Banking	Registration should be done at branch through STCON menu option.

Menu option used for Internet Banking

- **STCON-** Add new request. Acknowledge/ unblock/ regenerate password.
- **STCONV-** Verification of request entered through STCON

- **IBSTATUS-** To know the status of internet banking user
- **PPFMNT-** Linking of PPF account for Retail Internet Banking user.
- **CCMNT-** Link Credit card of Retail Internet Banking user.
- **CORPMOB-** Update Mobile number of Corporate users.
- **CUMM-** Update Mobile number of Retail Internet Banking user.

Transaction limit- Single transaction & Daily limit

Retail Internet Banking		
	Default Maximum per Transaction Limit	Maximum Daily limit
Tax payments/ Custom	25 lac	No limit
NEFT	5 lac	15 lacs
RTGS	15 lac	25 lacs
Third party fund transfer	5 lac	15 lacs
Payments	5 lac	5 lacs
Self-transfers	15 lac	No limit

Retail Internet Banking- Facilities available

Accounts Tab

Summary of accounts

Statement of account (for maximum 1 yr)

Register account Nominee

Tax deduction inquiry

Generate Tax Credit Statement (26AS)

eFile / eVerify IT Return

Link Aadhar Number

Details of SCSS Account

Detail and Subscription of PPF account

Transfer Tab

Fund transfer (Fund transfer can be set for future date also.)

Self linked account transfer

Third party account transfer

Status enquiry

Pending Transfer

IMPS

RTGS

NEFT

Create Standing Instruction

Instant Money transfer

Sukanya Samridhi Account

PMNRF Payment

BBPS Payment

Tax Payment

Direct tax/ Indirect tax/ State Govt. tax payment

SBTR/ Simple receipt regeneration

Credit Card

View Credit Card details

View Credit Card billed and unbilled transactions

Credit card payment

Details of D-mat account

Request Tab:

Register request for Form 15G and 15H

Transaction Password Activation (for Star Token users)

Open Term Deposit account online

Pre-close Term Deposit account

ATM Card hot listing, PIN change, PIN Reset and Unblock

Request a Bid for IPO/Debt Issue

Request a cheque Book Online
Cheque Book Details Enquiry
DD PSI Details Enquiry
Request Interest Certificate for Deposit and Loan accounts
Sovereign Gold Bond Scheme Request
Register a request for CDSL Andheri Demat Account Access
Register a request for NSDL Demat Account Access

Options tab

Change Login password

Change Transaction password

- *Regenerate transaction password*

My Profile

Update Mobile number

Update Communication Address

Update e-mail address.

Corporate Internet Banking

Facilities available in Corporate Internet Banking

Summary of accounts

Statement of account

Tax deduction inquiry

Fund transfer, (Self, Third Party, RTGS, NEFT)

Corporate Internet Banking		
Default Maximum Limit	Per Transaction Limit	Daily limit
Tax payments/ Custom	5 Cror	No limit
NEFT	25 Lacs	1.5 Cror
RTGS	25 lacs	1.5 Cror
Third party fund transfer	25 Lacs	1.5 Cror
Payments	10 Lacs	10 Lacs
Self-transfers	25 Lacs	No limit

- Multiple Users and Profile based access on Accounts
- Account Level Access Control
- Multi Level Workflow Rule based Txn (maker checker for transaction)
- Link External Account for Debit/Credit
- Trade Finance Functionality
- Bulk File Upload Intra-Bank (Salary, Dealer Debit, Vendor Credit, Debit Credit transaction)
- Bulk File Upload NEFT and RTGS.

Set transaction limit for any type of transaction (i.e. Self, Third party, NEFT, RTGS etc.)

Maximum cumulative Debit limit in a month

Maximum number of transaction in a month

StarToken :- Security (2FA)

StarToken -NG :- With Quick Banking

- **Secured by REL-ID (Relative Identity)**
- **Secure Communications**
- **End-to-end Encryption**
- **Dedicated Channel**
- **Registers Hardware**

**Available on Laptop ,Desktop, Tablets & Mobiles
And on all the Operating systems**

- **STCON- Choice 4- Reset Star token**
- **STCONV Request Verification**
- **IBSTATUS- Option 2- Know the status of Star Token**
- **2FASTAT- Startoken status (same as IBSTATUS-2)**
- **STKREQ- Star Token enrolment request.**
- **OAAC- Option available for enrolment for star token at the time of opening of account.**

Fund transfer facility is available Under Star Token Quick Banking

for which we need to create New Transaction Password from Change

Secret tab.

Transaction Limit through quick banking is Rs.- 50,000

Other facilities available under quick banking is Mobile and DTH recharge

Balance enquiry for all accounts

Last 5 transaction done through quick banking is available Last 5 transaction can be viewed for operative account.

Click on Sync account tab if account is linked to customer ID but not appearing in quick banking.

Click on Sync beneficiary if beneficiary is available in Star connect but not appearing for transaction.

Check for Transaction - When we make E-payment using “Star Connect Internet Banking”, we need to “Check and ACCEPT Transaction” in StarToken.

Generate OTP- If you are traveling to a no mobile network location where you may not receive SMS on your registered Mobile No. you should generate STAR-TOKEN OTP (valid for 1 to 9 days) in advance & carry it with you safely. Which will be used to install & activate “StarToken” on the machine from where you want to do on line transaction.

If not in use Star Token automatically gets logged off in “7” minutes Otherwise it is advisable to “Logout“ from Star Token if Transactions are completed

RTGS NEFT IMPS

RTGS Real Time Gross Settlement

NEFT National Electronic Funds Transfer

IMPS Immediate Payment Service

RTGS

It is a system where there is continuous and real-time settlement of fund transfers

Individually on a transaction by transaction basis (without netting).

'Real Time' means the processing of instructions at the time they are received

'Gross Settlement' means that the settlement of funds transfer instructions occurs individually.

Timings: 7 AM To 6 PM on working days

Amount: Minimum Rs. 2 lakh, No maximum limit

Future date transactions max up to 3 days can be initiated

IFSC (Indian Financial System Code) and Account Number necessary.

If transaction delayed, Interest @Repo Rate + 2% payable

After initiation a 22 digit UTR (Unique Transaction Reference) No is generated

NEFT

Timing: Available 24 X 7 X 365

Amount: No amount restrictions

Settlement: In batches of Half an Hour

IMPS

Timing: Available 24 X 7 X 365

Amount: No amount restrictions

Settlement: Real time basis

Payment can be done using

- I. A/c No. + IFSC**
- II. MMID + Mobile No**
- III. Aadhar No. (Presently not for BOI Customer)**

SMS Based Requests/ Banking

1. Non-delivery of Personalized Cheque book

New menu "DLVSMS" has been developed in Finacle system. Through this, system generated automatic SMS will be sent to the Customer's registered mobile number, advising/informing them to collect their cheque book from the branch.

2. Cheque Book Request Facilities: For SB, CD, CC, OD account holder

Pre requisite:

"Mobile No." must be linked to account

Cheque Book allowed field should be "Y"

Account must have required minimum balance

Account must be "Active" and not "Dormant"

Customer ID must be "KYC compliant"

1st request of cheque book must be through branch by submitting the required "Requisite Slip" Presently on SB account cheque is being delivered at "Communication Address" and for rest type of account it is delivered to concern branch.

SMS Based Requests/ Banking

Format: - CHBS<>15 Digit A/C No.<>ADR (Delivery- Customer address)

CHBS<>15 Digit A/C No.<>BR (Delivery – Branch)

Send the message to 9212304242

NRI customer has to send his/her request to +919212304242

Auto Generation: In accounts in which 75% of Cheque leaves are utilized, a verified request of personalized cheque book will be generated.

A system generated SMS will be sent to the customer advising “You have utilized 75% of your cheques, we are processing your new cheque book which will be delivered at your branch/home within 8/10 working days”}

3. IMT related request

@ Adding IMT Beneficiary: IMT (Ben 10DigitMob.NO)#Ben Name#Ben Add#Ben PIN Code Send the above message to +919223009988

@ Delete Benf.:- IMT BENC#Ben Mob No. => +919223009988

4. SMS in Vernacular Language

We are taking default preferred language based on permanent state code available in customer master, all customer by default will receive SMS in the language stated as above. However, customer can change / choose other languages or go back to English as preferred language. To change SMS preferred language following options are available to customers/Branches.

A. Branch (Offline): Invoke menu option CUMM in CBS and modify the Free _Code_3

B. SMS (Online): Customer may change preferred language by sending SMS using code “UATLANG” keyword and send on to no. 9212304242 using their registered mobile number.

Customer will receive SMS which will provide details of preferential language code available to choose and format in which request has to be sent.

Customer will message the preference language code in prescribed format (i.e. <language_code><space><cust_id>) on long code 9212304242

maximum limit for changing SMS vernacular language using SMS mode is 2 times per day.

Door Step Banking

Eligibility:

Corporate customers having value/PSUs/Government departments.

High Net Worth individuals.

Full KYC compliance prior to commencement of the service.

Services provided:

Cash Pick on Daily/Call basis

Cash Delivery

Cheque pick up

Delivery of DD/Pay-order

Pick up on call basis: Registered customers to call branch minimum 24 hours in advance and inform quantum and time of pick up. Branch would then tie up for pick up with the vendor (service provider)

These services provided to our clients by engaging the services of Agents

➤ M/s Radiant Cash Management Services, Chennai

➤ M/s Checkmate Services Pvt. Ltd Vadodara.

- **Maximum Limit:**

Pick up – Rs.100.00 lakhs per day.

Delivery – Rs.50.00 lakhs per day

- **Notes below Rs.100/- will not be accepted.**

- **Cheque Pick up:**
Cheques along with paying in slips will be collected by CE in tamper proof sealed envelopes and handed over to the Branch.

To prevent misuse, customer to cross the cheques and write 15-digit account number on the reverse of the cheque.

- **Draft Delivery:**
Delivery of DD will be done in tamper proof envelopes (issuance of DD by debit to account) as per customer's request in writing/cheque only.

- **Cash Delivery:**
Will only be in packets of 100 pieces.
Letter of Intent issued to vendor will contain details of persons to whom cash is to be delivered with their photo-id.
Cash packets will be put in tamper proof bags in front of CCTV cameras and CE, sealed with numbered tamper proof seals which will be written on delivery order.
Customer will confirm that the bag and seal are not tampered, tally the seal number with the one on delivery order.

- **Charges:**

Bank will levy cash handling charges In addition to vendor's charges, presently as under:

Rs.25/- per pick up + Rs.8/- per packet (denomination – Rs.500/- to Rs.2000/-)

Rs.10/ - per packet (denomination – Rs.100/-)

FREE - Up to 10 packets – (1 packet – 100 pieces)

- **Incidental charges like parking charges, toll tax etc would**

be debited to customer's account.

- **Service tax as applicable to be borne by customer.**
- **Charges will be debited to customer's account on monthly basis based on authorization.**

Benefits:

- Helps retention of existing clients
- Income (after paying off vendor's bill) can be substantial. Branch, hence, to negotiate good terms with the customer.
- Availability of float balance would add to Bank's income.
- Customised MIS is available. Based on this, both Bank & customer can ensure deposition of amounts.
- Customer's staff savings accounts can be opened and third party and retail loan products can also be considered to them.
- Can enlist customer's help for addition of clients.

NACH National Automated Clearing House

- **The National Payments Corporation of India (NPCI) has implemented an electronic payment service termed as "National Automated Clearing House (NACH)" for banks, financial institutions, Corporates and Government Departments.**

- **NACH has both Debit and Credit variants. NACH (Debit) & NACH (Credit) aims at facilitating interbank, high volume, debit/credit transactions, which are bulk and repetitive in nature.**

➤ **NPCI facilitates the participation of Corporates on NACH Credit through the Direct Corporate Access (DCA) module with sponsor bank's control**

➤ **Corporates require Class 2 Digital Signature Certificates for the individual users.**

NACH- CREDIT

NACH Credit is an electronic payment service used by an institution for affording credits to a large number of beneficiaries in their bank accounts for the payment of dividend, interest, salary, pension etc. by raising a single debit to the bank account of the user institution.

-Features

- **Functions on ISO20022 Messaging Standard.**
- **Online Dispute Management System (DMS).**
- **Multiple file processing in a single settlement.**
- **Allows partial file processing resulting in reduced operational efforts.**
- **Availability of Recall option before the settlement of the transaction.**
- **Capacity to process 10 million transactions per day.**
- **Secure web access for file upload/download.**
- **Allows corporate clients to directly upload files using the Direct Corporate Access (DCA) facility with sponsor bank control.**
- **Corporates can get direct access of the NACH Credit using**

the DCA facility, making it easier to check the status of their transactions without delay.

-Benefits

- **Customized MIS to banks.**
- **Scope of multiple intra-day sessions.**
- **Digitally secured transaction files with 4 eye concept.**
- **Reduced operational cost for the banks and its customers.**
- **Allows online end to end monitoring of the transaction files.**
- **Online Dispute Management System (DMS) allows tracking of the transaction dispute.**
- **Standardization of the process allowing complete audit trail of the transaction lifecycle for a period of 10 years.**
- **DCA facility leads to reduction in workload of the sponsor banks, since the file upload will be done by the corporates themselves.**
- **Effective relationship management with banks as well as corporate customers resulting in enhanced customer service and support.**

NACH -Debit

- **NACH Debit is the product of NPCI to provide a better & efficient Mandate based debit services to the banks. Following are the key features of the NACH Debit**
- **Automated processing and exchange of mandate information electronically with well-defined timelines for acknowledgement/ confirmation.**
- **Each mandate needs to be accepted/authorized by the debtor bank before the User can initiate a transaction**
- **Each mandate is uniquely identified by Unique Mandate Reference Number (UMRN) which makes tracking of multiple mandate details easier for customers.**
- **Bank can leverage on the existing CTS instrument**

scanning infrastructure for scanning and maintaining repository of the mandate's image

- **Enable the usage of standardized Mandate Forms.**
- **Mandate Management System (MMS) would allow processing of debtor and creditor initiated mandates.**
- **MMS would allow processing of e-mandates as well as paper mandates, where e-mandates would consist of only data file upload while paper mandates would consist of mandate image and Data file uploads. E-mandates can be initiated only by a debtor bank.**

Important Features & Benefits

- Standardization and digitization of mandates
- Minimal time taken to activate the Mandate – same day processing possible
- Simplification of the mandate acceptance and recording process
- Reduced operational cost for the banks and its clients
- Higher revenues
- Complete audit trail of the mandate during its lifecycle
- Unique Mandate Reference Number (UMRN) allocated to each mandate.
- Mandates can be processed by the member for any branch across the country
- Allows Corporate clients to directly upload files for approval
- Functions on International Messaging Standard - ISO 20022

-APBS

APBS- Aadhar Payment Bridge System

It is a unique payment system implemented by NPCI, which uses Aadhaar number as a central key for electronically channelizing the Government subsidies and benefits in the Aadhaar Enabled Bank Accounts (AEBA) of the intended beneficiaries.

It is a payment system based on Aadhaar numbers issued by UIDAI & IIN (Institution Identification Number) issued by NPCI. APBS is used by the Government Departments and Agencies for the transfer of benefits and subsidies under Direct Benefit Transfer (DBT) scheme launched by Government of India.

Benefit of APBS

- **Eliminates inordinate delays, multiple channels & paper-work involved in the existing system.**
- **Transfers benefits & subsidies in a seamless & timely manner and directly into the Aadhaar Enabled Bank Account.**
- **In case of change in bank account, customer is not required to convey the bank account details**

or change in bank details to the Government Department or Agency.

Features of APBS

- **Banks can upload/download transaction files through**

secured web access.

- **Banks can get connect to NPCI either through NPCI Net or Internet.**
- **Transaction routing on the basis of IIN issued by NPCI.**
- **Transaction processing by destination banks on the basis of Aadhaar numbers.**
- **APBS supports ISO 20022 messaging standards.**

- **APBS supports multiple intraday sessions.**
- **APBS provides Direct Corporate Access (DCA) to Government Departments and Agencies.**
- **Provides online Dispute Management System (DMS).**
- **APBS capable to handle 10 million transactions per day.**
- **APBS can process both onus and offus transactions.**
- **APBS makes available enriched MIS to all the participants.**
- **APBS provides secure Clearing and Settlement process.**

PAYMENT GATEWAY

- **Payment Gateway (PG) is a software that authorises to conduct an online transaction through different payment modes like net banking, credit card, debit card etc.**
- **PG plays the role of a third party that securely transfers money from the bank account to the merchant's payment portal.**
- **To explain this in simpler terms, at the time of buying a book from a popular digital platform like Flipkart, when we make the payment for the book, a payment gateway helps us in the process by transferring money form bank account to Flipkart.**
- **For providing Payment Gateway for a customer's website we have tie-ups with Billdesk and Payu India**

Target customers:

Colleges, Schools, Municipal Corporations, Govt. Offices, Temples, Trusts etc.

All such accounts where regular inflow of fees, challan, donations.

All such businessmen who have online business and have a website for customers.

Consequent to demonetization, payment gateway has become important avenue for bank to provide value added services to our customers.

▶ **BENEFITS TO CUSTOMERS**

- ❖ Cashless Banking
- ❖ Saves Time
- ❖ Easy Reconciliation of statement
- ❖ Ready availability of MIS
- ❖ Collection expenses avoided

▶ **BENEFITS TO BANK**

- ❖ *Competition to peer Bank`s*
- ❖ *Good float balance preferably in current account*
- ❖ *Less cash handling at branches*
- ❖ *Use of new technology*
- ❖ *No need to reconcile statement, payment gateway company takes care.*
- ❖ *Part of Digitalization.*

Block-Chain

Blockchain is a public electronic ledger - similar to a relational database - that can be openly shared among disparate users and that creates an unchangeable record of their transactions, each one

time-stamped and linked to the previous one. Each digital record or transaction in the thread is called a block (hence the name), and it allows either an open or controlled set of users to participate in the electronic ledger.

Example::: Few Banks, are set to share corporate KYCs and more through BankChain - a blockchain consortium set up by financial technology firm **Primechain** Technologies.

Advantages...

Block chain technology is not controlled by any single entity and has no single point of failure. It is transparent and incorruptible.... It is kind of self-auditing ecosystem of digital value and block chain network automatically checks every transaction that happens in it.

Other Applications...

The most popular application of technology so far has been Cryptocurrency, but it is not limited to, financial transactions and can be also used in smart contracts, supply chain management logistics, sharing economy, crowd funding, governance, file storage and data management and Internet of Things (IoT)....

APIs

Application Programming Interfaces (APIs)

..is relatively an old technical composition, which has been around for a long time. It is a structured and predetermined mechanism where two systems can exchange data with each other.

Essentially APIs were internally focused and were exposed externally only in a very private manner or only to pre-identified partners.

The introduction of API in the banking service would give both customers and businesses the freedom to access all bank data in real-time, and basically providing them with more accurate and up to date information on their finances.

Open APIs is a combination of API technology and contemporary thinking about open collaboration. It refers to new dialogues, connections, and ways of working between participants in emerging business ecosystems.

AI (Artificial Intelligence)

Digital solution providers state that one robot can work 24/7 and replace up to eight employees, without asking for days off or a raise. This is the major reason why Big Global Banks are increasingly turning toward Artificial Intelligence (AI) technologies to stay competitive in the digital era.

The most relevant application areas of Artificial Intelligence

Personalized Financial Services

Smart Wallets

Voice Assisted Banking

Data-driven AI applications for lending decisions

Underwriting

Customer Support

New Management Decision-making

Reducing Fraud and Fighting Crime

Electronic Toll Collection (ETC)

NHAI has rolled out program for Electronic Toll Collection on Toll Plazas on National Highways to be called FASTag. Indian Highways Management Company Limited (IHMCL) (a company incorporated by National Highways Authority of India) and National Payment Corporation of India (NPCI) are implementing this program with help from Toll Plaza Concessionaires, FASTag Issuer Agencies and Toll Transaction Acquirer (select banks).

FASTag is a device that employs Radio Frequency Identification (RFID) technology for making toll payments directly from the

prepaid account linked to it. It is affixed on the windscreen of your vehicle and enables you to drive through toll plazas. FASTag has a validity of 5 years and after purchasing it, you only need to recharge/ top up the FASTag as per your requirement.

Benefits of using FASTag:

Environmental

Reduced air pollution

Reduced use of paper

Social benefit

Reduced toll payment hassles

Analytics for better Highway management

Economic benefit

monitoring centrally

Reduced

Effort in Management

ATM & E-Gallery

An automated teller machine (ATM) is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access most ATMs.

Advantages of ATM

Provide Convenience to Customers

Offer 24x7 Service

Reduce Banks Workload

Access to Bank Account from Anywhere

Minimizes Transactions Cost

Disadvantages of ATM

Charges Fees

Limitation on Cash Withdrawal

Possibility of Frauds

Non-Reachable in Rural Areas

Types of ATM



- **White Label ATM is owned and operated by a non-banking entity while cash is provided by sponsored bank.**



- **Brown Label ATM is owned by the bank but its operation and maintenance is outsourced to third entity.**



- **Green Label ATM is used for Agricultural transactions.**



- **Orange Label ATM is used for transacting shares.**



- **Yellow Label ATM is used for E-commerce.**



- **Pink Label ATM is used for women banking.**

White label ATM	Brown Label ATM
When ATMs are owned and operated by non-bank entities but they are not doing 'outsourcing-contract' from a particular bank.	When banks outsourced the ATM operations to a third party.
The private company owns & operates the ATM machine, pays office rent. They negotiate with the landlord, electricity company, telecom company and so on.	Same
Sponsor bank provides the cash.	The bank (which has outsourced this work) provides cash for that ATM.
No. White label ATM doesn't have such logo. Not even of the sponsor bank.	ATM has logo of that bank (which has outsourced this work).
They've to compulsory open a few ATMs in (tier 3 to tier 6) areas.	No such compulsion.
RBI directly involved because these white label Companies have to separately get license/permission from RBI to run business.	RBI not involved directly. These outsourcing companies have contractual obligation with their respective banks.

Other classification Of ATMs

1. OnSight
2. OffSight

BOI e-Gallery

We have introduced the concept of e-gallery in our Bank. In these e-galleries Self Service Banking kiosks such as

ATM machines,

Cash Deposit Kiosks(CDK)/Bunch Note Acceptors(BNA)/ Recyclers

Passbook Printing Kiosks (PBKs)

Bank will shortly add Electronic Cheque Deposit and Internet Banking kiosk to these e-galleries.

We have 500 + E-Galleries in our Bank

ADVANTAGES

- 24X7 availability
- Easy and efficient way to do banking
- Reduced costs
- More satisfied customers
- Positive Image building

CHAPTER 08

CARD PRODUCTS

DEBIT CARDS

Coverage

- ❖ **Introduction of Debit Card**
- ❖ **Eligibility**
- ❖ **Advantages**
- ❖ **Features of Debit Cards**
- ❖ **Variants of ATM-CUM-Debit Card**
- ❖ **Important menus of debit Card**
- ❖ **Various Charges of Debit Card**
- ❖ **BOI Star Rewardz for Debit Card**
- ❖ **Reversal of Debit Card disputed/failure transactions**
- ❖ **Debit Card credential is essential and useful for other activities**
- ❖ **BOI Card Shield App. for Debit Card**
- ❖ **Important policy and circulars**

Introduction of Debit Card –

A debit card is a plastic payment card that can be used instead of cash when making payment on POS or Online, also Customer can withdraw cash on ATM. The Debit card is a smart and alternate way of cash payment.

The money is immediately deduct from the cardholder's bank account when performing any transaction.

The customer can withdraw cash from Anywhere, Anytime and any Bank's ATM.

The transaction through debit card is completely secured as ATM Pin is known by Customer only.

Debit Cards – Behavior

- linked to any bank account
- Buy Now, Pay now
- Real time debit
- Cash/POS/Online Transaction
- No risk for Bank -linked to CASA account

ELIGIBILITY

- Customer should be “Major” & literate generally, exception Bingo card and Special schemes respectively.
- Account should be KYC compliance
- Mobile No. should be registered with Bank for getting SMS Alerts of ATM cum Debit card’s transaction and Green Pin Generation in case forgot or blocked of ATM Pin
- Generally Issued to SB/CD/OD account’s holder, exception KCC A/c
- Constitution type should be individual
- Mode of operation should be self, E or S, A or S etc. i.e individual Type.
- Card can be issued to jointly operation account and partnership account also but Branch has to take consent/mandate from all joint account holders.

Advantages of Debit Card

- Alternative payment method
- No need to carry Cash
- Instant withdrawal of Cash
- POS/Online shopping
- IB Password and new registration
- Set UPI PIN
- Set Mobile Banking password
- Access Across the World
- Instant SMS Alerts
- Convenience

Features of Debit Cards

- Pin-enabled personalized and non-personalized card.
- Secure usage at ATM, ME (POS) and online.
- 24 X 7 facility available to use.
- Our cards are affiliated to Master, Visa and Rupay.
- Multiple cards can be issued in single account of different Associates i.e. Master card/Rupay/Visa Card
- Our card's validity is generally for 5 years.
- ATM PIN would be mandatory on all POS transactions w.e.f. 01.07.2013.
- When new card is issued, the old will also be operative, till new one is not used or up to expiry date.
- Auto-renewal of cards is automated and new cards are dispatched before 15 days. All cards to be sent directly to customers.
- SMS will be sent to customer on generation of card.
- BIN No- It is 6 digit which indicates type of card.
- CVV-It is printed in reverse of ATM cards. (three digit)
- Reward points for usage other than cash.
- For Staff and ex-staff all charges for debit cards shall be waived.
- Under Special Scheme "Prime Minister Jan Dhan Yojana (PMJDY)" insurance facility provided by National Payment Corporation of India (NPCI).
- Cash withdrawal at Point of Sale (POS) terminals shall be permitted up to a limit of Rs.2000/- per day in rural areas and Rs.1000/- per day in other areas. Number of maximum transactions per day are limited to 3 per debit card.
- Cash Back Offers/Discounted shopping
- 24 hr. toll free assistance for reporting lost/stolen cards and hot listing.
- Debit cards are hot listed by Bank which have not been used for one year.

Variants of ATM-cum-Debit card

VISA						
Product Name	BIN	Code	Cash Limit	POS Limit	Valid In	Whom to issue
VISA Classic EMV	459845	C	15000	25000	International	All SB, CD & OD
Visa PayWave	457624	M	50000	100000	International	Only diamond a/c
VISA EMV Platinum	457624	E	50000	100000	International	Only diamond a/c
VISA Business Debit	483830	V	100000	250000	International	Only CD (6 months satisfactory operation)

Master	BIN	CODE	CASH LIMIT	POS LIMIT	VALID IN	WHOM TO ISSUE
Master Debit	526495	D	15000	25000	Domestic only	All SB, CD & OD
Master Titanium	517394	I	15000	25000	International	All SB, CD & OD
Master EMV Platinum	557589	P	50000	100000	International	Only diamond a/c
Master BINGO	519622	B	15000	25000	Domestic only	SB (Age-15-25)
Welcome KIT	519622	W	15000	25000	Domestic only	Only SB
Master Business Debit	514840	S	100000	250000	International	Only CD (6 months satisfactory operation)

RuPay						
RuPay Debit	606998	Y	15000	25000	Domestic only	All SB, CD & OD
RuPay NCMC	607947	1	15000	25000	Domestic only	All SB, CD & OD
RuPay Platinum	652165	F	50000	100000	International	All SB, CD & OD
RuPay SANGANI	607713	U	15000	25000	Domestic only	All SB, CD & OD
RuPay Star Vidhya	504493	A	15000	25000	Domestic only	All SB, CD & OD
RuPay Jandhan	607927	J	15000	25000	Domestic only	JAN DHAN a/c (Govt. Scheme)
RuPay Kisan	607002	K	15000	25000	Domestic only	KCC a/c (Govt. Scheme)
Mudra Card	607036	Z	15000	25000	Domestic only	Loan a/c (Govt. Scheme)
RuPay Punjab Arthia	607265	L	15000	25000	Domestic only	a/c arthia code (Govt. Scheme)
RuPay Punjab Farmer	607265	G	15000	25000	Domestic only	a/c arthia code (Govt. Scheme)
RuPay Haryana Arthia	607530	O	15000	25000	Domestic only	a/c arthia code (Govt. Scheme)
RuPay Dhan Aadhar	508505	H	15000	25000	Domestic only	KCC account (Govt. Scheme)
RuPay PMKVY	508885	N	15000	25000	Domestic only	PMKVY a/c (Govt. Scheme)

Contactless Rupay Classic NCMC card

- Cir. No. 112/149 Dated 07.01.2019
- It is developed by Ministry of Urban development along with NPCI.
- Two variants are introduced in this title one is Classic and another is Platinum
- Contact and contactless card.
- Linked with account and offline wallet.
- Create one card for all modes of payment system.
- Transaction can be processed up to Rs. 2000 without PIN.
- These cards are based on NFC (Near field Communication) technology.
- Just tap and wave on NFC terminal i.e no need to dip and insert in NFC terminal.
- Non NFC Terminal pin is required for any amt.
- Maximum 3 NFC transactions are allowed per day.
- No. restrictions from wallet transactions for a day.

Contactless Rupay Classic NCMC card

Issuance and Annual Maintenance Charges

Particulars	Charges
Issuance Charges	Rs. 150/-
Annual Maintenance Charges	Rs. 150/-
Card Replacement Charges	Rs. 150/-
Repin Charges	Rs. 60/-
Green Pin	Free

Finacle Menu:

Branches can raise the request through menu "ADCREQ" as below:

Card Variant	Card Type in ADCREQ	Instapin series with for menu ATMCRA	Cash Withdrawal limit per day	Purchase + E.co limit per day
Rupay Classic	"1"	7-series	Rs. 15,000	Rs. 25,000

Card related important Menus in Finacle

ADCREQ

- The ADCREQ menu is used for adding a new request for Debit Card (Both Personalized and Non-Personalized).
- ADCREQ will also used for verification. The valid functions are as under:-
 - I-Inquire
 - A-Add
 - R-Ready Kit
 - V-Verify
 - D-Delete

ATMCRA

- The menu option ATMCRA can be used to process the following requests:-
- Request for INSTAPIN for all types of Master/VISA/RuPay Cards

- Request Replacement Card for all types of Master/VISA/RuPay Cards (Not Readykit/for Welcome kit)
- Request for Replacement Card with Changed Embossed Name for all types of Master/VISA/RuPay Cards
- Request for Change of Address.
- Customer submits his application at any branch. (Not-Necessarily at Parent Branch).

ATMREV / POSREV

- The Charge Back Claims arising out of failure of cash withdrawals by the way of Debit Cards on ATMs have to be entered and verified through ATMREV Menu option only, for POS Transaction Use POSREV Menu option in similar line. No manual request is considered by HO. Online request is also available at Bank website.
- The customer can lodge his claim through any of the branches of our Bank.
- The branch will verify the signature of the customer along with the others details (Date of Transaction, Transaction Id, Amount Requested, Amount Received, Reversal Amount etc.)
- The Tran Date in Finacle, in case of Sunday & Other Holidays will be next working date.

CARDSTAT

- This menu is used for finding the card number, status of the card. The Menu has contained 3 options as per following:
 1. Inquiry
 2. Update Del Flag
 3. Verification

READY KIT

- Non-personalised card.
- Activated within 12 hours from the time of linkage with customer account.
- Affiliated with Master/Visa and Rupay.
- All other features of ready kit are same as our Personalised Card.

- Branches has to request for Ready kit lot to their zonal office. The stock of Ready kits is provided to Branches by Card Product Department.
- In Finacle - All the variants available to issue ready kit as Master card, VISA and RuPay Card.
- CPD will upload the stock and dispatched to CBS Br.

Cir 111/30 - Stock maintenance

Debit Card Charges (Excluding GST) w.e.f. 15.01.2019

Debit Card Charges (excluding GST)				PIN Charges (excluding GST)	
Card Type	New	Annual Fee	✓ Non-Personalized (Ready Kit Welcome kit Rs.150 for new ✓ Additional/Replacement Card Rs.150.	New INSTA	Green PIN
Classic	150	150		Free	Free
Platinum	200	200		❖ Staff / Ex- Staff	from any type of
Business	300	250		in Staff account o	
Contact Less	200	200			
If Balance not available then it will debit when balance available					

Revision of Charges on ATM Transactions

We have revised Transaction Based Charges on ATM transactions as under: - (BC: 113/114 Dated: 12.09.2019

Type of charge	Revised Charges (Excluding GST) w.e.f 01.10.2019			
a) Transactions based charges on ATM transactions in SB a/cs.	a) Monthly Limit SB A/cs.: Number of Free ATM Transactions (Both financial & Non – Financial Transactions)			
	Monthly avg. Balance	Other ATM Metro Centers	Other ATM Other Centers	Our ATM Metro & Other Centers
	Upto Rs. 1.00 Lakh	3	5	10
	Charges for Financial trxn Beyond the set limit	Rs.20/-	Rs.20/-	Rs.10/-
	Charges for Nonfinancial trxn beyond the set limit	Rs.8/-	Rs.8/-	NIL

2. SB accounts with MAB of Rs.1.00 lac & above — No charge to be levied.

3. These charges will not be applicable to Small/No Frill Deposit Account holders.

These customers will continue to get 5 free transactions, irrespective of the centre, as hitherto. Charges on nonfinancial transactions will now be free on our own ATM irrespective of number of transactions.

b) Transactions based charges on ATM transactions in CC/OD/CD a/cs..	b) For Current/Overdraft account holders following charges applicable: -		
	Charges for	Other Bank ATM on all centres	Our ATM on all centres
	Financial transaction	Rs.20/-	Rs.20/-
	Non-Financial transaction	Rs.8/-	NIL
The number of transaction should not be counted as valid transactions on account of failed transaction due to technical reasons like hardware, software, communication issues; non-availability of currency notes in the ATM; and other declines ascribable directly/wholly to bank/service provider; invalid PIN/ validations; etc.			

BOI Star Rewardz for Debit Card

- For every Rs.100/- spent through a BOI Debit Cards on ECOM and POS, the customer earns 1 Reward Point.
- Value of each star point Rs.0.25
- On spending up to Rs.5,000.00 -1 star point for every Rs.100
- On spending over Rs. 5,001 to 10,000 - 1.50 Star point for every 100
- On spending Over Rs. 10000 - 2 star point for every 100 **Sangini Debit Card** 1.5 points for every Rs.100/- spent on POS/e-commerce transactions. Redemption can be done after threshold limit of 100 points.

Reversal of Debit Card's disputed/failed transactions

Debit Card Disputed/Failed Transaction and Reversal				
✓ If transaction fails during transaction on ATM and POS, it will auto reverse within 48 hours, not reverse then process to ATMREV and POSREV.				
✓ ATM and POS Refund claims also initiated through our Bank Website				
	Master	VISA	RuPay	❖ Customers are getting SMS of ATM and POS Reversal, in each level acceptance, rejection and Pre arbitration also.
ATM Reversal	5 days	5 days	5 days	
POS Reversal	45	15	15	
❖ Pre-arbitration: Rejected claims disputes in first level are raised in within 15 days for Visa and RuPay, 45 day for Master of rejection of disputes in First level.				

Debit Card credential is essential and useful for other activities

- ✓ **Uses of linked Debit card for Star Connect Retail Internet Banking**
- ✓ The Customer can register online for Retail Internet Banking through Debit Card Credentials
- ✓ Reset Login Password
- ✓ Lodge request for transaction password
- ✓ Acknowledge transaction password
- ✓ Unblock Login Password
- ✓ UPI Pin generation through Debit cum ATM card.
- ✓ User can also generate the transaction password of BOI Mobile banking through Debit card credential.

BOI Card Shield (Debit Card)

BC: 113/36 Dated: 30.05.2019

- Switch card on/off
- Control by location either by keeping cards active only around their person or by limiting card usage to a region on a map
- Set spend Limits for transaction amounts such as per TXN per Month
- Enable or disable specific types of transactions and payment methods (E-Com/POS/ATM)
- Enable or disable merchant categories like as Dep. store, Restaurant, Entertainment, Personal care, etc.
- Instant transaction alerts for various parameters

Important policy and circulars

- 103/098 02.09.2009 Issuance of Instant-Pin for ATM cum Debit Card at the Branch
- 104/073 08.09.2010 StarConnect Retail Internet Banking Services - Addition of Facility Debit-cum-ATM card Hot list/Pin Change/ Reset and Unblock.
- 104/083 13.10.2010 Introduction of Bank of India's Platinum Debit-Cum-ATM Card
- 104/091 03.11.2010 Introduction of BINGO Cards Specially designed Debit Card for the Youth
- 105/127 28.10.2011 Launch of "BOI Star Reward Programme" for Debit Card Holders
- 107/022 03.05.2013 Bank of India -Debit Cards - Master Circular
- 107/029 18.05.2013 Mandatory Use of Debit ATM Card by Staff Members
- 107/083, 01.08.2013, Pins for Personalized Debit Cards Change in Delivery Procedure
- 107/144, 21.10.2013, Debit Cards: Operational Changes (Automatic Unblocking of cards)
- 107/223, 06.03.2014, Launch of Debit Card, specially designed for women account holders
- 109/083, 08.07.2015, Introduction of business cards - debit & credit
- 112/129 Service Charges Circular: Dated 12.12.2018 w.e.f.15.01.2019
- 113/005 01.04.2019 CPD:CM:2019-20/02 Policy/2019-20 /02 "Debit Card Management Policy"

- CEADC: CPD: NK: 2019-20/40 dated 30.05.2019 - “BOI Card Shield”
- 113/076 09.07.2019 HO: PD:SB:2019-20: 16 Report for debit cards returned to branch

BOI- Credit Cards

Coverage in Credit Cards session

- ❖ **Introduction**
- ❖ **Eligibility**
- ❖ **Advantages**
- ❖ **Credit Cards Features & Advantages**
- ❖ **Types of Credit Card**
- ❖ **Important menus of Credit Card**
- ❖ **Star Easy Pay (EMI)**
- ❖ **BOI Star Rewardz for Credit Card**
- ❖ **Credit Card Limit**
- ❖ **Renewal and Replacement of Credit Card**
- ❖ **Credit Card Billing Related Information**
- ❖ **Multiple ways of Credit Card’s Bill Payment**
- ❖ **Various Charges of Credit Card**
- ❖ **BOI Credit Card Control App. for Credit Card**
- ❖ **Failed Transaction of credit card**
- ❖ **Hot listing of Credit Card**
- ❖ **Important policy and circulars**

Introduction of Credit Card

A credit card is a advance type of facility to customers, where Bank gives specific limit to our customer as per their Income criteria. which allows card holder to pay amount to the merchant for goods and services.

After generating the monthly Bill , the customer has to pay that bill amount on due date to the Bank.

Eligibility of Customer

Individuals	Deposit Customers:	BOI Staff/ Ex-Staff	Corporate Cards:
Resident/NRI / Person of foreign Origin residing in India on employment and regular source of income	NRI's, students, Senior Citizens, House wives and small businessmen, traders.	No-disciplinary action initiated/pending/contemplated against him/her	Proprietorship/Partnership firm/ Private Limited Company/ Public limited Company/ registered institutions/ Societies Net Worth: Min 1 Crore Profit making any two years out of preceding 3 financial years.

Eligibility of Customer

- Customer Should be Major
- Having Income proof
- Satisfactory CIBIL report
- KYC compliance

Importantly Note:

- Document Obtained for Issue Credit Card: Application form along with Photograph, KYC, ITR, Salary Slip (Three Months), Balance Sheet (For Corporate Card only)
- Processing for Issue Credit Card: All New/fresh Credit Card Request must be processed through CAPS except Corporate credit card (Corporate Card Sanction in Hardcopy Form).

Credit Cards Features & Advantages

- Photo Option for Cards
- Issue of Cards on other than Income Criterion

- Interest free advance
- Specific monthly limit available on the basis of Income criteria of customer
- Enable for payment using on ATM/POS/ONLINE
- Global Acceptance for Payment
- PIN Enabled to facilitate Cash withdrawals at ATMs
- Cash Advance up to 50% of Spending Limit
- Min. 21 and maximum 51 days for repayment
- Complementary Cards
- Add on card
- Revolving Credit
- EMI option (BOI Star Easy Pay)
- Loyalty Rewardz Points
- SMS Alerts
- Card control application for control the credit card
- Multiple Repayment options of credit card Bill payment
- Toll free no. for Hot listing, EMI, Bal enquiry etc. is available

Types of Credit Cards

➤ **MASTER**

1. India Card
2. Platinum International

➤ **VISA**

1. Visa Gold International
2. Platinum Privileged Card

➤ **RUPAY**

1. SwaDhan RuPay Platinum
2. RuPay Platinum International

Introduction of RuPay Credit Cards

(BC: 113/23 Dated: 30.04.2019)

RuPay Credit Cards offers various benefits to card holders with superior customer service and higher levels of acceptance. NPCI offers RuPay cards at low processing fees.

Two variants of RuPay Credit Cards:

- RuPay Platinum Credit Card
- Swadhan Platinum Credit Card(Credit Card Against TDR)

"RuPay Platinum" & "Swadhan Platinum Credit Cards" are International Credit Cards and can be used in any Merchant Establishment (POS terminals) ,on ATMs and for ecommerce transactions where RuPay Cards are accepted worldwide.

"RuPay Platinum" & "Swadhan Platinum" Credit Cards advantages:

1. Welcome Benefits: Exclusive Gift Vouchers from leading merchants
2. Accidental Insurance Cover: Insurance Cover of up to Rs. 2.00 lacs on RuPay Platinum & Swadhan Platinum Credit Card in case of loss of life or permanent disability due to accident from NPCI.
3. Concierge Services: Avail 24X7 host of referral services from Travel assistance to Hotel reservations and Consultancy services.
4. Cash Back and Merchant Offers: Cash back offers on Utility bill payments, at Restaurants and also exclusive Merchant Offers on (POS and Ecom) are being provided by NPCI from time to time.

Features of Swadhan Credit Card

- Swadhan RuPay Platinum Credit card to be issued to against TDR.
- It is Chip card without Photo.
- Card valid in India, Nepal and at all foreign centres across the GLOBE, wherever RuPay logo is displayed.
- Since it is a chip card it is safer for POS transactions; it would require PIN for POS transaction
- Billing is done on the 15th of every month. Branch billing customer's account will be debited on 5th of next month.

- Welcome Benefits: Exclusive Gift Vouchers from leading merchants (Also refer Cir No. - 111/114)

Add on Card

- For Corporate Credit Card - Add-on card shall be issued to Director/ Proprietor/ Partner/ Executives / Employees of Company/Firm
- Other than corporate Credit Card - Add-on Cards, issue to maximum up to 2 close relatives, & subject to minimum age criteria of 18 years: Eligible for Add on card (Parents, Spouse, Major Child, Brother, Sister)
- Specimen signature and KYC of all the add-on card holders are obtained and held on record
- Request for issuance of add-on card shall be made by the Principal Card holder in writing duly signed, with specimen signature on Bank's record.

Important Menus in finacle for Credit card

Credit Card linking to Internet Banking

CCMNT is a menu in finacle for linking a credit card of customer in Internet Banking. After verification of request the system generally will take 24 hours to update it in Internet Banking. After linking in Internet Banking, customer can see following details of his/her Credit card:

1. View Credit Card Details
2. View Billed Transactions
3. View Unbilled Transactions
4. Credit Card payment

Credit Card Payment through finacle

CCPAYMNT (114/12 Dated 16.04.2020)

1. User shall invoke a new customized menu "CCPAYMNT" in Finacle. Here, the credit card holder shall provide his CUSTID and masked card number (only first 4 and last 4 digits of his card)
2. CBS will show the Minimum Amount Due (MAD) and total amount due(TAD) against that particular card to the CBS user as per the latest billing.
3. The user needs to select the Debit Account Number from the list of the account numbers of the customer, as per the customer mandate.
4. Based on customer mandate, the CBS will initiate the payment through masked card number, CUSTID, RRN and the amount of transaction.
5. Upon verification of the CBS transaction, the transaction amount shall be adjusted/reflected in Worldline CCMS and the Credit card limit is released on real time basis. The customer shall also receive SMS immediately after the same is accounted in Credit card system.
6. All payments invoked through 'CCPAYMNT' are credited to that particular SOL'SXXXXXSUNCR897 account throughout the day. At the time of Data Centre's day end, all credit lying in XXXXXSUNCR897 account is debited and credit is given to HO-CPD office account (01010LN008) for reconciliation purpose.

Note: Branch is not supposed to Debit XXXXXSUNCR897 account under any circumstances. Branch to only credit this account through 'CCPAYMNT' menu.

Credit Card- Issue of Insta Pin

CCINST

- Menu CCINSTU- to upload and acknowledge the file (uploaded by ZO and acknowledge by branch)
- Menu CCINST- used by branch to issue the pin (options A,V,X and D)

- Credit card pin can be issued to branch billing customers only.

Direct billing customers branches would be required to email pin srl no and card no to headoffice.cpdcreditcard@bankofindia.co.in

Related Cir 110/237

Star Easy Pay (EMI) Easy Pay Scheme

- Star Easy Pay (EMI) Easy Pay Scheme is available for all card holders excluding Corporate Credit Cards.
- Easy Pay Scheme is for allowing Card Holder to convert their commercial purchases of minimum Rs. 5000/- to Equated Monthly Instalments (EMI).
- Request for Easy Pay Scheme has to be made by the Principal Card holder, even if the purchases are made by Add-on card holder. In case of EMI at POS, all cardholders are allowed to exercise EMI option.
- Upon exercising option for EMI, Spending/Credit Limit will be reduced to the extent of sum of (i) All EMIs (ii) Total interest payable for the full tenure and (iii) Processing charges.
- Tenure of equated monthly instalment (EMI) shall be minimum 3, with increment of 3, maximum being 36.

Processing Charges

One-Time, 1.00 % of the Purchase (Existing 2.20 %)

Charges on Revolving Credit:

- Secured Credit (SwaDhan) - 1.20% p.m. (15.40 % p.a) on daily balances. In case of default service charges is 1.70% p.m. (22.45 % p.a)
- Unsecured Credit (Other than SwaDhan) – 1.70% p.m. (22.45% p.a.) , In case debit balance comes in charge account ROI will be charged @2.50% PM (34.50 % p.a) on daily balances

Repayment

- Minimum Amount - 10% of Total Outstanding, if revolving credit is opted + EMI (all EMI due) + other amount due.
- **Prepayment Charges – Nil**

BOI Star Rewards- Credit card

- W.e.f. 1st October 2016, bank is offering 2 Star points for every Rs.100 spent for usage of Credit card at POS / e-commerce under BOI Star Rewards Loyalty Program.
- One additional Star point is available for purchases on preferred category (not applicable for debit Cards).

Preferred Category — Cardholders will be given an option to choose any one preferred category mentioned below.

- Apparel
- Food and Beverage
- Retail
- Travel
- Lifestyle
- Once a preferred category is selected, it cannot be changed for the next 6 months.

BOI Star Rewards- Credit card

- The Star Reward Points will be accrued as per the following table.
- The value of per point in Paise.

Category	Points Offered	Per Point Value in paise
Standard	2 Star points per Rs. 100	25 paise per 1 point
Preferred Category	3 Star Points for every Rs. 100	25 paise per 1 point

- Customers can start redeeming their points accrued after reaching the minimum of 100 Points.
- Star Reward points will be accrued only at the end of the month.
- Reward Points shall be valid for a period of 36 months.

Credit Card Limit

Retail	Staff / ex-staff	Corporate	Against TDR/Swadhan
20% of Gross annual income and also can be considered up to 40% on merits of the case.	Credit limit shall be maximum 20% of Gross Annual Income. Depending upon merits of case this may be extended up to 40%. Ceiling for Officers and Clerks under probation or who are yet to be confirmed shall be Rs.30,000/- and Rs.20,000/- respectively.	The minimum Limit shall be Rs 1,00,000/-. Maximum limit shall be 2% of Tangible Net Worth of the Corporate as per last available audited Balance Sheet. Sanctioning Authority may approve higher limits for cogent reasons to be mentioned in the approval note.	Minimum Rs. 24,000/- Maximum: Rs.250 lacs (80% of TDR amount) (Minimum Margin 20%)
<p>For Against TDR/Swadhan: Deposit to be held in the name of the proposed Card holder. Minimum Term Deposit should be for 12 months. Auto-renewal must be available i.e. Auto-renewal flag must be set to "Y". * Combined limit of Principal Card and all Add-on card shall not exceed the limit of sanctioned for Principal Card.</p>			

Renewal & Replacement of credit cards

<p>Renewal of Credit Cards</p> <ul style="list-style-type: none"> • Credit Card shall be automatically renewed, at least two months prior to expiry date of the card. • Renewed Card shall be delivered to Card holder's registered address • Card Not Renewal – Hot listed Card, Dues / EMIs / Revolving Credit amount / applicable charges is not recovered, Customer not initiated transactions validated through Credit Card during the last six months at the time of processing of card renewal
<p>Replacement Card</p> <p>Branches can issue Duplicate/Replacement Card in lieu of lost/misused card, only after-</p> <ol style="list-style-type: none"> verification of signature and mandate of the customer and Ensuring hotlisting of the Card. <p>Replacement card shall be issued by Head Office, Card Products Department to the customer's address or the Branch through approved Courier/Speed Post and inform the customer through SMS</p>

Credit Card Billing Related Information

- If sufficient Balance is not available on due date in the charge account then amount will not be debited and full card limit will be blocked. Whenever sufficient balance will be available in charge account. It will get debited and card limit will be restored within 48 hours. If amount credit card dues not recovered on due date then amount will become overdue in credit card. So, penalty and interest will be applicable as per credit card management policy.
- Hard copy of the Bill, free of cost, shall be sent through ordinary mail to the card holder's registered address.
- E-statement shall be sent to the card holder to the registered Email id in a password protected mode.
- Billing dates for credit cards is 15th of every month for all variants of cards.
- Due date will be 5th of next month for payment.
- Any credit amount in card before 03 working days of due date that will be adjusted in current billing amount.
- Excess credit amount in credit card above sanctioned card limit will be refunded to charge account on due date in next billing cycle.
- Limit of the card will be blocked for Debit balance/over drawn in Charge Account and if status of Charge Account as NPA / Dormant / Invalid / Freeze.

Multiple ways of Credit Card's Bill Payment

Mode of payments are available for credit card bill payment in mode of Cash / Cheque / Online / NEFT / RTGS and for it the charges is NIL

- Customers can make their Credit Card payment from BOI internet banking and also from other Banks Internet Banking.
- Through NEFT OR RTGS, A/c no. Will be 16 digits of credit card No. of customer and IFSC code is BKID0000101
- Through Cheque or Cash A/c No. will be 010190200000001
- Through BOI Website.
- Payment can be made either full or in part

Annual Maintenance charges

Annual Maintenance Charges				
Type of card	AMC Primary	AMC Add-on	Replacement	Type
India Card	0	0	500	Domestic
SwaDhan RuPay Platinum	0	0	0	International
RuPay Platinum	1500	800	500	International
Visa Gold Int.	1500	800	500	International
Visa Privilege (Platinum)	1500	800	500	International
Master Platinum Int.	1500	800	500	International

Issuance & Annual Charges in respect of all cards are exempt for the following categories:-

- Staff/Ex- Staff A/c
- Senior Citizen A/c

Balance Enquiry Charges at ATM

- a. BOI ATM - Nil.
- b. Other Bank ATM in India - Rs. 20/-.
- c. On ATM Abroad - Rs. 25/-.

BOI CREDIT CONTROL APPLICATION (Credit Card)

- ❖ Turn ON/OFF Credit Card in Real Time
- ❖ Block or unblock specific types of transactions (E-com/POS/ATM)
- ❖ Setting Transaction Limit
- ❖ Generate Green Pin
- ❖ Merchant Blacklisting
- ❖ ON/OFF International Transactions
- ❖ Analyse the Spends by Tracking Transactions

- ❖ Real time Transaction Alerts
- ❖ User Profile Management
- ❖ Account Summary

Failed Transaction of credit card

Failed transaction of Credit Card on ATM and POS, it will auto reverse within 15 days and adjusted in Bill. If not Reverse then email to as per card:

HeadOffice.Visachargeback@bankofindia.co.in

HeadOffice.Masterchargeback@bankofindia.co.in

HeadOffice.RupayChargeback@bankofindia.co.in

Reversal/Cancellation of transaction like IRCTC, Flipkart reverse when amt. is received from them if not received with in TAT then Send email to as per card:

HeadOffice.Visachargeback@bankofindia.co.in,

HeadOffice.Masterchargeback@bankofindia.co.in,

HeadOffice.RupayChargeback@bankofindia.co.in

Hot listing of Credit Card & All types of enquiry

Toll Free Number: 1800220088

Land Line Number: 022-40426005/6006

Mail Id: wl-in.boicreditcards@worldline.com

Merchant Enrolment

Land Line: (022)61312937

Important policies & circulars

- Credit Card Management Policy 113-04 dated 01.04.2019
- Master Circular: 111/44 Dated 19.06.2017; Modifications: 111/67 Dated: 29.07.2017
- Against TDR: 111/114 Dated 11.10.2017; Operational changes: 107/147 dated 24.10.2013
- Service Charges Circular: Dated 12.12.2018 w.e.f.15.01.2019
- RuPay Credit Card:113/23 Dated 30.04.2019

- EMI Scheme on POS:112/79 Dated 08.08.2018
- Credit Card Payment through CBS 114/12 Dated 16.04.2020

BOI PREPAID CARDS

Coverage in Prepaid cards

- ❖ **Introduction of Prepaid Cards**
- ❖ **Variants of Prepaid Cards**
- ✓ **Master and Visa Prepaid Card (Reloadable Pre Paid Card)**
- ✓ **You First Money Prepaid Card**
- ✓ **Gift Card**
- ✓ **CUG Cards (Closed user group cards)**
- ✓ **International Travel Card**

Introduction of Prepaid cards

A prepaid card is a card you can use to pay for things. You buy a card with money loaded on it. Then you can use the card to spend up to that amount.

A prepaid card is also called a stored-value card.

Prepaid Cards are payment instruments that facilitate purchase of goods and services against the value stored. In this not in an external account maintained by a financial institution.

Variants of prepaid Cards

There are four types of PPIs issued by our bank

1- Reloadable Pre-Paid Card (110/205)

2- You First money Pre-Paid Card (110/184)

3- Gift Card (107/50)

4- International Travel Card (Cir no. 2011-12/96)

Master Prepaid Card and Visa Prepaid Card (Reloadable Pre Paid Card)

Affiliated with-

- **Master**
- **Visa**

Variants

CASH IT- For VISA and Master Card

Reloadable Pre Paid Card means General Purpose Reloadable Card (GPRC)

Features

- Reloadable Cards
- Domestic uses only
- Non personalized/non photo card
- The card is valid for seven years from the date of issuance.
- Not linked to customer account
- PIN based EMV cards
- Cards can be used for cash, POS and ME
- Online Acceptance
- SMS alerts
- Card Replacement/Card hot listing

Reloadable Pre Paid Card

Limits & Charges

Limits & Charges	
Monthly limits	Rs. 50,000/-
Loading limits	Rs. 50,000/-
Issuance Charges-	Rs.50/- per card
Reloading charges	Rs.50/- per card
Insta pin charges	Rs.10/-
ATM Withdrawal fees	Rs.10/-
ATM Balance Inquiry	Rs.5/-
IRCTC Surcharges	Rs.15/-
Petrol Surcharges	Min Rs.10/- Max 2.50%
Daily Transaction Limit	Rs.15000 from ATM and Rs.35000 from POS

Reloadable Pre Paid Card Menus

- Inventory - Menu GPRUPL- for adding stock to the sol id from CPD only
- Issuance and first time loading of card - MENU GPRC
- Issuance of Pin for the card - MENU GPRIP
- Reloading of the amount - MENU GPRRL
- Refund Request - MENU GPRRF

(Cir no-110/237 Date-23-03-17)

You First Money Pre-Paid Card

- This card is Reloadable Pre Paid Card
- For Domestic uses
- Affiliated with Visa International
- You first Prepaid Cards can be issued by any branch
- It is non personalized PIN enabled card.
- Accepted at all ATMs, POS and E-com channels in India.

You first prepaid card process flow:

- The loading of the card shall be done on receipt of the Appendix with all details and transfer of amount to the said account.
- Card activation and loading will be done on T+1 basis after receiving format.

Card Reloading: Branches will provide the card re-loading details in the given format (Appendix-II)

The format should be mailed to boi.cardsyoufirst.co.in with a copy to HeadOffice.CPDSettlement@bankofindia.co.in .

Cir no-110/184 Date-31-12-2016

GIFT CARD

- Menu in Finacle for issue of gift card is GIFTCARD (Max.5 cards can be issued at a time)
- The Gift Cards are magnetic strip based prepaid cards on VISA platform
- Prepaid VISA card valid in India, Nepal & Bhutan
- The card is valid for one year from the date of issuance
- Available only in INR
- Minimum Rs.500/- & Maximum Rs.10,000/- for single Card. Multiple of Rs.1
- Issuance fee of Gift card Rs. 50/- (+ GST)
- Cash withdrawal and e-shopping is not permitted through this card
- Gift card is Non-reloadable card.

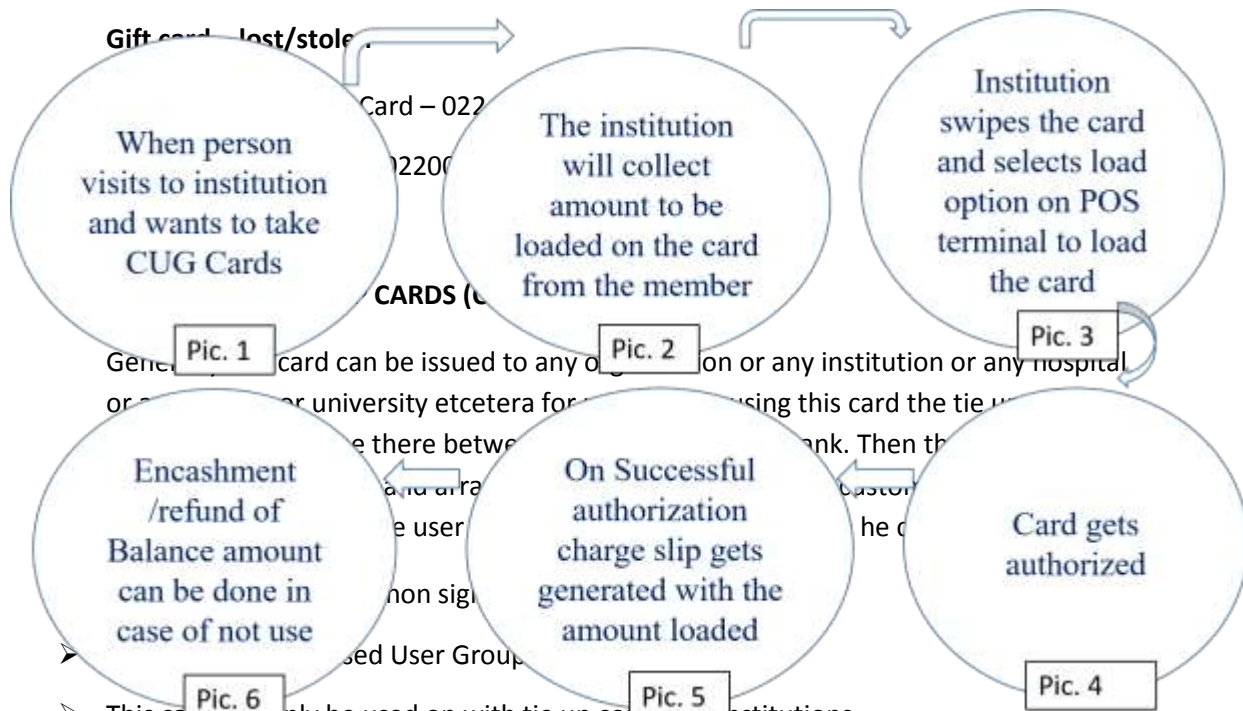
KYC- DOCUMENTS

- Documents to be obtained at the time of issue of Gift Card
 - Up to Rs.1000/- any acceptable identity document
 - Above Rs. 1000 up to Rs.5000/- any identity proof issued by Govt.
 - Above Rs.5000/- up to Rs.10000/- the normal KYC
 - If the applicant is having account with the Bank, then the account should be KYC compliant

In case of expired Gift Card

- If the balance is over Rs.100/-, the amount would be refunded

- The claim for refund has to be lodged within 3 months from the date of expiry of the card



- This card can only be used on with tie up company/institutions.
- This cards will be made re-loadable from NEFT/RTGS & POS within the validity period of 1 year

PROCESS : CLOSED USER GROUP CARDS

International Travel Card

- The applicable limit will be the credit limit fixed by the card issuing banks.
- There is no monetary ceiling by the Reserve Bank for remittances, if any, under this facility.
- Use of ITC for payment in foreign exchange in Nepal and Bhutan is not permitted
- BOI Travel Card can be issued by AD Category branch only

ELIGIBILITY FOR ITC

- All Indians visiting abroad.
- KYC Compliance
- To meet the requirements of students studying abroad.

ENTITLEMENT

The value of card amount depends on the purpose of visit. (Within RBI approved limit)

1. Business
2. Tour
3. Medical Treatment
4. Education (Exam Fee, Admission Fee)
5. Maintenance of Living
6. Cultural Visit

Features of ITC

- Issue for customers frequently visiting abroad.
- For students studying abroad.
- Minimize the risk for the card holder.
- Currently available in USD only.
- Prepaid Visa Card valid globally except India, Nepal & Bhutan.
- Minimum Loading amount- Us Dollars- 250\$
- Re-loading- The card is can be re-loaded for repetitive use up to the expiry date of the Card within the eligibility limits and approved purpose
- Re-issuance- In case the card is reported lost, re-issuance in lieu of lost card with available balance will be considered up to the original expiry date of the card
- Can be used both in ATM as well as ME
- Card Inventory- Authorised branches should submit their request for requirement of Travel Card to CPD. On receipt of the indent from Branches, CPD will instruct service provider to supply the card & card details will be uploaded in finacle.
- After receiving Card, branch will verify using menu TCARD and option "S"

Procedure for Issuance

- STEP 1: Adding stock to the inventory – Menu Tcard
- STEP 2: Issuing card to customer. - Menu Tcard
- STEP 3: Loading of required amount to the card - Menu ORM

Preliminary Checks for Issuance

- If you are in B category branch and have stock of cards.
- Verify the passport and visa of the customer.
- Arrive at the maximum permissible limit for the purpose of visit.
- Know the required amount from customer.
- Get the duly filled application form & Form A2 (For issuing Foreign Currency), from the prospective customer.
- Check the available balance in his/her account.

Loading of required amount to the card

- This can be done by using the option ORM just like for any other foreign outward remittance, the only difference is MT 202 should not be sent.
- Card rate up to \$5000, beyond \$5000 rate is to be got from treasury with reference number.
- Then in Finacle menu, visit the menu ORM under Option J- lodge and realise.
- In this screen, Select sub type as ORTC.
- Fill up the remaining as usual for other ORMs.
- In the first page under FB reference number, the card number should not be typed but should be picked up as below:
- Type only the first 4 digits of the card number and then press F1. Now the entire 16 digits will be displayed which should be picked up by pressing Shift+F4.

Loading of required amount to the card

- Now you will be in ORM menu J Option under Sub Option M. Change M to R.
- Press F4 & Confirm the amount and then Press F6.
- In this screen, rate is to be picked according to the value of the card as per procedure explained earlier and then press F4.
- Then voucher will be generated by crediting treasury account. Now in the present screen.
- Type A and then press F4 and then F10.
- Now you will be back to the first screen of ORM menu with J option.

- On top most line, second column, you will get the ORTC ref. no. (15 digits).
- An Officer has to verify this ORTC number by visiting the menu ORM under sub Option V.
- Here use sub options at the bottom M&R only. No MT 202 to be sent.

CHAPTER 09

TYPES OF CHARGES

Welcome to Bank of India, friends to know more about the charges let's visit to any of our branches. We can see the working in the credit department, where our Bank creates charges on various securities. To understand various types of charges, first we have to understand what is banking?

What is banking?

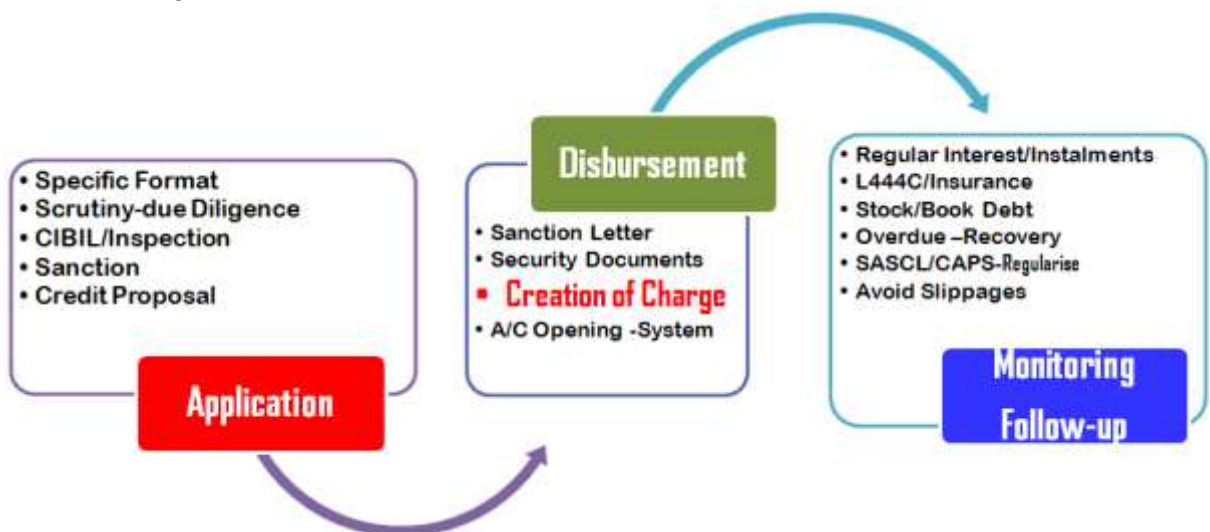
Banking is defined as accepting deposit and pay interest to the depositors. Whatever, deposits so collected are lend, on which bank receives interest. This difference of Interest received on credit and Interest paid on Deposit will be Interest income or interest earning which put together with service charges will be the profit of the bank.

Basic Credit by a Bank

Bank provides basic credit in two forms, Food Credit where credit for Agriculture and Allied Agricultural Activities' were provided. Secondly, Non-Food Credit under which credits to Retail, Micro Small Medium Enterprises, Commercial & Institutional Credit, Export finance and Foreign Currency loans etc., were provided.

Credit Work flow

Many of you are not working in the credit department or might not have got an opportunity to work in credits. Let's understand how credit work? Through understanding Credit Work flow:



Say I have visited your branch for a vehicle loan of Swift D'zire. What the credit officer will do? He will inquire about my income, credentials and provide me the specific form to submit it with all officially valid documents. On submission of the filled loan application form, officer will scrutinize it and carry out due diligence, draws CIBIL report. He will inspect my residence and inquire about my work. If my credentials are as per eligibility norms a vehicle loan will be sanctioned to me through a credit proposal. This bunch of activity in credit work is called as **Application stage**.

The Credit officer will provide me a sanction letter containing all terms and conditions of vehicle loan sanction. The credit officer will ask me to sign the security document. As soon as I put my signature the branch will create a **legal Charge** over my vehicle. Thereafter branch credit staff will open loan account in finacle. This second stage of credit work is called as **Disbursement**. This is the stage where creation of Charge starts.

Later the branch will carry out third stage called as **Monitoring & Follow-up**. The branch will take various measures to recover the installment and interest regularly. Every year the credit officer will ask to sign L444C and ensure that my vehicle is adequately insured. Other than Vehicle loan, the bank will ask to submit stock /book debts statement. In case account is overdue recovery process starts for this purpose our bank has devised credit monitoring reports like SASCL (System Assets Classification)/through CAPS. The basic idea over here is to avoid slippages and cut to our profit at large.

What is Charge?

Borrower approaches to a bank and borrows a credit. The bank will create a right over assets and securities, this is called as charge. In the given example of vehicle loan, the bank will be creating a right over the vehicle i.e. Swift D'zire, which will be assets and securities having Bank's Charge.

Securities: Primary/Collateral

All assets or securities might be primary or collateral. These are carrying 4 characteristics, remember the word MAST. In our given example of vehicle loan, the Swift D'zire is latest model or having some capacity which can be **measured (M)**. The RTO office has given number to it and having specific colors are **ascertainable (A)**. The Registration certificate of the vehicle provides engine number, chassis number and capacity of vehicle will provide **specific (S)** nature of the assets. In case of default the bank has created a charge over it which has given right of **transferability (T)**. Thus every security will have characteristics of Measurable, Ascertainable, Specific, and Transferable through Charge.

Charge is created for what?

Bank simply creates charge for repayment of loan. We have to remember that, assets ownership is not transferred here right is created in favor of bank over the assets and securities financed.

3 Types of Charges

Basically there are 3 types of charges i.e. Fixed Charges, Floating Charges and pari-passu charges.

- **Fixed charge** is created on
 - 1) specific and identifiable assets
 - ✓ Like Plant & Machinery, vehicle etc.
 - ✓ Whose identity doesn't change
 - 2) During period of loan :-
 - ✓ The debtor has no right to dispose of the asset
 - ✓ Without consent of Creditor/ Banker
- **Floating charge** is created on
 - 1) assets class which is constantly changing
 - ✓ And not the same.
 - 2) It is equitable charge on the assets of
 - ✓ Going concern **(C/C against Stock/BD)**
 - ✓ **Example: Monthly Stock or Book Debt Statement**
 - 3) Security is allowed to be used in business.

What is Crystallization?

Say In Case Of A Company



Crystallization means when a company stops functioning will go for winding up and receiver being appointed. Its assets having floating charges shall be converted into fixed charge. Example, The Company holds a facility against stock and book debt, the floating charges on these book debt shall be converted into fix charge.

Other Charges

- ✓ **Pari-Passu Charge:** Charge in favour of several creditors they have priority on proportionate Basis in proportion of loan- Example, Consortium advances.
- ✓ **Exclusive Charge:** Only one creditor have charge, Example CC a/c of Bank say X
- ✓ **1st charge** –creditors have first charge
- ✓ **2nd charge** – subject to right of 1st creditor

Charge on Company (i.e. Legal Entity)

According to Indian Company Act, 2013 section 2(16), Charge means an interest or lien created on the property or assets of the company or its undertaking. It also consider the security including mortgage.

Let's take a quick review of Charges which we have learnt till now with the example of Project finance of a Chemical plant. The Stock, Plant & Machineries will be covered under Fix Charges, book debts shall be covered under floating charges in case of non-repayment it will be crystallized into fix

charges. If the project finance is under consortium i.e. more than one banker there will be pari-passu charges. Thus as per section 2(16) of Indian Company Act, an interest or lien created on the property or assets of the company under charge.

Creation of Charge –on a Company

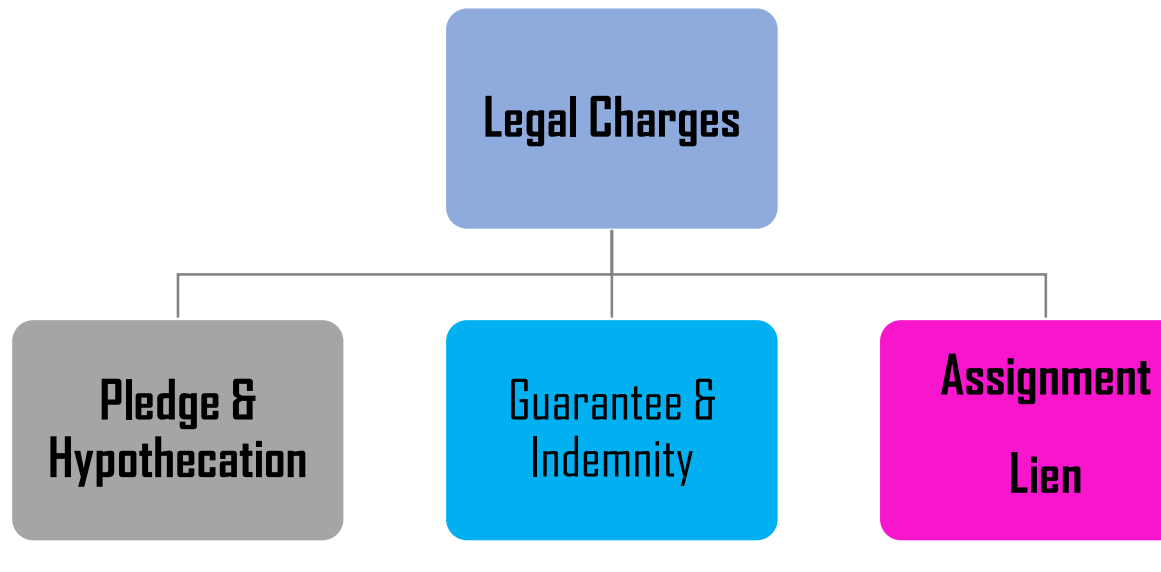
A company approached for a loan from the bank → Search with ROC for earlier charges → Bank decide to finance → Registration of charges with ROC within 30 days of date of advance through form CHG-1 for creation and modification of charges → if not possible then registration should be carried out with in next 270 days (Now, within first 60 days with nominal charges, next 60 days with little higher charges and thereafter charges will be the highest) → even though charges registration was not possible company can approach Central Government to Condon delay through form CHG 8. In case of need, the lender/banker can satisfy charges through CHG 4.

Summary of charge- Limited Company

- 1) Except pledge all other charge to be registered with ROC.
- 2) Pledge over shares require registration with ROC.

Type of Form for Charge creation	Details /Descriptions
CHG 1	Creation and modification of charges with ROC
CHG 8 (Delay Condon)	Application to Central Government for extension of time beyond 300 days.
CHG 4	For Satisfaction of Charge

Common Charges (Non-Mortgage)



Legal Charges

- **Pledge – (defined in Sec. 172 of Indian Contract Act-1872)**

- ✓ It is bailment (delivery) of goods to secure repayment of debt or performance of a promise.
- ✓ Possession & control of goods with bank
- ✓ Ownership remains with borrower.
- ✓ Goods should be moveable.

Pledge of Goods –Lock & Key (Margin)

We can understand with the example of Gold Loan, where borrower keeps gold with the bank and obtain loan. In some cases, the stock of goods pledged with the bank under lock & key with a limit provided for the business. When borrowers repays, proportionate stock can be released by the bank.

Pledge

- ❑ A valid pledge satisfy 3 conditions:
 - 1) Contract for bailment of goods
 - 2) Bailment should be by way of security &
 - 3) Security for payment of debt.

- Banks possession of goods means constructive possession.
- In case Bank (Pledgee) decided to sell the goods, reasonable notice of 14 days should be given to borrower (Pledger).

Hypothecation

- ✓ Definition in SARFAESI Act 2002- Sec 2 (n), as
- ✓ charge on movable property/assets
- ✓ Existing or Future
- ✓ Fixed Charge -Identifiable like P & M,
- ✓ Floating Charge – Constantly changing like Stock
- ✓ Crystallization will change floating to fix Charge.
- ✓ Possession and ownership of goods remain with borrower.

Hypothecation-Finer Points

- Hypothecation is defined as Mortgage of moveable property.
- On Non-payment of debt :
 - ✓ Hypothecation is converted into Pledge &
 - ✓ Possession can be obtained under SARFAESI Act.
- A prominent notice displayed:
 - ✓ At the place of stock or on asset or HP mark would amount to notice to subsequent lender about prior Charge.

CERSAI as per HOCL 2018-19/116 dated 12.02.2019

- Central Registry of Securitization Assets & Security Interest.
- We know CERSAI registration is must for action under SARFAESI Act.
- Under Agricultural Finance, following assets created out of Bank Finance needs CERSAI registration:
 - 1) Hypothecation of Standing Crops (KCC)
- CERSAI registration required :
 - 2) Plant & M/c under Agriculture Allied Activities

3) Land & Building under Commercial Agricultural Activities

4) Stock /Book debts or receivable

✓ Existing or

✓ Future.

Examples of charge Hypothecation and registration under CERSAI:

a) Bank finance to Standing Crops

b) Bank Finance to Agricultural Machineries (Tractor, Thrasher, Tillers)

c) Bank Finance to Commercial Vehicle.

Summary - Hypothecation & Pledge

Nature / Heads	Hypothecation	Pledge
Defined in	SARFAESI Act	Indian Contract Act
Definition	Charge on moveable without delivery of possession	Bailment of Goods
Parties	Hypothecator Hypothecatee	Pledger / pawner Pledgee/ pawnee
Nature of securities	Moveable assets	Goods
Right to sale Limitation Law	-Through Court -3 years	-Giving notice Not applicable

Difference between Guarantee & Indemnity

<u>Nature</u>	<u>Guarantee</u>	<u>Indemnity</u>
<u>Defined in</u>	Sec 126 - Indian Contract Act	Sec 124 - Indian Contract Act
<u>Definition</u>	Contract to perform promise or discharge liability of 3 rd Party on default	One party promises to save the other from loss caused
<u>Parties</u>	(1) Creditor (2) Principal Borrower (3) Guarantor (Surety)	(1) Indemnifier (Promisor) (2) Indemnified (Bank or Creditor-hold indemnity)
<u>Number of Contract</u>	(1) Borrower & Lender (2) Guarantor & Lender (3) Borrower & Guarantor	Only 1, Indemnifier & Indemnified.
<u>Invocation</u>	On default by Borrower	On contingency Indemnifier liable.
<u>Discharge</u>	Guarantor Pays and steps into his shoes	

- **Assignment**

- ✓ All Actionable claims can be assigned.
- ✓ Actionable claim means claim to any debt, not secured by HP/Mortgage/Pledge or
- ✓ Any beneficial interest in moveable property.

Example, LIC/NSC/KVP/Book Debt/Dues from Government Department.

❑ **Lien** initial definition in Sales of Goods Act also:

- ✓ It is a right to retain securities that come to a banker in the normal course of business.
- ✓ 2 types of Lien: **Particular** lien **or** **General** lien.

□ **Particular lien**

- ✓ It is on those securities, goods over which
- ✓ The person has expended some labor/money etc.
- ✓ Example watch/ mobile repair/Tailor.

• **General lien**

- ✓ Extends to all securities that pass through the hands in the normal course.
- ✓ Banker's lien is general lien and is extensive
- ✓ **Negative lien** it is a declaration from borrower that :
 - ✓ He has not encumbered nor will encumber the assets in favor of third parties.
- ✓ **Set Off** it is a right to appropriate a credit balance
 - ✓ Towards a debit **balance** of the same person in the **same right and capacity**.
 - ✓ This involves **netting** of credit and debit balance with or without **consent** of the customer.

Bank Charges- Loan against TDR

- In a decided case laws, Bank has no lien over TDR,
- ✓ Because it's neither Good nor a Security.
- ✓ It's **Right of Set-Off** under which Recovery of Loan after maturity of TDR
- ✓ OR
- ✓ **Right of Appropriation** whereby Recovery of Loan before maturity of TDR.

Mortgage

- Defined under Transfer of Property Act-1882 Sec 58):
 - ✓ As a transfer of interest in specific immovable property
 - ✓ For securing debt (present/future) or for performance of an engagement which may give rise to a **pecuniary** obligation.

Parties to Mortgage



Who are the Parties to Mortgage?

- An absolute owner of property
- All co-owners – if property jointly owned
- An executor or Administrator of property
- Hindu widow for legal necessity of :
 - ✓ Herself &
 - ✓ Her minor Child.

Mortgage by HUF (Sec 58 of TOPA)

- ✓ For property belonging to HUF –Family Business
- ✓ For individual business or a firm where Karta is a partner: Share of other Coparceners of HUF not liable.

Mortgage by Guardian (Sec 58 of TOPA)

- The Guardian of Minor's property:
 - ✓ Empowered with a sanction by the court
 - ✓ For Minor's benefit, under sec 8 of Guardianship & Wards act, 1890.

Basic forms of Mortgage

You might be knowing we are giving mortgage for home loan, Loan against property, commercial purchase, lease rental discounting, second mortgage loan & reverse mortgage. Accordingly various types of mortgage are as under:

- 1) Simple mortgage

- 2) Mortgage by conditional sale
- 3) Usufructuary mortgage
- 4) English mortgage
- 5) Mortgage by deposit of title deeds
- 6) Anomalous mortgage.

❑ **Simple mortgage**

- Mortgagor binds himself
- ✓ personally to repay the amount
- ✓ Failing which bank has right to sell the property through court of Law.
- ✓ It requires registration and payment of stamp duty.
- ✓ Registration act as a public notice of mortgage.
- ✓ **Mortgagor** – to pay on fixed date, if not paid loses right of redemption.
- ✓ **Mortgagee** – No right of Foreclosure on failure to repay by borrower as **property belongs to Lender.**

Important Rights-Mortgage

❑ **Right of Redemption**

- ✓ On liquidation of debt the mortgagor has the right to get back (redeem) the document related to mortgaged property.

❑ **Right of Foreclosure**

- ✓ On default by mortgagor, the mortgagee has right to obtain decree (before decree or money paid) from a court to redeem (get back) property.

❑ **Right of subrogation**

- ✓ A person (X) repaid debt of the mortgagor, X steps into the shoes of Mortgagor.
- ✓ Now X holds rights of the mortgagor i.e. Specific debt, claims, rights, remedies or securities
- ✓ This is a right of subrogation.
- ❑ The limitation period for filling a suit/redeem/recover possession of Immoveable property will be 30 years from time or redeem or possession accrues to mortgagor.

- **Mortgage By Conditional Sale**

- ✓ Whereby the mortgagor transfers the property to mortgagee on the fulfilment of certain conditions, the sale will be absolute.

- **Usufructuary Mortgage**

- ✓ Possession of property is transferred to mortgagee who is entitled to enjoy the rent, income, profits and other benefits accruing on the property for repaying the obligation.
- ✓ Example, Leased Branches and Owner seek loan for construction of premises (repayment by rent).

- **English Mortgage**

- ✓ The ownership in property is transferred to the mortgagee and upon fulfilment of the contract (payment of agreed mortgage money) ownership is retransferred to the mortgagor.

- **Equitable Mortgage:**

- ✓ Mortgage by deposit of Original title deeds, with intention to create equitable mortgage.
- ✓ Title deeds are deposited at Notified Towns.
- To prove intention in case of need,
- ✓ Attendance register is maintained & should be written by borrower himself or his relative in case he is illiterate.

Some of the other features are as under:

- Notified place published in gazette notification by state Government.
- Restriction are related to notified town & not location of property (Hyderabad Property title deed can be deposited in Mumbai).
- There must be a debt (Existing or future).
- Validity of mortgage depends on the possession of the title deeds by the mortgagee.

Mortgage by Deposit of Title Deed by NRI Borrowers

- NRI's relative who is POA :
- ✓ Can create a Mortgage.

- Such POA should be :
- ✓ Executed before Indian Embassy of NRI's country &
- ✓ Attested by Embassy Officials
- POA on receipt in India should be:
- ✓ Notarized & Stamped within 3 months
- ✓ NRI must confirm execution of document & creation of mortgage.

EQM – Registration with CERSAI

- 1) Before sanction search should be conducted on site of CERSAI.
- 2) Check for any subsisting charge
- 3) Token disbursement to be made
- 4) EQM to be created
- 5) Registration of EQM before full & final disbursement.

EQM-on certified Copy

- EQM on certified copy of Original can be created in special cases.
- ✓ Permission of Appropriate authority
- ✓ FIR filed for Lost of Originals
- ✓ Advertisement given in 2 Local newspapers:
 - Regarding loss of original document &
 - Intention to create mortgage on certified copy
 - NOC should be called for
- In case of No Objection, Mortgage can be created with all available back documents.

EQM – Partition Deed

- There may be more than 1 Original deed.
- EQM can be created after confirming :
 - ✓ Which original belongs to whom?

- ✓ If state law requires, EQM to be registered with sub-Registrar Office within 30 days.
- ✓ EQM should be registered with CERSAI within 30 days.
- **Anomalous Mortgage**
- ✓ One or more of mortgages are combined, it becomes anomalous. Not used in transactions in India.
- ✓ **Rights of Foreclosure** under which Sue for mortgage money & Power of sale (with or without intervention of court)
- ✓ These rights are depending upon type of mortgage created.

Type of Mortgage	Sue for mortgage money	Sale of property
Simple /Equitable /English	_/_	_/_
Mortgage by conditional sale /Anomalous	Right to suit for Foreclosure to obtain decree	
Usufructuary	Right to suit for possession, rent, profits of property	

- ❑ **2nd Mortgage means a mortgagor after giving 1st mortgage can create 2nd and subsequent mortgage.**
- ❑ **Reverse Mortgage (Life time mortgage)**
- ✓ The loan is repaid when borrower dies or sell house
- ✓ This convert house equity into cash, without to pay monthly repayments.
- ✓ Example Star Reverse Mortgage Loan

Various kind of Charge –Summary

Nature of Security	Type of Security	Kind of charge	Defined in Act
--------------------	------------------	----------------	----------------

Immoveable Property	Land & Building	Mortgage CERSAI Registration	Transfer of Property Act (TOPA, Sec 58)
Actionable claims (Unsecured Debts)	Book Debts, KVP, NSC, LIC	Assignment	TOPA (Sec 130)
Moveable Property / Goods	P & M, Stock ,Vehicle	Pledge or HP or lien as Agreed by Borrower	Pledge – Indian Contract Act (S-172) HP –Sarfaesi Sec2
Paper securities	Shares, Debentures, Mutual Fund ,Bond	Lien	Indian Contract Act (sec 170/171)
Personal Guarantee	Promoters & 3 rd party guarantee	Personal liability	Indian Contract Act (Sec 126)

Tits-Bits of Various kind of Charge

Nature of Security	What is the impact on Charge?
Credit balance in CC/OD	Not attachable unless State Government hold power under Tax/Revenue Laws.
Mortgage of property belonging to Trust	Document of Title will consist of Trust Deed + Registered will +Sale deed along with permission Mortgage
Mortgage of property belonging to a Society under Urban Land Ceiling Act	Property of society can be mortgage for loan granted to society, allowed only on approval of Competent Authority/Government.
Bank filed form 8 & 13 with ROC, but Extension of mortgage document not executed	No mortgage will be created.

CHAPTER 10

Officer Service Regulations

- In exercise of the powers conferred by section 19 read with subsection (2) of Section 12 of the Banking companies (Acquisition and Transfer of Undertaking) Act, 1970 (5 of 1970) the Board of Directors of Bank of India in consultation with the Reserve Bank of India and with the previous sanction of the Central Government, have given certain regulations.
- Applicability of regulations.
- Competent Authority

Scale of Pay

Regulation 4 deals with scales & grades of pay.

As per Joint Note dated 25.05.2015 with effect from 01.11.2012; the scale of pay specified against each grade shall be as under –

On and from 01.11.2012, the scale of pay specified against each grade shall be as under:

(a) Top Executive Grade

Scale VII - Rs.76520– 2120/4 – 85000

Scale VI - Rs.68680 – 1960/4 –76520

(b)Senior Management Grade

Scale V - Rs. 59170 – 1650/2 – 62470 – 1800/2 - 66070

Scale IV - Rs. 50030 – 1460/4 - 55870 – 1650/2 - 59170

(c) Middle Management Grade

Scale III - Rs. 42020 – 1310/5 – 48570 – 1460/2 – 51490

Scale II - Rs. 31705 – 1145/1 – 32850 – 1310/10 – 45950

(d)Junior Management Grade

Scale I - Rs. 23700 – 980/7 – 30560 – 1145/2 – 32850 – 1310/7 – 42020

Increment

- Regulation 5 deals with Increments
 - a) Annual
 - b) Stagnation
 - c) PQA
 - d) Fixed Personal Allowance.
- Annual increment is accrued on every completed year of service & released subject to the approval of the competent authority.
- Stagnation increment is decided on various factors...
 - a) Officers when move to the next higher scale of pay.
 - b) Number of completed years of service.

- Increments will not be allowed / released,
 - a) When an officer has reached the maximum of his grade / scale.
 - b) When the Efficiency Bar is applied to the officer.
 - c) When specifically stopped by the Competent Authority / Disciplinary Authority.

Probation: Regulation 15 deals with Probation:

- A. Period of probation
 - 1. An officer directly appointed to the JMG shall be on probation for a period of two years.
 - 2. An employee of the Bank promoted as an officer in the JMG shall be on probation for one year.
 - 3. An officer appointed to any other grade shall be on probation for such period as may be decided by the Bank.
- B. Extension of Probation: Probation period of an officer may be extended on account of the following
 - 1. Unsatisfactory performance
 - 2. Unsatisfactory attendance
 - 3. Availment of leave in excess of prescribed limit

Confirmation: Regulation 16 deals with Confirmation.

Where during the period of probation, including the period of extension, if any, the Competent Authority is of the opinion that the officer is not fit for confirmation:

- a) in the case of a direct appointee, his service may be terminated by one month's notice or payment of one month's emoluments in lieu thereof; and
- b) in the case of a promotee from Bank's services, he may be reverted to the grade or cadre from which he was promoted.

Promotion:

Regulation 17 deals with Promotion.

- a) Channels of promotion
- b) Weightage of different parameters.
- c) APR
- d) Length of service.
- e) Rural/Semi-urban tenure (Exceptions)

Details of following officers must be specifically brought to the notice of Departmental Promotion Committee (DPC)

- a) Officers under suspension.
- b) Officers who have been issued articles of charge/statement of imputation of lapses pursuant to which disciplinary proceedings are pending against them.

c) officers in respect of whom prosecution for a criminal charge is pending.

Other Important Regulation

1. Conversion of Officers.
2. Different allowances are paid to the officers.
3. Regulation 19 deals with age of retirement.
4. Regulation 24 deals with Medical Aid.
 - a) Medical Expenses.
 - b) Hospitalization expenses.

Leaves: Regulation 31 deals with types of Leave.

Certain guidelines related to leave Types of leave:

1. Casual Leave
2. Privilege Leave
3. Sick Leave
4. Special Sick Leave
5. Maternity Leave
6. Extraordinary Leave on loss of pay.
7. Special Casual Leave or Special Leave.

LTC/LFC: Regulation 44 deals with Leave Travel Concession.

During each block of 4 years, an Officer shall be eligible for leave travel concession for travel to his place of domicile once in each block of two years. Alternatively, he may travel in one block of two years to his place of domicile and in another block of two years to any place in India by the shortest route.

Conduct & Discipline Rules

These Regulations may be called Bank of India Officer Employees' (Conduct) Regulations, 1976.

They shall come into force on 1st January 1977.

They shall apply to all officer employees of the Bank, recruited in India, whether working in India or outside India, but shall not apply to:

- The Chairman of the Bank;
- The Managing Director of the Bank;
- Any whole time Director, if any;
- Those who are in casual employment or paid from the contingencies;
- Award staff.

Expectations from an officer

1. Take all possible steps to ensure and protect the interests of the Bank and discharge his duties with utmost integrity, honesty, devotion and diligence and do nothing which is unbecoming of an officer employee.
2. Maintain good conduct and discipline and show courtesy and attention to all persons in all transactions and negotiations.
3. Act otherwise than in his best judgement except when he is acting under the direction of his official superior; “provided wherever such directions are oral in nature, the same shall be confirmed in writing by his superior official”
4. Ensure the integrity and devotion to duty of all persons for the time being under his control and authority.

An officer is supposed to:

- Maintain the strictest secrecy regarding the Bank’s affairs and the affairs of its constituents.
- Not engage directly or indirectly in any trade or business or undertake any other employment
- Not engage himself or participate in any demonstration which is prejudicial to the interest of the sovereignty and integrity of India, the security of the State friendly relations with foreign States, public order, decency or morality, or which involves contempt of court, defamation or incitement to an offence.
- Not bring or attempt to bring any political or other outside influence to bear upon any superior authority to further his interests in respect of matters pertaining to his service under the Bank.
- Not be absent from his duty or be late in attending office or leave the station without having first obtained the permission of the competent authority.
- Not accept any gift.
- Not ask for or accept contributions to or otherwise associate himself with the raising of any funds or other collections in cash or in kind in pursuance of any objective whatsoever.
- Not speculate in any stock, share or securities or commodities or valuables of any descriptions or shall make investments which are likely to embarrass or influence him in the discharge of his duties.
- Prohibit Sexual Harassment of Working Women.
- Not Consume Intoxicating Drinks and Drugs.

Note: A breach of any of the provisions of these regulations shall be deemed to constitute a misconduct punishable under the Bank of India Officer Employees’ (Discipline & Appeal) Regulations, 1976.

Penalties:

MINOR PENALTIES

- a. Censure;
- b. Withholding of increments of pay with or without cumulative effect;
- c. Withholding of promotion;

- d. Recovery from pay or such other amount as may be due to him of the whole or part of any pecuniary loss caused to the Bank by negligence or breach of orders;
- e. Reduction to a lower stage in the time scale of pay for a period not exceeding 3 years without cumulative effect and not adversely affecting the Officer's pension.

MAJOR PENALTIES

- f. Save as provided for in (e) above, reduction to a lower stage in the time scale of pay for a specified period, with further directions as to whether or not the Officer will earn increments of pay during the period of such reduction, and whether on the expiry of such period the reduction will, or will not, have the effect of postponing the future increments of his pay.
- g. Reduction to a lower grade or post;
- h. Compulsory retirement;
- i. Removal from service which shall not be a disqualification for future employment;
- j. Dismissal which shall ordinarily be a disqualification for future employment.

Government Reservation Policy

- Objective of providing reservations in services is not only to give jobs to those belonging to these communities. It basically aims to empower them & ensure their participation in decision making process in the state.
- Article 16 & 335 of our constitution have direct bearing on reservation in services & are of paramount importance.
- Article 46 also provides that the state shall provide with special care the educational & economic interests of the weaker sections of the society & shall protect them from social injustice & exploitation.
- **Relaxations & Concessions:** Various relaxations & concessions have been given to the SC/ST candidates in particular
 - a. Age relaxation
 - b. Concession in fee.
 - c. Relaxation in experience qualification.
- **Reservations don't apply to...**
 - a. Temporary appointments of less than 45 days.
 - b. Work-charged posts created out of any emergency.
 - c. Promotions in the same cadre.
 - d. Deputation/Absorption.
 - e. Single post cadres.
- **Miscellaneous:** Verification of the caste/category by the appointing authorities.

- National commission for SCs/STs under article 338 & 338A.
- Maintenance of reservation rosters.
- Liaison officer for safeguarding the interest of the officers under reserved category.

Rajbhasha

- After independence, on 14th September 1949 it was unanimously resolved in the constituent assembly that Hindi will be the Official Language of independent India. Hence, 14th September is celebrated as “Hindi Day” every year.
- The policy of the Union Government is to ensure the use of Hindi in the official works through motivation, encouragement and incentive.
- **Provisions of Rajbhasha Act**
 - Articles 343 to 351 cover the important provisions of official language.
 - According to article 343(1), official language of the union is Hindi in Devnagri script.
 - According to article 343(2), Provision was made for continuation of English for further period of 15 years. Further it was also provided that The President of India, by order, can make a provision for use of Hindi along with English even before 1965.
 - Article 343(3) empowers Parliament that even after 1965, it can make provision for use of English language in official works along-with Hindi
 - Article 344 constitutes official language commission,
 - Article 345 gives liberty to the State Governments to choose their language or Hindi as their official language.
 - Article 346 deals with communication between States and Central Government.
 - As per Article 347, the language spoken by a part of the population of the State may be given official recognition.
 - As per Article 348, all proceeding of Supreme Court, High Court and Authoritative text of Central & State Act shall be in English language.
 - As per Article 350, every person shall have the right to submit a representation for redressal in any language.
 - Article 351 says that it shall be duty of Union to promote the spread of Hindi.
- **Rajbhasha Act 1963:** An Act to provide for the languages which may be used for the official purposes of the Union, for transaction of business in Parliament, for Central and State, Acts and for certain purposes in High Courts. Different sections of this act are very important.
- **Rajbhasha Rules 1976:** Applicable to all the states except Tamilnadu. Various important points and provisions of the Act are:
 - "Region A" means the States of Bihar, Haryana, Himachal Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, Uttarakhand, Rajasthan and Uttar Pradesh and the Union Territories of Delhi and Andaman and Nicobar Islands;

- "Region B" means the States of Gujarat, Maharashtra and Punjab and the Union Territory of Chandigarh, Daman and Diu and Dadra and Nagar Haveli;
- "Region C" means the States and the Union Territories other than those referred to in clauses (f) and (g);

Communications to States etc. other than to Central Government offices,-

1. Communications from a Central Government office to a State or a Union Territory in Region "A" or to any office (not being a Central Government office) or person in such State or Union Territory shall, save in exceptional cases, be in Hindi, and if any communication is issued to any of them in English it shall be accompanied by a Hindi translation thereof.

2. Communications from a Central Government office:-

a. To a State or Union Territory in Region "B" or to any office (not being a Central Government office) in such State or Union Territory shall ordinarily be in Hindi and if any communication is issued to any of them in English, it shall be accompanied by a Hindi translation thereof ;

Provided that if any such State or Union Territory desires the communications of any particular class or category or those intended for any of its offices, to be sent for a period specified by the Government of the State or Union Territory concerned, in English, or in Hindi with a translation in the other language, such communication shall be sent in that manner;

b. to any person in a State or Union Territory of Region "B" may be either in Hindi or English.

3. Communications from a Central Government office to State or Union Territory in Region "C" or to any office (not being a Central Government office) or person in such State shall be in English.

4. Notwithstanding anything contained in point (1) and (2), communications from a Central Government office in Region "C" to a State or Union Territory of Region "A" or Region "B" or to any office (not being a Central Government office) or person in such State may be either in Hindi or in English.

Proficiency in Hindi –

An employee shall be deemed to possess proficiency in Hindi if:-

- He has passed the Matriculation or any equivalent or higher examination with Hindi as the medium of examination ; or
- He has taken Hindi as an elective subject in the degree examination or any other examination equivalent to or higher than the degree examination; or
- He declares himself to possess proficiency in Hindi in the form annexed to these rules.

Working knowledge of Hindi-

1. An employee shall be deemed to have acquired a working knowledge of Hindi -
 - a. If he has passed -

- i. the Matriculation or an equivalent or higher examination with Hindi as one of the subjects ; or
 - ii. the Pragma examination conducted under the Hindi Teaching Scheme of the Central Government or when so specified by that Government in respect of any particular category of posts, any lower examination under that Scheme ; or
 - iii. any other examination specified in that behalf by the Central Government; or
 - b. If he declares himself to have acquired such knowledge in the form annexed to these rules.
2. The Staff of a Central Government office shall ordinarily be deemed to have acquired a working knowledge of Hindi if eighty per cent of the Staff working therein have acquired such knowledge.
 3. The Central Government or any officer specified in this behalf by the Central Government may determine whether the staff of a Central Government office has acquired a working knowledge of Hindi.
 4. The names of the Central Government offices, the staff whereof have acquired a working knowledge of Hindi, shall be notified in the Official Gazette.

CHAPTER 11 & 12

Balance Sheet and Ratio Analysis-Overview

IMPORTANCE OF FINANCIAL STATEMENT

- Help in understanding the financial strength and forming a judgment on the financial strength /weakness of a business.
- Help us to form a judgment on the operational efficiency of the business.
- Help us to decide whether the business is worthy of financial support from the bank and bank's money will be safe in the hands of the business.

IMPORTANT FINANCIAL STATEMENTS

- BALANCE SHEET
- PROFIT AND LOSS ACCOUNT
- FUNDS FLOW STATEMENT
- CASH FLOW STATEMENT

BALANCE SHEET

- Is the statement of assets and liabilities of a business unit as on a particular date.
- Liabilities are also referred to as sources of funds and assets as application of funds.
- Asset and liabilities will always be equal without any exception.

The format in which the balance sheet of a limited company is to be prepared is given in schedule vi of the Indian companies act 1956 or Anne-iii of CA 2013. RBI has suggested that others like firms can follow the same model with suitable changes

FORMAT OF BALANCE SHEET: A) Horizontal

<u>Liabilities</u>	<u>Assets</u>
1. Share Capital 2. Reserves & Surplus 3. Secured Loans 4. Unsecured Loans 5. Current Liabilities & Provisions <ul style="list-style-type: none"> a. Current Liabilities b. Provisions 	1. Fixed Assets 2. Investments 3. Current Assets 4. Loans & Advances 5. Current Assets Loans & Advances 6. Miscellaneous Exp. – not written off 7. Profit & Loss A/c

B)

Vertical

1. Sources of funds

(I) Shareholder's funds

- a. Capital
- b. Reserves

(II) Loan funds

- a. Secured loans
- b. Unsecured Loans

2. Application of Funds:

Fixed Assets

Investments

(III) Current Assets, Loans and Advances

Less

 Current Liabilities and Provisions

(IV) a. Miscellaneous expenditure –not written off

b. Profit & Loss account

LIABILITIES

- Amounts borrowed and repayable by the business to outsiders (including the owners of the business) are called liabilities.
- Liabilities are the “sources” of funds.
- Depending upon the order in which they are repayable that is to say, time available whether in the short run or long run etc, the liabilities are classified into three broad groups;
 - a) Current liabilities
 - b) Medium and long term liabilities
 - c) Capital and reserves.

CURRENT LIABILITIES:

- To be given top priority in repayment
- Liabilities repayable in the short term, within the operating cycle of the business.
- All liabilities repayable within a year from the date of balance sheet are generally included in current liabilities.

EXAMPLES:

- ❖ Short term borrowings from banks,
- ❖ Sundry creditors,
- ❖ Advance received from buyers / dealers,
- ❖ Bills Payable,
- ❖ Tax Liabilities,
- ❖ Expenses payable within a year,
- ❖ Instalment of term loan, deferred payments,
- ❖ Redemption of Debentures - PAYABLE WITHIN ONE YEAR
- ❖ Dividends
- ❖ Debentures due within 12 months
- ❖ Deposits maturing within 12 months

MEDIUM AND LONG TERM LIABILITIES

- Gets priority after short term liabilities.
- Long term loans from banks, and financial institutions.
- Borrowings in the form of debentures in the case of companies.
- Borrowings from friends and relatives in the case of firms. (Concept of quasi equity).
- Deposits beyond 1 year

OWNER'S FUNDS

- Funds contributed by proprietor/partners/share-holders for carrying on the business.
- Capital and reserves form the owners' funds.
- No priority in repayment. Repayment will be taken up after all outside debts are settled. Part or even no amount requires to be repaid if funds are not available.

ASSETS

- Assets are the items owned by the business.
- Assets are where the money raised is used/invested.
- Assets are application of funds.
- Depending upon the nature of asset, whether held for short term or long term etc, assets are divided into two broad categories:

(1) CURRENT ASSETS (2) NON CURRENT ASSETS

Non-Current Assets are further divided into:

- Fixed Assets

- Other Non-Current Assets
- Intangible Assets

Current assets:

- Assets required for day-to-day running of a business. Also called as gross working capital.
- Assets likely to be converted into cash in the ordinary course of business during operating cycle of the business or all assets, which are likely to be converted into cash within one year from the date of Balance Sheet.
- The correct Classification of Current Assets assumes importance as the Working Capital Limit that can be considered will be based on the required build-up of Current Assets.

EXAMPLES.

- Cash & Bank Balance
- Stocks of goods or raw materials, goods-under process, finished goods
- Book debts.
- Advance paid to suppliers
- Installments of deferred receivables
- Cash margins for L/cs and guarantees and cash/term deposit with banks as margin for L/cs and guarantees relating to working capital facilities
- consumable spares
- Pre-Paid Expenses etc.
- Investments marketable
- Bills Receivable

Fixed Assets

- Assets like Land, Building, Plant and Machinery, Transport Vehicles, Furniture and Fixtures etc are called Fixed Assets.
- Because they remain “fixed” in the business .i.e., they are not meant for sale in the normal course.
- They are the tools of the business.
- They may be replaced when they become old/ obsolete
- Every business contains some or other fixed assets, the value of which may vary from business to business. Normally, Industrial Units require heavy investment in Fixed Assets.

Other Non-current Assets

- Certain Assets are called Non-Current Assets because they are not available for meeting daily expenses in running the business.
- They are also not fixed assets like land building etc.
- They are kept separately because bank does not want to finance working capital against them

EXAMPLES:

- Investment in subsidiary companies/sister concerns (above 10% of tangible net worth to be excluded for calculation of ratios).
- Non-marketable investments.
- Advances granted by the business to its employees
- Loans to Directors
- Intercompany loans
- Security Deposit with Telephones Dept / Electricity Board etc

INTANGIBLE ASSETS & FICTITIOUS ASSETS

- Assets which are not backed by any tangible property are called Intangible assets.
- They are brought into the Balance Sheet for accounting purposes.
- These assets are not likely to fetch any value in the event of winding-up of the business. Hence, while calculating tangible Net-worth of any borrower, these are excluded from owned funds.

Examples:

- Trade Mark
- Goodwill
- Copyright
- Patent etc
- Preliminary Expenses
- Pre-operative Expenses
- Loss

TRADING AND PROFIT & LOSS A/C

- While Balance sheet gives the position of assets and Liabilities as on a given date, the Trading and Profit & Loss Account provides the operating performance. It provides information on profitability of the enterprise. The information is for a particular period, normally a year.
- Companies Act 2013 (Part-II of Sch-III) provides outline for Profit & Loss account.

- Sales-Cost of Goods Sold=Gross Profit.
- COGS= (Direct Mfg. Expenses) + (Op. Stock+Purchases-Closing Stock).
- Gross Profit-SGA Expenses=Net Profit before Tax less Tax=Net Profit after Tax.
- Admin expenses can be divided into following groups:-
 - Selling & distribution expenses
 - Management expenses
 - Financial Expenses
 - Maintenance & Depreciation
- ❖ Selling & distribution expenses- large expenses under this head shows competition and dependence on ads etc.
- ❖ Management expenses- they should more or less should remain static.
- ❖ Financial Expenses – give and idea about dependence on borrowed funds
- ❖ Maintenance & Depreciation- We may get clue about condition of machinery/ fixed assets – depreciation provided should be adequate considering nature and life of the concerned asset.

Analysis of Financial Statements

- Variations in equity positions-a rise in capital showing a tendency to replace the external borrowings from surplus earnings is a healthy sign
- Rise or fall in turnover indicating rise or fall in revenue
- Profitability trends in relation to Capital, debt, net worth, purchases or sales etc.
- Policy of extending credit or receiving credit
- Whether earning retained in the business
- Liquidity position of the enterprise
- Diversion of funds causing strain on current operations
- Using short term funds for long term requirements
- Maintaining financial leverage in owned funds and borrowed funds
- Whether expenses level is high vis-à-vis the income
- Whether provision are made for expenses and contingencies
- Whether adequate depreciation is charged.
- Whether movement of inventory is fast
- Is there any qualification in the auditors certificate
- What are the contingent liabilities?
- How the stock are valued
- Are the sales manipulated to achieve projected sales?

RATIO ANALYSIS

Uses of RATIO Analysis

- Trend Analysis
- Inter-Firm Comparison (Common Size Statements)
- Comparison of items within a single year's financial statements of a firm
- Comparison with standards or plans or industry statistics

- Ratios, by themselves, are not an end but only one of the means of understanding the financial health of a business entity.

MAJOR RATIOS TO BE CONSIDERED

- ❖ Liquidity ratios
- ❖ Solvency ratios
- ❖ Profitability ratios
- ❖ Coverage ratios
- ❖ Activity ratios

Liquidity Ratio

- Measures the short term ability of the enterprise to pay its maturing obligations and to meet unexpected needs for cash

Current Ratio

$$CR = \frac{\text{current asset}}{\text{Current Liabilities}}$$

- Measures short-term liquidity
- More the CR, greater will be the short-term liquidity – (composition of current assets)
- Higher CR is good from Creditors' point of view
- Very high CR may affect profitability in the long run.

Interpretation of Current Ratio

- Minimum CR is 1:1 (MSMEs)
- CR Equal to or above 1.33 : 1 (Benchmark)
- An equal increase in both CA & CL would decrease CR
- An equal decrease in both CA & CL would increase CR
- An increase in CA and decrease in CL would increase CR
- Susceptible to "Window Dressing"
- It shows liquidity at a particular point of time only (i.e., BS date)
- Our Bank permits CR up to 0.70 for specific industries with approval of deviation by appropriate authority.

Acid Test (Quick) Ratio

$$QR = \frac{\text{Quick Current Assets}}{\text{Current Liabilities}}$$

Current Liabilities

- QR is a refinement of CR
- stringent measure of liquidity
- Cash + investment marketable + BR + S Debtors
- Shows instant liquidity position
- Extent to which liquid resources are immediately available to meet current obligations
- Higher the Q R , greater would be the liquidity of the enterprise
- Ratio of at least 0.8 to 1 is desirable

Net Working Capital

- $NWC = \text{Total Current Assets} - \text{Total Current Liabilities}$
- NWC represents excess of CA over CL
- Portion of current assets funded from long term sources.
- The greater the amount of NWC , the more would be the liquidity of the enterprise

Solvency Ratio

- Measures the ability of the enterprise to survive over a long period of time.
- Who Cares
 - Long term creditors and stock holders

DER - Debt Equity Ratio

- $$TOL/TNW = \frac{\text{Total outside Liability (TOL)}}{\text{Tangible Net worth (TNW)}}$$
- TOL includes both long-term & short-term Debts
- Lower the DER , Higher the protection enjoyed by the creditors
- DER of 4 : 1 for MSMEs
- Maximum Deviation permitted by the board is 5.

Interpretation of DER

- Higher the DER , the greater is the risk for creditors as well as owners
- A low DER indicates a higher stake of the owners & sufficient margin for the creditors
- An ideal 2 : 1 DER means that the contribution of the creditors is twice as that of the owners
- Higher DER is likely to add pressure on earnings by the firm
- More interference by the creditors in the management of the firm if DER is too high
- The firm may find it difficult to borrow additional funds if DER is very high

Funded Debt - Equity Ratio (FDER)-

$$FDER = \frac{\text{Long-term Debts}}{\text{Equity}}$$

DEBT SERVICE COVERAGE RATIO:

This ratio is one of the most important one which indicates the ability of an enterprise to meet its liabilities by way of payment of installments of Term Loans and Interest thereon from out of the cash accruals and forms the basis for fixation of the repayment schedule in respect of the Term Loans raised for a project. *(The Ideal DSCR Ratio is considered to be 2)*

PAT + Depr. + Annual Interest on Long Term Loans & Liabilities

Annual interest on Long Term Loans & Liabilities + Annual Installments payable on Long Term Loans & Liabilities

(Where PAT is Profit after Tax and Depr. is Depreciation)
1.5 to 2 is reasonable

Interest Coverage Ratio

As per credit Policy:

- ICR= $\frac{\text{Profit after tax + Depreciation + Interest cost}}{\text{Interest cost}}$
- Benchmark is 1.5 or above. Higher ratio is always better
- The higher the ratio, the more secure is the lender in respect of his periodical interest income.
- To assess Debt capacity of a firm.
- Too high a ratio may imply unused Debt Capacity
- A low ratio is a danger signal as it reflects the firm's inability to service interest due to loans

Profitability Ratio

- Measure the income or operating success of an enterprise for a given period of time.
- Who Cares : Everybody
- Why : A company's income affects
 - ❖ Its ability to obtain debt & equity finance
 - ❖ Its liquidity position
 - ❖ Its ability to grow

Gross Profit Margin Ratio (GPMR)

$$\text{GPR} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

- Gross profit = Sales - Cost of Goods Sold
- Ratio shows the margin left after meeting manufacturing costs
- It measures the efficiency of production & Pricing
- Higher the ratio, better is the inference

Net Profit Margin Ratio (NPMR)

$$\text{NPMR} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

- Profit after Interest & taxes is taken as Net Profit
- Higher Ratio is better
- It measures the overall efficiency of production , administration , Selling , financing , pricing & Tax managements_

RETURN ON ASSETS:

$$\frac{\text{Net Profit after Taxes}}{\text{Total Assets}}$$

RETURN ON CAPITAL EMPLOYED:

$$(\text{Net Profit before Interest \& Tax} / \text{Average Capital Employed}) \times 100$$

Average Capital Employed is the average of the *equity share capital* and *long term funds* provided by the owners and the creditors of the firm. Or alternatively it is total assets – current liabilities

$$\text{RETRUN ON EQUITY CAPITAL (ROE): } \text{Net Profit after Taxes} / \text{Tangible Net Worth}$$

STOCK/INVENTORY TURNOVER RATIO:

$$\begin{aligned} & (\text{Average Inventory/Sales}) \times 365 \quad \text{for days} \\ & (\text{Average Inventory/Sales}) \times 52 \quad \text{for weeks} \\ & (\text{Average Inventory/Sales}) \times 12 \quad \text{for months} \\ \text{Average Inventory or Stocks} &= \frac{(\text{Opening Stock} + \text{Closing Stock})}{2} \end{aligned}$$

This ratio indicates the number of times the inventory is rotated during the relevant accounting period Eg:

$$(1) 20/100 \times 365 = 73 \quad (2) 25/135 \times 365 = 68$$

DEBTORS TURNOVER RATIO: This is also called Debtors Velocity or Average Collection Period or Period of Credit given.

$$\begin{aligned} & (\text{Average Debtors/Sales}) \times 365 \text{ for days} \\ & \quad \quad \quad (52 \text{ for weeks \& } 12 \text{ for months}) \end{aligned}$$

ASSET TURNOVER RATIO: Net Sales/Tangible Assets

FIXED ASSET TURNOVER RATIO: Net Sales /Fixed Assets

CURRENT ASSET TURNOVER RATIO: Net Sales / Current Assets

CREDITORS TURNOVER RATIO: This is also called Creditors Velocity Ratio, which determines the creditor payment period.

$$(\text{Average Creditors/Purchases}) \times 365 \text{ for days (52 for weeks \& } 12 \text{ for month}$$

Exercise

How will the current ratio move in each of the following cases?

- a) Payment of current liability
- b) Purchase of fixed assets
- c) Cash collected from customers
- d) Bills receivable dishonored
- e) Issue of new shares

Answer

- a) Improve
- b) Decline
- c) No change
- d) No change
- e) Improve

a) Suppose CA=100000 and CL=50000

CR=2 (Now CL of 10000 is paid off)

Now CA-100000-10000=90000

CL=50000-10000=40000

CR-90000/40000=2.25

Hence-Improve

- b) Fixed Asset increased by Rs.20000/- Suppose.... hence current assets (cash) decreased by Rs.20000/-
Hence CR will **Decline**
- c) Result in increase in cash but equivalent decrease in debtors. Hence no change in current assets. Hence no **change in CR**
- d) **No change as** BR is reduced but equivalent amount of debtors will increase. Hence total CA remain same
- e) **Improve as** the issue of shares will increase cash in bank or Current assets with same CL.

CHAPTER 13

Preventive Vigilance

WHAT IS VIGILANCE?

Vigilance in common parlance means

“Keeping careful watch for possible danger or difficulties”.

It includes

Alertness

Consciousness and Watchfulness...

Major limbs of vigilance

- **PREVENTIVE VIGILANCE**
- **DETECTIVE VIGILANCE**
- **PUNITIVE VIGILANCE**

OBJECTIVES OF PREVENTIVE VIGILANCE

- Exercising watchfulness and diligence by all employees so as to prevent happening of any untoward incidents that may adversely affect financial or reputational implications for the organization.
- To ensure strict adherence to integrity by all employees and bank's laid down policies, systems and procedures so that bank's interest is protected.
- Preventive vigilance sets up procedures and systems to restrain the acts of wrong doing.
- Restrain the misconduct in the various areas of the functioning of any organization.

PREVENTIVE VIGILANCE

- Ensure to conduct fraud prevention committee meeting every month and all fraud related issues/instructions must be discussed with staff and maintain record.
- This meeting is also to be used for discussing modus operandi of frauds, rectification of persisting audit irregularities, compliance to laid down systems/procedures, etc. and submission of minutes thereof regularly and follow up for deficiencies observed.

OPERATIONAL RISK IDENTIFIED BY BASEL COMMITTEE

1. Internal Frauds.
2. External Frauds.
3. Employment Practices and Workplace Safety.
4. Clients, Products and Business Practices.
5. Damage to Physical Assets.
6. Business Disruption and System Failure.
7. Execution, Delivery & Process Management

TYPES OF BANK FRAUDS

Some of the types of Bank frauds are:

1. Using Stolen Cheques
2. Forgery and altered cheques
3. Accounting frauds

4. Fraudulent Loans
5. Fraudulent Loan Application
6. Forged or fraudulent documents
7. On line Banking Frauds
8. Card Frauds

***SOME BASIC POINTS TO
REMEMBER***

CRITICAL AREAS

- PASSWORD SECURITY:

- a) Maintenance of Password Secrecy;
- b) Change of password regularly;
- c) Do not allow anybody watch your password;
- d) Separate password for each programme;
- e) Ensure your password not used in your absence.

- VOUCHER VERIFICATION:

- a) Checking of day end reports
- b) Transfer vouchers checking
- c) Missing vouchers to be retrieved
- d) Safe keeping of vouchers.

- OFFICE ACCOUNTS:

- a) Control over the reconciliation of all system related office accounts.
- b) Scrutinize the vouchers properly to identify the debits to Gensus and other Office Accounts.

- DEPOSIT ACCOUNTS

- a) Return of undelivered cheque books. Account should be stopped or information should be given to customer.
- b) ATM Card issued in individual name in a Corporate Account.
- c) Huge withdrawal not monitored in new accounts.
- d) Signature not verified at the time of debiting the account.
- e) Failed to take adequate precautions like identification of payee, enquiry about the large credits to a new account.
- f) Heavy transaction in new account not monitored / reported properly.
- g) At the time of first huge withdrawal, customer was not enquired though he was present and subsequently so many withdrawals from the new account.
- h) TDR Certificate not obtained / request letter not obtained at the time of premature closure.

- CASH DEPARTMENT:

- a) Daily verification of cash balances not done by official.
- b) Re-counting of note packets / loose notes not done by official.
- c) Bi-Monthly verification of cash balance not carried out.
- d) Retention limit not taken care.
- e) Entries made in cash department in various ledgers /pass book not verified.
- f) Counting of Soiled / Mutilated Notes not being done regularly.

BRANCH SECURITY

- There should be only single entry / exit point in the branch.
- Only staff is permitted to enter the branch premises before the commencement of working hours.
- Ensure adherence of cash retention limit strictly.
- The main gate must be closed at the time of withdrawal / deposit of cash from / in the strong room.
- Ensure that both doors of the strong room are closed and locked by the joint custodians each time cash transaction from the strong room is completed.
- Time lock, where provided, must be used as per instructions.
- Bank staff should be briefed regarding modus operandi of the criminals. They should observe simple precautions like keeping the cash cabins locked at all times when cash is kept inside. Cash boxes should be locked and chained in the cashier's cabin. The cashier cabin must have automatic lock.
- The cash area must be segregated from the banking hall to prevent any outsider to enter.
- Branch Head must check CCTV recording every day.
- All the security gadgets must be given power supply through UPS to ensure that they are kept on 24 X 7.
- The Alarm system should always be functional and checked daily.
- All the sensors and switches must be appropriately fixed. One panic switch must be installed inside the strong room.
- CCTV must be installed in the branch. It should be ensured that one camera is fitted inside the strong room focused on cash safe.
- No unauthorized person should enter the Cash Department.

- One camera covering the entry / exit of strong room and PIR sensor must be installed inside the strong room.
- The information about remittances should be strictly confidential.
- Ensure Gun licenses are renewed in time.
- The collapsible doors should be duly chained where applicable.

PREVENTIVE VIGILANCE

- Ensuring proper handing over/taking over of charge at the Branches by the Branch Manager/Designated authorities.
- Ensuring submission of monthly sanction reports in the form of PSRS statement by the Branches and proper scrutiny and follow-up for the deficiencies observed, if any.
- Second cancellation / signing authority must verify instrument before cancellation / signing from the account opening form.

ENSURING DAILY DRILL OF MONITORING OF CRITICAL ACTIVITIES

- Monitoring of newly opened S B & C D accounts for adhering to KYC norms.
- Monitoring of issue of cheque-book on loose requisition slips.
- Reconciliation of ATM/ Credit Cards/ Pin Mailer
- Monitoring of Sensitive Stationery / Record
- Verification of address proof immediately after opening of accounts, by sending letter of thanks by post to the account holder
- Keeping check on frequent sanction of TOD/TOL at Branch level within/exceeding delegated authority.
- Ensuring periodical rotation of staff members in the sensitive seats

- Ensuring provision of Ultra Violet Lamps at all Branches and effective use of the same for scrutiny of the cheques before effecting payment.
- Ensuring mentioning of the correct number and name of the account at the time effecting RTGS/NEFT transfers by the Branches.

CHEQUE RELATED FRAUD-Prevention Measures

- Branches under CTS clearing should advise all the dealing staff that after uploading of clearing cheques above Rs.2.00 lakh the concerned branches should call the drawers/customers to establish the genuineness of the cheque/instrument.
- For non-CTS centres, the limit for verification of genuineness of the cheque presented in the clearing at non-home branches shall be Rs0.50lakhs.
- Branches to ensure updating of mobile numbers in all accounts for SMS alert and also sensitize the customers, for immediately reverting back to the branch/bank upon receipt of SMS alert regarding unauthorized debit.
- Request for additional cheque books to be cross verified with the customers, more particularly in the case of non-individual accounts.
- Signature must be meticulously verified to avoid fake customers. Sometimes signature of drawer might be scanned and pasted on the instrument.
- While passing high value cheque for cash withdrawals, past transactions in the account to be checked and unusual withdrawals if any, should be confirmed for genuineness.

ADVANCES

- Proper Pre-sanction to be carried out.
- Land records etc. to be examined by the bank's advocate.
- Proper assessment should be done.

- The scheme financed should be under Bank's Scheme.
- No-dues certificate from the other credit institutions should be obtained.
- Insurance for the full value of the security
- Timely review
- Correct rate of interest to be fed.
- Periodical inspections to be carried out.

PREVENTIVE VIGILANCE

- Ensuring disbursement of loans by way of PO/DDs drawn in favour of sellers/builders etc. by specifically mentioning their Bank/Branch name, account number and also ensuring handing over / sending by Regd. Post with AD of such PO/DDs directly to them.
- Ensuring registration of all EQMs created, with CERSAI immediately upon creation
- Generation of CIBIL report, RBI/ECGC Defaulters' List and scrutiny thereof before consideration of any proposal
- Exercising due diligence by inspecting the property to be mortgaged, by 2 officials independently when the proposed loan amount exceeds Rs.5 lakh and ensuring inspection of such property at least once in a year
- Ensuring obtention of NOCs, wherever applicable, from appropriate authority (such as MIDC, DDA, PCB, Town Panchayat etc.) for running the unit and/or creation of EQM of leased property, before sanction/disbursement of loan amount.

FIRE SAFETY PRECAUTIONS

- Some of the branches are using wall fans, AC units etc. through UPS power supply for their convenience/comfort and due to continuous running/overheating of these equipments, number of fire incidents are taking

place. This is a big fire risk and many fire incidents have occurred through these equipments.

- UPS back up should only be given to computers, security gadgets, printers etc., and no UPS back up should be given to wall fans, AC units etc.
- It should be ensured that all electrical points are shut down before leaving/closing the branch except UPS power supply.
- Electric audit of branches should be done once in 5 years and rectification work must be completed in time bound manner.
- Fire alarm system with auto dialer must have been provided to all branches/Offices. It should be checked at least once every 15days and also when vendor come for AMC and must ensure that fire alarm system is functional at all times.
- UPS/Battery room should be kept neat and clean. Storage and dumping of unwanted materials should not be permitted in UPS/Battery room under any circumstances. Proper ventilation/air circulation like exhaust fan etc. should be provided for preventing the Hydrogen Gas(H₂) (Explosive gas) accumulation in the UPS & battery room.
- Automatic modular type fire extinguisher (DCP/ABC) should be provided for UPS/battery room.
- All fire extinguishers should be updated and ensured that they are kept in proper location and easily accessible and staff members should be aware of the use of fire extinguishers.

CONCLUSION

- Function within your Delegated Authority and avoid Staff Accountability and subsequent penal actions.
- Safeguard the interest of bank's interests from frauds.
- **PREVENTION IS BETTER THAN CURE**

CHAPTER 14

PRIORITY SECTOR, AGRICULTURE & ALLIED PRODUCTS – PART I

PRIORITY SECTOR

Priority Sector Lending:

Priority Sector lending includes only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are Employment - Intensive such as Agriculture, Micro, Small and Medium Enterprises.

Categories under Priority Sector:

- Agriculture
- Micro, Small & Medium Enterprises
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others

Targets for Banks Sector Wise

	Domestic Bank & Foreign Bank >20 Branches	Foreign Bank with less than 20 branches
Priority Sector	40% of ANBC OR CREDIT Equivalent amount Of Off B/S exposure whichever is higher	40% of ANBC or CEA OBS exposure by March 2020
Agriculture	18% of ANBC or CEA OBS exposure whichever is higher within the 18%, a target of 8% of ANBC or CEA OBS whichever is higher, is prescribed for Small & Marginal Farmer	Not Applicable
Weaker Section	10% of ANBC OR CREDIT Equivalent amount Of Off B/S exposure whichever is higher	Not Applicable
Micro Enterprises	7.5% of ANBC OR CREDIT Equivalent amount Of Off B/S exposure whichever is higher	Not Applicable

Adjusted Net Bank Credit:

1. BANK CREDIT IN INDIA (under Section 42 (2) of the RBI Act, 1934
2. Bills Rediscounted with RBI and other approved Financial Institutions +Advances extended in India against the incremental FCNR (B)/NRE Deposit
3. Bonds/debenture in Non SLR categories under HTM category + other investment eligible to be treated as P/S + Deposits with MUDRA,NABARD etc. + outstanding amount of PSLCs

Adjusted Net Bank Credit = 1 – 2 + 3

Agriculture Farm Credit

1. Loans to individual farmers(including SHGs or JLGs provided banks maintain disaggregated data of such loans) & Proprietorship firms of farmers, directly engaged in Agriculture and Allied Activities, viz., dairy, fishery animal husbandry Poultry, Bee Keeping & Sericulture. This will include:
 - I. Crop loans to farmers which will include traditional, non-traditional horticulture & plantation & loans for allied activities
 - II. Medium and long term loans to farmers for agriculture & allied activities
 - III. Loans for pre and post-harvest activities
 - IV. Loans to farmers up to 50 lakh against pledge / hypothecation of, agricultural produce including (warehouse receipts) for a period not exceeding 12 months.
 - V. Loans to distressed farmers indebted to non-institutional lenders up to 1.00 lakh
 - VI. Loans to small and marginal farmers for purchase of land for agriculture purpose.
 - VII. Loans to farmers under KCC scheme
2. Loans to corporate farmers, companies of Individual farmers, partnership firms & co-operatives of farmers directly engaged in Agri and Allied activities to an aggregate limit of Rs. 2.00 Crore per Borrower. This will include
 - a) Crop loans to farmers including traditional& non-traditional plantations, horticulture and loans for allied activities
 - b) Medium and long – term loans to farmers for agriculture & allied activities
 - c) Loans to farmers for pre & post-harvest activities
 - d) Loans up to Rs. 50.00 lakh against pledge/ hypothecation of agricultural produce including warehouse receipts for period

Loans to Farmers producer (cos):

Loans to farmer's producer companies of individual farmers, co-operatives of farmers directly in Agriculture Allied engaged and activities where the membership of Small and Marginal Farmers is not less than 75 % by number and whose land holding share is also not less than 75% of the total land-holding.

Farmers with land holding up to 1 hectare are called Marginal farmer and land holding of more than 1 hectare and up to 2 hectares are termed as Small Farmers

Agriculture Infrastructure

- Loans for construction of storage facilities.
- Soil conservation and watershed development
- Plant tissue culture and Agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizers.
- For above loans, an aggregate sanctioned limit of ₹ 100 Cr. per borrower from the banking system, will apply

Ancillary Activities

- Loans up to Rs. 5 crore to co-operative societies of farmers for disposing of the produce of members.
- Loans for setting up of Agri clinics and Agribusiness Centres.
- Loans for Food and Agro-processing up to an aggregate sanctioned limit of Rs. 100 crore per
- Bank loans to Primary Agriculture Credit Societies, Farmers Service Societies
- Outstanding deposits kept with under RIDF and other eligible funds with NABARD / NHB/ SIDBI / MUDRA Ltd. for not achieving Priority Sector target is calculated as at average of each quarter under P/S for entire financial year.

Micro, Small & Medium Enterprises

Bank Loans to Micro, Small and Medium Enterprises for investment in plant and machinery / equipment for manufacturing / service enterprises are eligible to be classified under the Priority Sector.

Manufacturing Sectors Enterprises: •The MSME engaged in the manufacturing or production of goods to any industry specified in the first schedule to the Industries (Development & Regulation) Act 1951 & as notified by the Government from time to time.

The manufacturing enterprises are defined in terms of investment in plant & machinery.

Investment in plant & machinery does not exceed

- a. Rs. 25.00 lakh for Micro Enterprises.
- b. More than Rs. 25.00 lakh but not more than Rs. 5.00 Cr for -- Small enterprises.
- c. More than Rs. 5.00 Cr but not exceeding Rs. 10.00 Cr for -- Medium Enterprises.

Service sector enterprises: All bank loans to MSMEs engaged in providing or rendering of services, as defined in terms of Investment in equipment under MSMED Act 2006, shall qualify under priority sector without any credit cap.

Investment in plant & machinery does not exceed

- a. Does not exceed Rs. 10.00 lakh for Micro Enterprises.
- b. More than Rs.10.00 lakh but not exceeding Rs. 2.00 Cr for small enterprises.
- c. More than Rs. 2.00 Cr but not exceed Rs. 5.00 Cr for medium enterprises.

Loans given to these sectors are eligible to be classified under priority sector as per following norms.

OTHER FINANCE TO MSMEs

- Loans to entities involved in assisting the decentralized sectors in the supply of inputs to & marketing of outputs of, artisan's village & cottage industries.
- Loans to co-operatives of producers in the decentralized sectors viz. artisans, village & cottage industries.
- Loans sanctioned by banks to MFIs for on – lending to MSME sector as per certain conditions
- Credit outstanding under General credit cards (including Artisan card, Laghu udyami card, Swarojgar credit card & Weavers card etc. in existence & catering to the non-farm entrepreneurial credit needs of individuals)
- O/D extended by banks up to Rs. 10,000/- under PMJDY for age group 18-65 years will qualify as achievement of the target for lending to Micro Enterprises.
- Outstanding deposits with SIDBI & MUDRA Ltd. on account of priority sector shortfall.

Khadi & Village Industries Sectors

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

Factoring Transactions

Factoring transaction on (with recourse) basis by bank, which carry out the business of factoring departmentally, wherever the assignor is M S M E subject to corresponding limits for investment in plant & machinery / equipment & extant guidelines for priority sector classification. Such outstanding factoring portfolio may be classified under MSME category on reporting dates.

Factoring transaction taking place through the Trade Receivables Discounting System (TReDS) shall also be eligible for classification under priority sector. MSMEs have right to choose the best Bid.

Further the factor must intimate the limits sanctioned to the borrower and details of debts factored to the banks concerned, taking responsibility to avoid double financing.

Export Credit

- For Domestic Branches – International export over corresponding date of the preceding year, up to 2% of ANBC or credit equivalent amount of off Balance Sheet Exposure whichever is higher, effective from 1st April 2015 subject to sanctioned limit of up to Rs.40.00 Cr per borrower
- Foreign Banks with 20 branches & above, International export credit over corresponding date of the preceding year, up to 2% of ANBC or Credit Equivalent Amount of Off Balance Sheet Exposure whichever is higher, effective from 1st April 2017.
- Foreign banks with less than 20 branches, Export credit will be allowed up to 32% of ANBC or Credit Equivalent Amount of Off Balance Sheet Exposure, whichever is higher.

>Export Credit is not a separate category.

>Export Credit includes pre-shipment and post-shipment excluding off-balance items.

Education

Loans to individuals for educational purposes including loans for vocational courses Rs. 10 lakhs o/s irrespective of

Housing Loan

- Loans to individuals for purchase or construction
 - In Metros population 10 lakh & above – Rs. 35 lakh
 - In other than Metro Centres - Rs. 25 lakh

Provided the overall cost of the dwelling unit does not exceed Rs. 45 lakh & Rs. 30 lakh respectively

- Loans for Repairing of damaged units
 - In Metro Centres – Rs. 5 lakh
 - In Other Centres- Rs. 2 lakh
- Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of Rs. 10 lakh per dwelling unit.
- Outstanding deposits with NHB – National Housing Bank.

- The loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses for EWS & LIG, the total cost per unit does not exceed Rs. 10 lakhs and income criteria for EWS is Rs. 3.00 lakhs and for LIG it is Rs. 6.00 lakh and this criteria is as per PMAY for Economically Weaker Section
- Bank loans to Housing Finance Companies, approved by NHB for their re-finance. It is for on- lending for the purpose of purchase / construction / reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers. This is subject to an aggregate limit of Rs. 20 Lacs per borrower.

Social Infrastructure

Bank loans up to a limit of Rs. 5 crore per borrower for building social infrastructure for activities viz. schools, health care facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centres.

Bank credit to MFIs extended for on -lending to individuals and also to members of SHGs / JLGs for water and sanitation facilities will be eligible for categorization as Priority Sector subject to compliance of certain terms.

Population on the basis of Tiers:

Tier 1	1 lakh and above
Tier 2	50,000 to < 1 lakh
Tier 3	20,000 to < 50,000
Tier 4	10,000 to < 20,000
Tier 5	5,000 to < 10,000
Tier 6	< 5,000

Renewable Energy

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

Others

- Loans not exceeding Rs. 50,000/- per borrower is provided directly to individual households, where annual income does not exceed Rs. 1.00 lakh and Rs. 1.60 lakh in Rural and non-rural areas, respectively.
- Loans to distressed persons not exceeding Rs. 1.00 lakh to repay debt to non-institutional lenders.
- Loans sanctioned, to State Sponsored Organizations for Schedule Castes / Scheduled Tribes for the specific purpose of purchase and supply of inputs and / or marketing of the outputs of the beneficiaries of these organizations, will come under Priority Sector.

Weaker Sections – Category: It includes

1. Small and Marginal Farmers
2. Artisans, village and cottage industries where individual credit limits do not exceed Rs. 1 lakh
3. Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
4. Scheduled Castes and Scheduled Tribes
5. Beneficiaries of Differential Rate of Interest (DRI) scheme
6. Self Help Groups
7. Distressed farmers indebted to non-institutional lenders
8. Distressed persons other than farmers, with loan amount not exceeding Rs. 1 lakh per borrower to prepay their debt to non-institutional lenders
9. Individual women beneficiaries up to Rs. 1 lakh per borrower
10. Persons with disabilities
11. Overdraft limit to PMJDY account holder up to Rs. 10,000/- with age limit of 18-65 years.
12. Minority communities as may be notified by Government of India from time to time.

Bank Loans to MFIs For On-Lending

- Bank credit to MFIs extended for onward lending to individuals and also to members of SHGs / JLGs will be eligible for P/S advance under respective categories viz. Agri, MSME, Social Infrastructure & others, provided not less than 85% of total assets of MFI (other than cash, balances with banks and F.Is., government securities & money market instruments) are in the nature of `qualifying assets.
- In addition, aggregate amount of loan, extended for income generating activity, should not be less than 50% of total loans given by MFIs.
- A Qualifying asset shall mean a loan disbursed by MFI which satisfies the following criteria -
 1. Income Criteria- household income does not exceed Rs. 1.25 Lakh for rural & Rs. 2.00 Lacs for Urban
 2. Loan does not exceed Rs. 75000/- in the first cycle & Rs. 1.25 Lakh for subsequent cycle.
 3. Total indebtedness of borrower should not exceed Rs. 1.25 lakh.

4. Tenure of loan should not be less than 24 months. When loan amount exceeds Rs. 30,000/, borrower has the right for prepayment without any penalty.
 5. The Loan is without collateral.
- Loan is repayable by weekly, fortnightly or monthly installments at the choice of borrower.
 - **Margin Cap** -The Margin should not exceed 10% for MFIs having loan portfolio exceeding Rs. 100.00 Cr and 12% for others.
 - Interest income is calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets & Interest cost is to calculated on average fortnightly balances of outstanding borrowings
 - **Interest Cap** Interest cap on Individual loans: w.e.f. April 2014 interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less. PPC fee should not exceed 1% of gross loan amount
 - **Regulatory Conditions**
 - There should not be any penalty for delayed payment
 - No Security Deposit/Margin is to be taken.
 - The bank should obtain CA Certificate from
 - MFI at the end of each quarter stating inter- alia that criteria on – Qualifying assets, the aggregate amount of loan extended for income generation activity, pricing guidelines are followed.

CHAPTER 15

PRIORITY SECTOR, AGRICULTURE & ALLIED PRODUCTS – PART II

1. KCC – Objectives

KCC scheme aims at providing adequate and timely credit support from the banking system under a single window to the farmers, for their cultivation and other needs, as mentioned below:

–

- 1) To meet the short term requirements for cultivation of crops, including Fodder Crops
 - 2) Post-harvest expenses
 - 3) Produce Marketing Loans
 - 4) Consumption requirements of farmer household
 - 5) Working Capital for maintenance of farm assets & allied activities allied to Agriculture like dairy animals, inland fisheries etc.
 - 6) Investment credit requirement for agriculture, and allied activities like pump sets, sprayers, dairy animals etc.
- Aggregate components from 1 to 5 above -will form short term credit limit portion; and aggregate components under (6) above, will form the long term credit limit portion.

Eligibility

- ✓ All farmers – individuals / joint borrowers who are owner cultivators
- ✓ Tenant farmers, oral lessees and share croppers
- ✓ SHG or Joint Liability Groups of farmers etc.

Fixation of Limit

- All farmers other than marginal farmers
- The short term limit to be arrived at for the first year for farmers raising single crop in a year, under KCC and farmers raising more than one crop will also be clubbed for deriving at KCC limit.
- The limit for marginal farmer be fixed between 10 & 50 thousand in general.

Limit calculation

- {Scale of Finance for the crop (*as decided by DLTC / ZM*) X Extent of area cultivated}
 - + 10% of limit towards post-harvest and household consumption requirements
 - + 20% of limit towards repairs & maintenance expenses of farm assets
 - + Crop insurance, PAIS & Asset insurance
- KCC Limit ---> Total = (a + b + c + d)
- Limit for second year will be arrived by adding 10% on first year's limit towards cost escalation / increase in scale of finance and in the same way for every successive years i.e. up to five years.

- Loan against Warehouse receipts

- In case farmer applies for a loan against Warehouse receipt of his farm produce, branch may consider such request for Net amount after taking into account the outstanding crop loan in respect of the concerned farm produce



Presently it is maximum ₹ 50.00 lakhs, subject to appropriate margin and repayable within 12 months

Term Loan

- ❖ Term loans for investments towards land development, minor irrigation, purchase of farm equipment and allied agricultural activities
- ❖ The branches may fix the quantum of credit for term and working capital limits for agricultural and allied activities etc. based on the unit cost of the asset/s proposed to be acquired by the farmer

Repayment

- ✓ The term loan component will be normally repayable within a maximum period of 9 years depending on the type of activity
- ✓ We may provide longer repayment period for term loan depending on the type of investment and life of asset financed

MPL

Maximum Permissible Limit (MPL) will be -

Sum of short term limit derived for the fifth year

Plus the estimated long term loan component.

This would be treated as MPL / KCC Limit Accounts



Separate accounts will be opened for both the facilities



Drawing limit for the short term cash credit should be fixed on the basis of cropping pattern

- Term loan installments may be allowed to be withdrawn based on the nature of investment and repayment schedule drawn as per the economic life of the proposed investments.
- It is to be ensured that at any point of time , the total liability should be within the drawing limit , of the concerned year
- Whenever the card limit / liability so arrived at warrants additional security. The branches may take suitable collateral as per extant guidelines under security norms

Margin

- For crop loan, there is no separate margin, as margin is in-built, while fixing the limit.
- For term loan, it is Nil up to ₹ 1.60 lakhs
- Above this amount it should be 15% to 25%

Disbursement

- The short term component of the KCC limit is in the nature of revolving cash credit facility.
- There should be no restriction in the number of debits and credits
- Each installment of the drawable limit drawn in a particular year shall have to paid within 12 months period

Repayment

- The KCC is given as `revolving cash credit` to be reviewed within 12 months.

- If short term credit is not repaid within 12 months, then it will be treated as out of order. If out of order position remains continued for two crop seasons, then account will be treated as NPA.
- For long duration crops branches should stipulate a due date, as per guidelines of SLBC.

Security

- ✓ As per applicable guidelines of RBI
- ✓ Presently for limit up to ₹ 1.60 lakhs - hypothecation of crops only, and wherever Tie-up arrangements are allowed / exists, hypothecation of crops up to limit of ₹ 3.00 lakhs may be allowed (i.e. sugar mills).
- ✓ Collateral security by way of charge / mortgage of agricultural land to be obtained for limits above ₹ 1.60 lakhs in case of non-tie-up ;and above ₹ 3.00 lakhs in case of tie -up advances
- ✓ In states where bank has the facility of on-line creation of charge on the land records, the same shall be ensured

Other Features

- 1) No processing fee should be charged up to card limit of ₹ 3.00 Lakhs.
- 2) Search to be obtained for thirteen years for loan amount up to ₹ 1.00 Cr.
- 3) Above ₹ 1.00 Cr, this period is 30 years.
- 4) One time documentation for full amount of aggregate limit at the time of first avilment, and thereafter simple declaration about crops raised.
- 5) The KCC holder should have the option to take the benefit of Crop Insurance, Assets Insurance, PAIS.

- 6) Necessary premium will have to be paid on the basis of agreed ratio, between bank and farmer to the insurance companies from KCC account.
- 7) Farmers beneficiaries should be made aware of the insurance cover available and their consent is to be obtained at the application stage itself.
- 8) Credit balance in KCC account is eligible for payment of interest at applicable S/B rate.

Interest Subvention

- Interest subvention / Incentive for prompt repayment as advised by Government of India and / or State Government from time to time, shall be available.
- We should appraise the farmers at the time of sanctioning / disbursing the credit limit.

Operations

Farmer can withdraw amount by using any of following delivery channels -

- Operation through branch
- Operation using cheque facility
- Withdrawal through ATM / Debit cards
- Through B.C. / Ultra Small branches
- Through Point Of Sale available with input dealers / Sugar Mills
- Mobile based transfer transaction at agricultural input dealers and mandies (markets)

Validity / Renewal

- ✓ The KCC is valid for 5 years subject to an annual review of the account.
- ✓ The review may result in continuation of facility, enhancement of the limit or cancellation of the limit.
- ✓ When branch has granted extension and / or reschedulement of

the period of repayment on account of natural calamities affecting the farmer when proposed extension is beyond one crop season, the aggregate of debits for which extension is granted is to be transferred to a separate term loan account with stipulation for repayment in installments.

2. Farm Mechanization

- Purpose: For purchase of new or second hand tractor, power tiller, power thresher, sprayer, other equipment, pickup vans, jeeps, two wheeler, bullock cart etc.
- Eligibility: Individual farmer having 8 acres of perennially irrigated land for tractor, and 5 acres for power tillers.

Relaxation

- Depending upon the scope of hiring and cropping pattern, relaxation in land holding criteria may be considered, with prior permission of ZM
- For tractor loan we can go up to 5 acres of land &
- For power tiller up to 3 acres of land.
- Under both the conditions land should be perennially irrigated.
- Please refer to Branch Cir No 90/160 dated 16/12/1996.

Quantum

- As per cost of the vehicle
- It is to be ensured that tractor has commercial test report as per BIS code issued by the Central Farm Machinery Training and Testing Institute (CFMTTI), Budni – M.P.
- The power tiller should have minimum performance standards (MPS) report

Margin

- For New Vehicle loan up to ₹ 1.60 Lakhs - Nil
- Above ₹ 1.60 Lakhs : 15 % to 25%
- Second hand tractor : 33.33%
- Repairs : 25%

Repayment

- New Tractor : 9 Years
- New Power Tiller : 7 Years
- Second Hand Tractor : 4 Years
- Other Machinery : 3 to 5 Years
- Repairs : 3 to 5 years

- Security up to ₹ 1.60 Lakhs - hypothecation of machinery and bank charge to be registered with RTA & above ₹ 1.60 Lakhs Mortgage of land or Declaration as per AG Cr Act or Collateral Security of sufficient worth

Documents

- ✓ Photograph
- ✓ KYC documents
- ✓ Land record
- ✓ Quotation of approved dealer
- ✓ NABARD Guidelines for selection of make MPS & commercial

test report (B C No 101/104 dated 31/08/2007)

3. Minor Irrigation

- Purpose: Lift / Well / Drip Irrigation, Electric motor & Pump set, Diesel engine, construction of pump house / water delivering channel & payment of deposit to electricity department, or any other need based facility to Individual farmers, Group of farmers, Co-operative societies of farmers.
- Branch to follow the region wise NABARD guidelines

Quantum

- As per unit cost approved by NABARD
- Margin up to ₹ 1, 60,000 : NIL
- Loans above ₹ 1, 60,000 : 15% to 25%
- Rate of interest as decided by bank, from to time.
- For loan above ₹ 1, 60,000/ charge on agriculture land or declaration as per AG Credit act or Collateral Security of equal amount along with the Hypothecation of assets created out of bank finance.

Repayment

Activity : Repayment Period : Moratorium

- Dug well & Pump set : 11-15 Yrs. : 23 months
- Deepening of well : 5 yrs. : 11 months
- Pump set / Oil Engine : 9 yrs. : 11 months
- Bore Well : 11-15 yrs. : 11 months
- Sprinkler/Drip Irrigation : 10-15 yrs. : 11 months

➤ Repayment as per cropping pattern

4. Dairy Development

Purpose:

- ❖ To establish small dairy unit with 2 to 4 milch cattle
- ❖ To establish new medium / large/commercial unit
- ❖ Purchase of improved / crossbred milch cattle
- ❖ Collection, processing, distribution of milk & manufacturing of milk products.
- ❖ Construction of cattle shed.

Eligibility

- ✓ Farmer Agricultural Labours, Registered partnership firms, Limited companies, Dairy co-operative societies, SHGs etc.
- ✓ For commercial dairy - project report is necessary
- ✓ Quantum of finance as per unit cost approved by the NABARD
- ✓ Type of facility – Term loan / Working capital

Margin

- Loan above ₹1.60 lakhs to be secured by hypothecation of livestock and mortgage of land or declaration as per AG Cr Act or Collateral security of adequate amount.
- Margin for loan above ₹1.60 lakhs - 15 to 25%.
- Repayment is to be made within 5 to 6 years, with 2 to 3

months moratorium.

- Rate of interest as decided by the bank, from time to time.

6 Poultry Development

Establishment of small poultry unit of 200 to 500 birds as subsidiary occupation by farmers and agricultural labourers.

Registered partnership firms / co-operative societies, limited companies having necessary trained & technical personnel and management experts for running commercial units

Quantum / Margin

- Establishment / expansion of layer farm / broiler farm / hatchery farm
- Establishment / expansion of product - cum - processing units
- Quantum of finance depends upon the type and size of the poultry farm
- Margin for loan above ₹ 1.60 lakhs Hypothecation of livestock and Mortgage of land or declaration as per AG Cr Act or Collateral Security of adequate worth

Repayment

Type of Unit : Repayment : Moratorium

- Layer unit : 6 to 7 Yrs. : 6 to 7 months
- Broiler unit : 6 to 7 Yrs. : 3 months
- Hatchery unit: 6 to 7 Yrs. : 7 to 8 months

Obtain the project report along with land records

6 Land development

- Purpose: For land leveling, reclamation of soil and bonding and any other soil conservation measures.
- Farmers owning land and farmers cultivating registered leased land.
- Quantum of finance will be as estimated cost of the project.
- Repayment within 9 to 15 years with a moratorium up to 23 months.

7 KisanTatkal Loan

- An instant credit for farming community to meet the emergency requirement for agriculture as well as domestic purposes for tiding over temporary difficulties like repairing of farm equipment repairing / construction of cattle shed or house etc.
- Eligibility - existing KCC Individual farmers / JLG
- Composite term loan repayable within 3 to 5 yrs.

Quantum

- Loan amount may be 50% of KCC limit or 25% of annual income whichever is less, subject to minimum ₹ 1,000/ and maximum ₹ 50,000/
- Disbursement to be given after harvest period of crops
- Margin & service charges: Nil

- Extension of existing security.
- Club all the facilities for deciding the ROI.
- Br Cir No 106/117 & 106/129 (for reference)

- 8Agriclinic & Agribusiness centre

- To support the development of agricultural activities in a commercial way, so that farmers can save their time and money both and could get maximum output from their land.
- Since these units are run by agriculture graduates and they provide timely support to the farmer by giving them different machinery on hire basis like sowing machine, spraying machine, harvester, thresher etc. and more importantly soil testing report to farmer.
- With soil report, type of crop to be grown can be decided.
- These professionals also give ideas to market their farm produce to leverage the best market price

Eligibility

- Graduates / Post Graduates / Diploma holders with 50% marks in agriculture and allied subjects.
- Other Degree courses recognized by UGC / Diploma / PG Diploma courses with more than 60% of the course contents in Agriculture and allied subjects after B.Sc. (Bio).
- Agricultural related courses at Intermediate level with at least 55% marks.

Training

- The candidate should have undergone training for setting up of Agri-clinics & Agri-business Centers from National Institute Of Agricultural Extension Management (MANAGE) & must attach the certificate given by the institute with the loan application
- NABARD would be arranging a 2-months long intensive training in accounting & related matters free of cost & would issue a certificate mentioning registration number.

Project Cost

- ✓ For Individual it is ₹ 20 lakhs and ₹ 100 lakhs for group project (Max 5 Persons).
- ✓ Composite facility means term loan & working capital limit for one cycle would be provided.
- ✓ Repayment 5 to 10 years with a moratorium period of 2 years.
- ✓ Nil margin up to ₹ 5.00 lakhs & 15% to 25% above ₹ 5.00 lakhs.

- ✓ 50% of margin stipulated by bank would be provided by NABARD for projects run by SC / ST / NE region / Hill areas / Women Enterprises.
 - ✓ Loan Amount = Total project cost – Margin.
 - ✓ Subsidy is back ended.
 - ✓ Subsidy amount to be kept under Subsidy Reserve Fund as non-interest bearing & can be adjusted after three years or at the end of loan period.
 - ✓ It is 44% for SC / ST / Women / Hill area / N E region and 36% of project cost for others.
 - ✓ The project should be completed within 6 months from the

date of initial disbursement of the loan which may be extended by further 6 months for justified reasons.

- ✓ If the project is not completed within the stipulated time, subsidy will not be available and advance subsidy placed with bank is to be refunded to NABARD.

Security

- No collateral security should be insisted up to ₹ 5.00 lakhs and where cost of investment is less than ₹ 25 lakhs, security norms prescribed by RBI for tiny industries, will be applicable.
- Quarterly inspection by bank and copy to be sent to NABARD & ATMA (Agriculture Technology Management Agency).
- Any adverse feature will result in refund of subsidy to NABARD (cir no 106/130 dated 29/11/2012)

9 BOI Star Mortgage Loan

- ✓ Eligibility - Individual Farmers & Dealers of Agricultural input.
- ✓ Purpose - To meet on or off farm & other bonafide requirements of farmers.
- ✓ For marriage / medical / educational expenses and for purchase of Consumer Durables.
- ✓ To undertake Land Development activity etc.
- ✓ For dealers of input to meet their trade / credit requirement.

Type / Amount

- Demand loan / Term loan / OD reducible or non-reducible.
- For agriculturist up to ₹ 5.00 lakhs & it can be extended up to ₹ 10.00 lakhs subject to prior approval of ZM, up to 10 times of anticipated Net annual income, based on land holding & cropping pattern.

Quantum

- For dealers up to ₹ 10 lakhs subject to 4 times of Net annual income, as per latest ITR.
- Scheme is not applicable to Arthias.
- Margin up to 40% on the value of property for loans up to ₹ 5.00 lakhs.
- For loan above ₹ 5.00 lakhs, 50% margin on the value of property.
- Valuation of rural properties will be taken as per assessment of Revenue Authorities.
- If property stands in the name of third party, then owner of property should be taken as Co-Borrower.

Other requirements

- Repayment period is 7 years and installments should be fixed as per cropping pattern.
- Valuation report should be obtained from approved panel valuer.
- Security – EQM / Legal Mortgage of property.
- Search to be obtained for 13 years.
- Agricultural land can also be accepted as security subject to prevailing state laws.

10 Kisan All Purpose Loan

- It is a single hassle free term loan for all types of requirements of farmers, like minor irrigation, water conservation, horticulture, allied activities, farm mechanization & other related activities except orchards / plantation of crops.
- Eligibility - Individuals, JLG / SHG of farmers –owner cultivators.

Quantum

- As per investment plan given by the farmer, to be undertaken in next 2-3 years subject to 5 times of annual income (current pre-development stage) including allied activities or 50% of the value of land, whichever is lower, but a maximum of ₹ 20 lakhs.
- The farmer can have either KCC route or term loan under this scheme.

Margin

- ✓ Up to ₹ 1.60 lakhs – Nil.
- ✓ Over ₹ 1.60 lakhs for small / marginal farmers it is 5% and for others 15%.
- ✓ Security for loans above ₹ 1.60 lakhs - mortgage of land and it shall be at least 200% of limit sanctioned.
- ✓ Term loan is repayable within 9 years.
- ✓ Disbursement will be made as per indicated purposes, specified at the time of sanction.
- ✓ CHA-1 / CHA-2 is to be taken as per type of assets created out of finance.

- ✓ Application – AG-100 with suitable annexure.

11. Star Krishi Vahan

- Objectives: For any type of vehicle, which is to be used for transportation of Agri inputs & farm products.
- Farmers: Jeeps SUVs or any other four / two wheeler / bullock cart including animals.
- Amount maximum ₹ 1.00 lakh for two wheeler and ₹ 15.00 lakhs for others.
- Margin: 5-10% `on road price`.
- For Individuals, SHGs, Co-operatives in rural area (engaged in transportation activity) maximum amount is ₹ 25.00 lakhs.
- Type of Vehicles: Trucks, Mini Trucks, Pick up Vans, Refrigerated vans, Tractor along with trolley, trailers, semi-trailer, bullock cart along with animals.
- Margin: 10-15% on road price.
- For Corporate, Partnership firms, Institutions maximum amount is ₹ 1.00 crore and margin will be 25% (on road price).

Type of Vehicles:

- **Trucks, Mini Trucks, Pick up Vans Refrigerated Vans, Trailers, Semi-Trailers**
- Minimum Debt Service Coverage Ratio (DSCR) should be 1.25

Debt Service Coverage Ratio (DSCR) is calculated as =

(Net profit + Depreciation + Intt. on term Loan)

(Principal + Interest)

Miscellaneous

- ❖ Repayment: For two wheelers - 5 years & for others it is 7 years.
- ❖ Security: Collateral security of equal or more than 125% of loan amount if loan is given to non-farmers.
- ❖ This clause is also applicable for Individuals, SHGs, Cooperatives in rural areas.,
- ❖ If it is in form of TDR / NSC / LIP etc. collateral security should be minimum 75%.
- ❖ Third party guarantee is mandatory where -
 - ❖ **Age of farmer exceeds 65 years, then their legal heirs should stand as guarantors.**
 - ❖ **KCC limit (not more than ₹ 1.60 Lakhs) is disbursed within a period of 6 months & account is not a canvassed one.**
- ❖ Documents: CHA-2, AG15, L515, OD194 (if applicable)

CHAPTER 16

“MSME, CGTMSE”

- **New definition of MSME introduced w.e.f. 01.07.2020 :**
- **Micro :** A Micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- **Small :** A Small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
- **Medium :** A Medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees

MSME – Our Guidelines

- **T.A.T (Turn Around Time)**
- **Rs 25000 - 4 Business Days**
- **>25000- 10 Lacs- 8 “ “**
- **>10 Lacs - 5 crore – 12 “ “**
- **> Rs 5 crore - 20 “ “**
- **Rejection of MSME loan application - ZM approval**

- **Micro / Small - No Collateral upto Rs 10 Lacs**
- **Medium (Mnfg) – Regn.with DIC is mandatory**
- **C.P.T.S., Restructuring(RBI), GSTIN,**
- **CMR(Rs 10 lakhs to Rs 10 crore)**

CGTMSE (01.08.2000 / 02.07.2007)

- **Eligible- Micro/Small :- coverage TL/WC (FB,NFB) upto Rs 2 crore**
- **Retail Trade- from 28.2.2018 (upto Rs 1 crore) also covered.**
- **Primary Security - Must**
- **Not Eligible - SHG, Educational/Trng. Institutions,Already covered (ECGC/CGFMU/CGSSI etc), Earlier guarantee invoked, Consortium Coverage Period – TL , WC (during entire sanctioned period)**
- **Extent of Guarantee Coverage : (of Amount in Default) :-**
- **> Rs 50 lacs @75% (max. Rs 1.50 crore) (for other amount,please see related circular)**
- **For Retail Trade (@50%)**

AGF- 15th April & Sharing of fee

Hybrid Security Product (from 28.2.2018) – partial collateral security can be obtained. Notional second charge of the CGTMSE over the said partial collateral security.

MSME Products

- **PMMY :**
- **Mnfg/Service/Trading, Online also**
Allied Agri. Activities (from 01.04.2016) also covered.

Margin, CGFMU, DL- 36, TL-84

Star Stand up India- For SC/ST/Women

Greenfield Project, CGSSI

Loan – Rs 10 Lacs – Rs 1 crore

Margin – 25% (10%) , 84 Months (18)

- **Star Start up : For Pvt.Ltd.Co / Regd P.F / LLP**
- **5 yrs / Rs 25 crore / innovative**
- **Rs 10 Lacs – Rs 5 crore**
- **Margin : TL- 25%, WC-10%**
- **Star MSME E – Rickshaw :**
- **Rs 5 Lacs (48 months), 3 Units**
- **Battery Replacement – after 1 yr (18 months)**

- **CGFMU / CGTMSE**

Contactless BOI MSME Loans in 59 Minutes

- **Rs 1 Lac – Rs 5 crore**
- **TL, WC**

GSTIN, ITR (XML), Bank Statement(PDF-6 months), Directors/Owners Details are uploaded through online contactless platform.

BOI Star Doctors Plus (MSME)

- **Age 25 - 60 yrs, Loan – Need based**
- **Ambulance- Max. Rs 1 crore,**
- **WC(Clean)- Max. Rs 1 crore**
- **Margin- Min. 25% (for premises),**
- **Margin- Min. 15%- for equipment etc.**
- **Security , PPC- 50% concession, Other Benefits**

Star SME Education Plus

- **Colleges etc. , Profit 2 yrs.,**

- TL – Rs 10 Lacs - Rs 5 crore
- 96 Months (12-18), Margin – 20%

Star MSME GST Plus Scheme

- Mnfg/Trading Only
- WC (FB,NFB) – Rs 10 Lacs- Rs 5 crore
- Valid GSTIN
- GSTR-1/GSTR-4 (25%, 20%)

Star Weaver Mudra Scheme

- Small Handloom Weavers
- WC - Min. Rs 0.50 Lac, & Rs 1 Lac- Silk
- Max. – Rs 5 Lacs
- TL - Max.- Rs 2 lacs, WC & TL – Max. Rs 5 Lacs
- Margin - 20% of PC (MoT - @ 20% - Rs 10000)
- Intt. Subsidy - Above 6%, Max. 7% (3 yrs)
- CGTMSE – AGF 3 yrs (Ministry of Textiles-MoT)

DAY – NULM (SJSRY-2013)

- **SEP, ULB (Task Force), Urban Poor, Women-30%, SC/ST – Population, 3%-PWD, 15%-Minority, No Min. Edu.**
- **PC- max. Rs 2 Lacs (group-Rs 10 Lacs) ,**
- **Intt. Subsidy , Margin**

CHAPTER 17

Assessment of Working Capital & Term Loan

Introduction

- ▶ Working capital assessment
- ▶ Working Capital
- ▶ Capital
- ▶ Balance Sheet

Balance Sheet (Overview)

Liabilities (Cr. Balances) Sources of Funds	Amount	Assets (Dr. Balances) Uses of Funds	Amount

Balance Sheet

Liabilities (Cr. Balances) Sources of Funds	Amount	Assets (Dr. Balances) Uses of Funds	Amount
Own Capital/ Net worth	100		
		Cash/ Bank a/c	100

Balance Sheet

Liabilities (Cr. Balances) Sources of Funds	Amount	Assets (Dr. Balances) Uses of Funds	Amount
Own Capital/ Net worth	100		
Loan from Friends/ Relatives Term loan	50 50		
		Cash/ Bank a/c	200

Balance sheet (Pre working stage)

Liabilities (Cr. Balances) Sources of Funds	Amount	Assets (Dr. Balances) Uses of Funds	Amount
Own Capital/ Net worth	100	Land, Shed & Building Machinery	100 60
Loan from Friends/ Relatives Term loan	50 50	Security Deposit	
		Cash/ Bank a/c	20
		Intangible Assets	10

	200		200
--	------------	--	------------

Balance sheet (Working stage)

Liabilities (Cr. Balances) Sources of Funds	Amount	Assets (Dr. Balances) Uses of Funds	Amount
Own Capital/ Net worth	100	Land, Shed & Building Machinery	100 60
Loan from Friends/ Relatives Term loan	50 50	Security Deposit	50
Sundry Creditors	40	Stock- RM, SF, FG	40
Bank Borrowing (CC)	60	Sundry Debtors	40
		Cash/ Bank a/c	45
		Intangible Assets	10
	300		300

Balance sheet

Liabilities (Cr. Balances) Sources of Funds	Amount	Assets (Dr. Balances) Uses of Funds
Own Capital/ Net worth	100	Fixed Assets: Land, Shed & Building Machinery
Long term liabilities: Loan from Friends/ Relatives Term loan	50 50	Security Deposit(Non Current)

Current liabilities: Sundry Creditors Bank Borrowing (CC)	40 60	Current Assets: Stock- RM,SF,FG Sundry Debtors Cash/ Bank a/c
		Intangible Asset
	300	

Why CC limit ?

- ▶ Cash credit facility is a unique product introduced by the banking industry
- ▶ This facility is more suitable in case where volume of working capital is higher and additionally fluctuations in working capital is frequent and up to larger extent
- ▶ What happens in case of term loan ?, Bank disburses funds for one time. There after borrower will pay the installments and ones installment has deposited then this amount will go fore ever. In case of need if he requires back this amount for expansion , he will not received. On other side if he has surplus fund, even then he can not deposit it for saving the interest cost.
- ▶ In term loan he has to pay interest + installments. As such surplus(profit) in the business will not be retained for expansion purpose. It will go in paying the principal amount.
- ▶ In case of CC limit borrower has to pay only interest portion and surplus profit or unutilized funds can be deposited in the CC limit to save the interest. If borrower needs this fund back again, he can withdraw for business expansion or to strengthen the business.
- ▶ This is also beneficial for bank as it earn interest on the limit through out its tenure . Credit portfolio remains stable
- ▶ The only constraint in CC account is , it requires proper credit monitoring

Ratio Analysis

- ▶ **Current Ratio = CA / CL at least 1**
- ▶ **Debt Equity Ratio (DER) =**

Total Out side liability / Tangible net worth maximum 4:1

▶ Interest service coverage ratio (ISCR)

$$= \frac{\text{PAT} + \text{Depreciation} + \text{Interest}}{\text{Interest}} \quad \text{at least 1.25}$$

▶ We can also provide Term loan or WCTL. Limit below Rs.10 lakh may be granted as term loan. DSCR will be calculated in such cases.

▶ DSCR= PAT + Depreciation +Interest on TL

$$\frac{\text{PAT} + \text{Depreciation} + \text{Interest on TL}}{\text{Interest on TL} + \text{TL instalment}} \quad \text{at least 1.25}$$

Operating cycle

- ▶ Before talking about Assessment of Working Capital, we should see that WC limit should be optimum (sufficient)
- ▶ If it remains lower, then borrower will not be able to run the business comfortably
- ▶ If it is higher than what he actually require, then there will be room for diversion of funds
- ▶ Knowing the operating cycle (*Working capital cycle*) is very essential for the correct assessment of working capital. Operating cycle depends upon holding time, effective inventory management ,process time and debtors realisation period.
- ▶ Each type of business has its own operating cycle

Working Capital Assessment

TYPE	LOAN LIMIT	METHOD
GENERAL CREDIT	< 5 Crores	Projected Turnover Digital Non-Digital Sales

Seasonal Industry	<5 crores or Over	Cash Budget
General / Project Finance	> 5 Crores	CBM / 2 nd Me Lending Tand Committee

Nayak Committee Method (Turnover method)

1. Total Projected Annual turnover **500**
 2. 25% of 1 above(WC) **125**
 3. 5% of turnover as margin **25**
 4. Bank Finance= 2-3 = 20% of turnover
- 100**

OR Drawing power available , which ever is lower

(Limit may be higher if operating cycle is longer)

More About Nayak Committee.

1. Recommendations based on Operating cycle of 3 months
2. Recommendations are given for manufacturing unit
3. More than 20 % limit may be given if operating cycle is more than 3 months, but minimum 20% to be given even if OC is shorter than 3 months
4. In a trading firm where operating cycle is very short, in such cases assessment of limit will be based on ground reality. In such cases available Drawing power will be the key check point.

Example- Petrol Pump

- ▶ 12000 liter Petrol +
- ▶ 12000 liter Diesel X 80
- ▶ = Rs.19,20,000(stock)
- ▶ = 48 OC in a year
- ▶ Annual Turnover= 48 X 19.20 lac= 9.22 cr.

Projected Annual Turnover

- ▶ Nayak committee Method is based on Projected Annual Turnover
- ▶ Assessment of PAT is an important aspect in this method
- ▶ Peak season and Non peak season limit
- ▶ 70% sale in six months & 30% in another 6 months= Total turnover 500 (350+150)Them limit will be 20% of (350 X 2)=140 for first six months and 20% of (150 X 2)=60 for next 6 months instead of regular limit of 100

Turnover Method (New Changes)

- ▶ As per advisory of DFS and clarification given by the IBA new concept has arrived in Turnover method
- ▶ Computation of Limit : (Only Micro & small enterprise)
- ▶ Limit=25% of Projected Annual non digital sales and 30% of digital portion of sales of the last year.

- ▶ Digital sales will be considered only when minimum 25% sales are digital

**Borrower's Margin: working capital requirement will be 25+6.25
%=31.25% & 30+7.50% = 37.5%. (proportionate increase)**

Digital & Non Digital Sale for Micro & Small

Annual Turn Over = 10 Crore

Type of Sales	Amount	% of Annual Turn Over
Non- Digital	6	25%
Digital	4	30%
Maximum Permissible Bank Finance		

Summary- Nayak Committee

- ▶ Method is used where Limits is up to Rs. 5 cr.
- ▶ To arrive at Projected Annual Turnover
- ▶ To get Digital and Non digital sales %
- ▶ Operating cycle is to be ascertained
- ▶ For Micro & Small unit: limit will be 25% of non digital sales + 30% of digital sales
- ▶ For Medium industry & also in many trading firms: limit will be 20% of PAT
- ▶ Final release of the limit will be as per Drawing Power
- ▶ Limit should be within Basic accounting ratios

Tandon Committee Method

- ▶ Tandon committee was appointed in 1974
- ▶ It Introduced three methods of WC finance
- ▶ This is traditional method for financing working capital
- ▶ This method will apply in the cases where limit is above Rs. 5 Cr.
- ▶ Method gives emphasis upon Working capital gap and owners contribution.
- ▶ Working capital gap = Current assets – other current liability (excluding bank finance)

- ▶ This WC gap should be filled up by contributing funds in the form of owners margin and Bank borrowing
- ▶ Here question is--Owner will contribute his margin up to which level ?
- ▶ answer is the level Where Current Ratio remains near about 1.33
- ▶ In no case - Drawing Power and accounting ratios will be ignored. Qualitative aspects also to be taken care of.
- ▶

Tandon Committee (Seond Method of Lending)

a) Current Asset (excluding export receivable)	1000
b) (-) OCL(excluding Bank borrowing and TL instalments due within 12 months)	
	400
c) =Working capital gap	600
d) 25 % of CA(owners margin)	250
e) Actual/projected NWC	200
f) c-d	350
g) c-e	400
h) MPBF (lower of f and g)	350

Cash Budget Method

- ▶ This method is used in seasonal industries, specially in agro based unit, Hotel industry, Software industry and in contractor ship business.
- ▶ In this method borrower will provide us statement of in flow of cash and outflow of cash during the business operations for one year. This operational flow of cash may be regarding normal operations or in the form of capital nature or sundry items.

- ▶ The month in which cash deficit level remains to the maximum extent, that maximum deficit level (Peak level cash deficit) will be the working capital requirement.

Cash Budget Method

	JAN	FEB	MAR	APR
(1) OPERATING – RECEIPTS -PAYMENTS	R- 450 P-1600 - 1150	R-400 P-1700 -1300	R-500 P-1400 - 900	R-600 P-800 -200
(2)Capital- Receipts- Payments				
(3) Other- Receipts- Payments				
Cash Deficit	-1150	-1300	- 900	- 200
Opening cash	+100	-1050	-2350	-3250
Closing Cash	-1050	-2350	-3250	-3450

Term Loan

- ▶ Now we will talk about assessment of Term loan
- ▶ Normally term loans are given for acquiring fixed assets

- ▶ Some times it can be sanctioned for acquiring current asset
- ▶ Specially in case of small size business one term loan can be sanctioned for both fixed assets and current assets. Loans under Government sponsored schemes are sanctioned in this way.
- ▶ Monitoring of CC account requires more time and more attention, so we should give term loan in case of small size business.
- ▶ While assessing term loan- Accounting ratios should be calculated invariably. DSCR is more important .DSCR should not be below 1.25
- ▶ All managerial aspects are to be seen
- ▶ Economic viability is to be seen- safety margin ,BEP
- ▶ Technical feasibility is to be checked.
- ▶ Level of margin and security offered is to be seen
- ▶ Backward and forward linkages to be seen.
- ▶ Study of market scenario is to be done

Review

- ▶ Current asset
- ▶ Working capital
- ▶ Current liability
- ▶ Ratio
- ▶ Operating cycle
- ▶ Three methods
- ▶ Projected annual turnover
- ▶ Nayak committee
- ▶ Tandon committee
- ▶ Cash budget method

CHAPTER 15

2. KCC – Objectives

KCC scheme aims at providing adequate and timely credit support from the banking system under a single window to the farmers, for their cultivation and other needs, as mentioned below:

–

- 7) To meet the short term requirements for cultivation of crops, including Fodder Crops
 - 8) Post-harvest expenses
 - 9) Produce Marketing Loans
 - 10) Consumption requirements of farmer household
 - 11) Working Capital for maintenance of farm assets & allied activities allied to Agriculture like dairy animals, inland fisheries etc.
 - 12) Investment credit requirement for agriculture, and allied activities like pump sets, sprayers, dairy animals etc.
- Aggregate components from 1 to 5 above -will form short term credit limit portion; and aggregate components under (6) above, will form the long term credit limit portion.

Eligibility

- ✓ All farmers – individuals / joint borrowers who are owner cultivators
- ✓ Tenant farmers, oral lessees and share croppers
- ✓ SHG or Joint Liability Groups of farmers etc.

Fixation of Limit

- All farmers other than marginal farmers
- The short term limit to be arrived at for the first year for farmers raising single crop in a year, under KCC and farmers raising more than one crop will also be clubbed for deriving at KCC limit.
- The limit for marginal farmer be fixed between 10 & 50 thousand in general.

Limit calculation

- {Scale of Finance for the crop (*as decided by DLTC / ZM*) X Extent of area cultivated}
 - + 10% of limit towards post-harvest and household consumption requirements
 - + 20% of limit towards repairs & maintenance expenses of farm assets
 - + Crop insurance, PAIS & Asset insurance
- KCC Limit ---> Total = (a + b + c + d)
- Limit for second year will be arrived by adding 10% on first year's limit towards cost escalation / increase in scale of finance and in the same way for every successive years i.e. up to five years.

○ Loan against Warehouse receipts

- In case farmer applies for a loan against Warehouse receipt of his farm produce, branch may consider such request for Net amount after taking into account the outstanding crop loan in respect of the concerned farm produce



Presently it is maximum ₹ 50.00 lakhs, subject to appropriate margin and repayable within 12 months

Term Loan



Term loans for investments towards land development, minor irrigation, purchase of farm equipment and allied agricultural activities



The branches may fix the quantum of credit for term and working capital limits for agricultural and allied activities etc. based on the unit cost of the asset/s proposed to be acquired by the farmer

Repayment



The term loan component will be normally repayable within a maximum period of 9 years depending on the type of activity



We may provide longer repayment period for term loan depending on the type of investment and life of asset financed

MPL

Maximum Permissible Limit (MPL) will be -

Sum of short term limit derived for the fifth year

Plus the estimated long term loan component.

This would be treated as MPL / KCC Limit Accounts



Separate accounts will be opened for both the facilities



Drawing limit for the short term cash credit should be fixed on the basis of cropping pattern

- Term loan installments may be allowed to be withdrawn based on the nature of investment and repayment schedule drawn as per the economic life of the proposed investments.
- It is to be ensured that at any point of time , the total liability should be within the drawing limit , of the concerned year
- Whenever the card limit / liability so arrived at warrants additional security. The branches may take suitable collateral as per extant guidelines under security norms

Margin

- For crop loan, there is no separate margin, as margin is in-built, while fixing the limit.
- For term loan, it is Nil up to ₹ 1.60 lakhs
- Above this amount it should be 15% to 25%

Disbursement

- The short term component of the KCC limit is in the nature of revolving cash credit facility.
- There should be no restriction in the number of debits and credits
- Each installment of the drawable limit drawn in a particular year shall have to paid within 12 months period

Repayment

- The KCC is given as `revolving cash credit` to be reviewed within 12 months.

- If short term credit is not repaid within 12 months, then it will be treated as out of order. If out of order position remains continued for two crop seasons, then account will be treated as NPA.
- For long duration crops branches should stipulate a due date, as per guidelines of SLBC.

Security

- ✓ As per applicable guidelines of RBI
- ✓ Presently for limit up to ₹ 1.60 lakhs - hypothecation of crops only, and wherever Tie-up arrangements are allowed / exists, hypothecation of crops up to limit of ₹ 3.00 lakhs may be allowed (i.e. sugar mills).
- ✓ Collateral security by way of charge / mortgage of agricultural land to be obtained for limits above ₹ 1.60 lakhs in case of non-tie-up ;and above ₹ 3.00 lakhs in case of tie -up advances
- ✓ In states where bank has the facility of on-line creation of charge on the land records, the same shall be ensured

Other Features

- 9) No processing fee should be charged up to card limit of ₹ 3.00 Lakhs.
- 10) Search to be obtained for thirteen years for loan amount up to ₹ 1.00 Cr.
- 11) Above ₹ 1.00 Cr, this period is 30 years.
- 12) One time documentation for full amount of aggregate limit at the time of first availment, and thereafter simple declaration about crops raised.
- 13) The KCC holder should have the option to take the benefit of Crop Insurance, Assets Insurance, PAIS.

- 14) Necessary premium will have to be paid on the basis of agreed ratio, between bank and farmer to the insurance companies from KCC account.
- 15) Farmers beneficiaries should be made aware of the insurance cover available and their consent is to be obtained at the application stage itself.
- 16) Credit balance in KCC account is eligible for payment of interest at applicable S/B rate.

Interest Subvention

- Interest subvention / Incentive for prompt repayment as advised by Government of India and / or State Government from time to time, shall be available.
- We should appraise the farmers at the time of sanctioning / disbursing the credit limit.

Operations

Farmer can withdraw amount by using any of following delivery channels -

- Operation through branch
- Operation using cheque facility
- Withdrawal through ATM / Debit cards
- Through B.C. / Ultra Small branches
- Through Point Of Sale available with input dealers / Sugar Mills
- Mobile based transfer transaction at agricultural input dealers and mandies (markets)

Validity / Renewal

- ✓ The KCC is valid for 5 years subject to an annual review of the account.
- ✓ The review may result in continuation of facility, enhancement of the limit or cancellation of the limit.
- ✓ When branch has granted extension and / or reschedulement of

the period of repayment on account of natural calamities affecting the farmer when proposed extension is beyond one crop season, the aggregate of debits for which extension is granted is to be transferred to a separate term loan account with stipulation for repayment in installments.

2. Farm Mechanization

- Purpose: For purchase of new or second hand tractor, power tiller, power thresher, sprayer, other equipment, pickup vans, jeeps, two wheeler, bullock cart etc.
- Eligibility: Individual farmer having 8 acres of perennially irrigated land for tractor, and 5 acres for power tillers.

Relaxation

- Depending upon the scope of hiring and cropping pattern, relaxation in land holding criteria may be considered, with prior permission of ZM
- For tractor loan we can go up to 5 acres of land &
- For power tiller up to 3 acres of land.
- Under both the conditions land should be perennially irrigated.
- Please refer to Branch Cir No 90/160 dated 16/12/1996.

Quantum

- As per cost of the vehicle
- It is to be ensured that tractor has commercial test report as per BIS code issued by the Central Farm Machinery Training and Testing Institute (CFMTTI), Budni – M.P.
- The power tiller should have minimum performance standards (MPS) report

Margin

- For New Vehicle loan up to ₹ 1.60 Lakhs - Nil
- Above ₹ 1.60 Lakhs : 15 % to 25%
- Second hand tractor : 33.33%
- Repairs : 25%

Repayment

- New Tractor : 9 Years
- New Power Tiller : 7 Years
- Second Hand Tractor : 4 Years
- Other Machinery : 3 to 5 Years
- Repairs : 3 to 5 years

- Security up to ₹ 1.60 Lakhs - hypothecation of machinery and bank charge to be registered with RTA & above ₹ 1.60 Lakhs Mortgage of land or Declaration as per AG Cr Act or Collateral Security of sufficient worth

Documents

- ✓ Photograph
- ✓ KYC documents
- ✓ Land record
- ✓ Quotation of approved dealer
- ✓ NABARD Guidelines for selection of make MPS & commercial

test report (B C No 101/104 dated 31/08/2007)

3. Minor Irrigation

- Purpose: Lift / Well / Drip Irrigation, Electric motor & Pump set, Diesel engine, construction of pump house / water delivering channel & payment of deposit to electricity department, or any other need based facility to Individual farmers, Group of farmers, Co-operative societies of farmers.
- Branch to follow the region wise NABARD guidelines

Quantum

- As per unit cost approved by NABARD
- Margin up to ₹ 1, 60,000 : NIL
- Loans above ₹ 1, 60,000 : 15% to 25%
- Rate of interest as decided by bank, from to time.
- For loan above ₹ 1, 60,000/ charge on agriculture land or declaration as per AG Credit act or Collateral Security of equal amount along with the Hypothecation of assets created out of bank finance.

Repayment

Activity : Repayment Period : Moratorium

- Dug well & Pump set : 11-15 Yrs. : 23 months
- Deepening of well : 5 yrs. : 11 months
- Pump set / Oil Engine : 9 yrs. : 11 months
- Bore Well : 11-15 yrs. : 11 months
- Sprinkler/Drip Irrigation : 10-15 yrs. : 11 months

➤ Repayment as per cropping pattern

4. Dairy Development

Purpose:

- ❖ To establish small dairy unit with 2 to 4 milch cattle
- ❖ To establish new medium / large/commercial unit
- ❖ Purchase of improved / crossbred milch cattle
- ❖ Collection, processing, distribution of milk & manufacturing of milk products.
- ❖ Construction of cattle shed.

Eligibility

- ✓ Farmer Agricultural Labours, Registered partnership firms, Limited companies, Dairy co-operative societies, SHGs etc.
- ✓ For commercial dairy - project report is necessary
- ✓ Quantum of finance as per unit cost approved by the NABARD
- ✓ Type of facility – Term loan / Working capital

Margin

- Loan above ₹1.60 lakhs to be secured by hypothecation of livestock and mortgage of land or declaration as per AG Cr Act or Collateral security of adequate amount.
- Margin for loan above ₹1.60 lakhs - 15 to 25%.
- Repayment is to be made within 5 to 6 years, with 2 to 3

months moratorium.

- Rate of interest as decided by the bank, from time to time.

6 Poultry Development

Establishment of small poultry unit of 200 to 500 birds as subsidiary occupation by farmers and agricultural labourers.

Registered partnership firms / co-operative societies, limited companies having necessary trained & technical personnel and management experts for running commercial units

Quantum / Margin

- Establishment / expansion of layer farm / broiler farm / hatchery farm
- Establishment / expansion of product - cum - processing units
- Quantum of finance depends upon the type and size of the poultry farm
- Margin for loan above ₹ 1.60 lakhs Hypothecation of livestock and Mortgage of land or declaration as per AG Cr Act or Collateral Security of adequate worth

Repayment

Type of Unit : Repayment : Moratorium

- Layer unit : 6 to 7 Yrs. : 6 to 7 months
- Broiler unit : 6 to 7 Yrs. : 3 months
- Hatchery unit: 6 to 7 Yrs. : 7 to 8 months

Obtain the project report along with land records

6 Land development

- Purpose: For land leveling, reclamation of soil and bonding and any other soil conservation measures.
- Farmers owning land and farmers cultivating registered leased land.
- Quantum of finance will be as estimated cost of the project.
- Repayment within 9 to 15 years with a moratorium up to 23 months.

7 KisanTatkal Loan

- An instant credit for farming community to meet the emergency requirement for agriculture as well as domestic purposes for tiding over temporary difficulties like repairing of farm equipment repairing / construction of cattle shed or house etc.
- Eligibility - existing KCC Individual farmers / JLG
- Composite term loan repayable within 3 to 5 yrs.

Quantum

- Loan amount may be 50% of KCC limit or 25% of annual income whichever is less, subject to minimum ₹ 1,000/ and maximum ₹ 50,000/
- Disbursement to be given after harvest period of crops
- Margin & service charges: Nil

- Extension of existing security.
- Club all the facilities for deciding the ROI.
- Br Cir No 106/117 & 106/129 (for reference)

- 8Agriclinic & Agribusiness centre

- To support the development of agricultural activities in a commercial way, so that farmers can save their time and money both and could get maximum output from their land.
- Since these units are run by agriculture graduates and they provide timely support to the farmer by giving them different machinery on hire basis like sowing machine, spraying machine, harvester, thresher etc. and more importantly soil testing report to farmer.
- With soil report, type of crop to be grown can be decided.
- These professionals also give ideas to market their farm produce to leverage the best market price

Eligibility

- Graduates / Post Graduates / Diploma holders with 50% marks in agriculture and allied subjects.
- Other Degree courses recognized by UGC / Diploma / PG Diploma courses with more than 60% of the course contents in Agriculture and allied subjects after B.Sc. (Bio).
- Agricultural related courses at Intermediate level with at least 55% marks.

Training

- The candidate should have undergone training for setting up of Agri-clinics & Agri-business Centers from National Institute Of Agricultural Extension Management (MANAGE) & must attach the certificate given by the institute with the loan application
- NABARD would be arranging a 2-months long intensive training in accounting & related matters free of cost & would issue a certificate mentioning registration number.

Project Cost

- ✓ For Individual it is ₹ 20 lakhs and ₹ 100 lakhs for group project (Max 5 Persons).
- ✓ Composite facility means term loan & working capital limit for one cycle would be provided.
- ✓ Repayment 5 to 10 years with a moratorium period of 2 years.
- ✓ Nil margin up to ₹ 5.00 lakhs & 15% to 25% above ₹ 5.00 lakhs.

- ✓ 50% of margin stipulated by bank would be provided by NABARD for projects run by SC / ST / NE region / Hill areas / Women Enterprises.
 - ✓ Loan Amount = Total project cost – Margin.
 - ✓ Subsidy is back ended.
 - ✓ Subsidy amount to be kept under Subsidy Reserve Fund as non-interest bearing & can be adjusted after three years or at the end of loan period.
 - ✓ It is 44% for SC / ST / Women / Hill area / N E region and 36% of project cost for others.
 - ✓ The project should be completed within 6 months from the

date of initial disbursement of the loan which may be extended by further 6 months for justified reasons.

- ✓ If the project is not completed within the stipulated time, subsidy will not be available and advance subsidy placed with bank is to be refunded to NABARD.

Security

- No collateral security should be insisted up to ₹ 5.00 lakhs and where cost of investment is less than ₹ 25 lakhs, security norms prescribed by RBI for tiny industries, will be applicable.
- Quarterly inspection by bank and copy to be sent to NABARD & ATMA (Agriculture Technology Management Agency).
- Any adverse feature will result in refund of subsidy to NABARD (cir no 106/130 dated 29/11/2012)

9 BOI Star Mortgage Loan

- ✓ Eligibility - Individual Farmers & Dealers of Agricultural input.
- ✓ Purpose - To meet on or off farm & other bonafide requirements of farmers.
- ✓ For marriage / medical / educational expenses and for purchase of Consumer Durables.
- ✓ To undertake Land Development activity etc.
- ✓ For dealers of input to meet their trade / credit requirement.

Type / Amount

- Demand loan / Term loan / OD reducible or non-reducible.
- For agriculturist up to ₹ 5.00 lakhs & it can be extended up to ₹ 10.00 lakhs subject to prior approval of ZM, up to 10 times of anticipated Net annual income, based on land holding & cropping pattern.

Quantum

- For dealers up to ₹ 10 lakhs subject to 4 times of Net annual income, as per latest ITR.
- Scheme is not applicable to Arthias.
- Margin up to 40% on the value of property for loans up to ₹ 5.00 lakhs.
- For loan above ₹ 5.00 lakhs, 50% margin on the value of property.
- Valuation of rural properties will be taken as per assessment of Revenue Authorities.
- If property stands in the name of third party, then owner of property should be taken as Co-Borrower.

Other requirements

- Repayment period is 7 years and installments should be fixed as per cropping pattern.
- Valuation report should be obtained from approved panel valuer.
- Security – EQM / Legal Mortgage of property.
- Search to be obtained for 13 years.
- Agricultural land can also be accepted as security subject to prevailing state laws.

10 Kisan All Purpose Loan

- It is a single hassle free term loan for all types of requirements of farmers, like minor irrigation, water conservation, horticulture, allied activities, farm mechanization & other related activities except orchards / plantation of crops.
- Eligibility - Individuals, JLG / SHG of farmers –owner cultivators.

Quantum

- As per investment plan given by the farmer, to be undertaken in next 2-3 years subject to 5 times of annual income (current pre-development stage) including allied activities or 50% of the value of land, whichever is lower, but a maximum of ₹ 20 lakhs.
- The farmer can have either KCC route or term loan under this scheme.

Margin

- ✓ Up to ₹ 1.60 lakhs – Nil.
- ✓ Over ₹ 1.60 lakhs for small / marginal farmers it is 5% and for others 15%.
- ✓ Security for loans above ₹ 1.60 lakhs - mortgage of land and it shall be at least 200% of limit sanctioned.
- ✓ Term loan is repayable within 9 years.
- ✓ Disbursement will be made as per indicated purposes, specified at the time of sanction.
- ✓ CHA-1 / CHA-2 is to be taken as per type of assets created out of finance.

- ✓ Application – AG-100 with suitable annexure.

11. Star Krishi Vahan

- Objectives: For any type of vehicle, which is to be used for transportation of Agri inputs & farm products.
- Farmers: Jeeps SUVs or any other four / two wheeler / bullock cart including animals.
- Amount maximum ₹ 1.00 lakh for two wheeler and ₹ 15.00 lakhs for others.
- Margin: 5-10% `on road price`.
- For Individuals, SHGs, Co-operatives in rural area (engaged in transportation activity) maximum amount is ₹ 25.00 lakhs.
- Type of Vehicles: Trucks, Mini Trucks, Pick up Vans, Refrigerated vans, Tractor along with trolley, trailers, semi-trailer, bullock cart along with animals.
- Margin: 10-15% on road price.
- For Corporate, Partnership firms, Institutions maximum amount is ₹ 1.00 crore and margin will be 25% (on road price).

Type of Vehicles:

- **Trucks, Mini Trucks, Pick up Vans Refrigerated Vans, Trailers, Semi-Trailers**



Minimum Debt Service Coverage Ratio (DSCR) should be 1.25

Debt Service Coverage Ratio (DSCR) is calculated as =

(Net profit + Depreciation + Intt. on term Loan)

(Principal + Interest)

Miscellaneous

- ❖ Repayment: For two wheelers - 5 years & for others it is 7 years.
- ❖ Security: Collateral security of equal or more than 125% of loan amount if loan is given to non-farmers.
- ❖ This clause is also applicable for Individuals, SHGs, Cooperatives in rural areas.,
- ❖ If it is in form of TDR / NSC / LIP etc. collateral security should be minimum 75%.
- ❖ Third party guarantee is mandatory where -
 - ❖ **Age of farmer exceeds 65 years, then their legal heirs should stand as guarantors.**
 - ❖ **KCC limit (not more than ₹ 1.60 Lakhs) is disbursed within a period of 6 months & account is not a canvassed one.**
- ❖ Documents: CHA-2, AG15, L515, OD194 (if applicable)

CHAPTER 18

DOCUMENTATION

DOCUMENTATION & LEGAL ASPECTS

DOCUMENT

Document means any matter expressed or described upon any substance by means of letters, figures or by more than one of these means intended to be used or which may be used for the purpose of recording that matter with an intention of producing the same as evidence. (Sec.3 of Indian Evidence Act 1872)

DOCUMENTATION IS A WIDER CONCEPT

Documentation is not restricted only to the security documents. Also includes every important document right from Loan Application, CBD-23, Other supporting papers submitted by the Borrower, Sanctioned Proposal, sanction conveying letter to the borrower, Inspection Reports, Statement of Account, Important correspondence with the borrower & every such important piece of document that strengthens Bank's case against the defaulter borrower.

WHY DO WE NEED DOCUMENTS?

- For creation of charge on the securities. Means of evidence acceptable to the Court of Law under Section 61 and 62 of Indian Evidence Act and Section 34 of Bankers' Books Evidence Act 1872.
- Under N.I. Act 1881, Banker acquires a right to file a money suit based on D.P. Note

PURPOSE OF DOCUMENTATION

- Obtain the identity of the borrower
- Set forth terms and conditions
- Identify the security
- Create charge
- Prove the debt
- Calculate the period of limitation
- Bind the borrower legally
- Prove the debt and file suit, in case of default

VERIFICATION OF APPLICATION AND SANCTION LETTER

- Verification of signatures

- Signature on Application and Sanction letter
- Sanction letter is signed by all borrowers/ Guarantors, in respective capacities
- Application is marked I & completely filled up
- Unrelated clauses in S/L are duly cancelled

PROCESS OF DOCUMENTATION

1. Selection
2. Stamping
3. Filling
4. Execution
5. Checking
6. Registration
7. Safe-keeping
8. Keeping documents alive

CRITERIA FOR SELECTION OF DOCUMENTS

1. Type of Borrower
2. Type of Facility
3. Nature of Security
4. Types of Charges

STAMPING OF DOCUMENTS

Stamp duty in India is governed by the Indian Stamp Act 1899. Any document, needs to be stamped as per Indian Stamp Act as otherwise, it will not be admissible evidence in the court. Some documents required to be stamped as per central act, all others under state act.

- 1. Central Govt. Stamps applicable on**
 - a. DP Note
 - b. Bill of Exchange
 - c. Letter of Credit
 - d. Money Receipt
 - e. Share Certificate
 - f. Debenture
 - g. Proxy
 - h. Insurance Policy
 - i. Bill of Lading
- 2. State Govt. Stamps Applicable on**
 - a. Mortgage
 - b. Hypothecation

- c. Guarantee
- d. Pledge
- e. Power of Attorney
- f. Partnership Deed
- g. Agreements

Different kinds of Stamps

Judicial Stamps: Judicial stamp papers are generally used for a legal purpose or for court cases. The Judicial stamp papers are also commonly known as court fee stamp paper. The judicial stamp papers are used for payment of court fee in the court to avoid cash transactions. The case may not be admitted without payment of court fees.

Non-judicial Stamps: Non-judicial stamp papers are generally used for documentation like power of attorney, sale deed, rent agreement, affidavits, transfer of immovable property like building, land, mortgage or other important agreements etc.

Revenue Stamp: A revenue stamp is an adhesive stamp, used to collect taxes. India is a heavy user of revenue stamps. It can be considered as a receipt issued by the government confirming payment of tax/ fee. The receipt of an amount above the specified threshold shall be acknowledged by the receiver by affixing a revenue stamp of Rs. 1.00. As per Indian Stamp Act, 1899 receipt of above Rs. 5000 should be acknowledged by the receiver by affixing revenue stamp. Demand Promissory Notes and receipts should be affixed with Revenue stamps.

Special Adhesive Stamps: Special Adhesive Stamps are used only for certain specified documents. These kinds of stamps contain an inscription on the face of the stamp that specifies the purpose for which it should be used. Special Adhesive Stamps cannot ordinarily be used for payment of stamp duty for purposes other than as prescribed on the face of special adhesive stamp.

Special adhesive stamps are commonly used for insurance, notarial, share transfer etc and contain such inscription on the face of the stamp. If the State Stamp Act specifically permits usage of Special Adhesive stamps for other purposes, then these stamps can be used for said purposes also. In certain states debt acknowledgement, balance confirmation etc are permitted with Special adhesive Stamps. These stamps shall be cancelled by proper officer authorized by Stamp Act. For Example, in the State of Kerala, Managers of Scheduled Commercial Banks are also authorized proper officers. Additionally, the state has permitted usage of Special Adhesive Stamps in lieu of stamp paper.

The Special Adhesive Stamps are available in the following denominations Rs. 1, 2, 5, 10, 20, 50, 100, 500, 1000, 5000

EXECUTION OUT OF STATE/ INDIA

OUT OF INDIA: If documents executed outside India, then after reaching to India again stamping is required within 3 months. Section-18

OUT OF STATE: It should be stamped as per state act where it is executed first then to be send to other state, difference to be paid if duty is more in second state (in 2nd state).

VALUE/CANCELLATION OF STAMPS

- Section 17-Document should be stamped on or before execution.
- Section 31- In case of doubt collector stamp duty will decide the amount.
- By executants in writing and across the stamp so that it cannot be re used.
- Section-12(1)- Non or Improper Cancellation will be deemed as unstamped.
- One signature to be obtained outside the stamp also.

WHO WILL EXECUTE THE DOCUMENTS

Minor	Guardian	On behalf of Minor
Proprietorship	Proprietor	On behalf of the firm as well as in his individual capacity.
HUF	Karta	All major coparceners - guarantors.
Joint borrowers	All	Jointly & severally.
Partnership firm	All partners	On behalf of firm as well as in their individual capacity
Limited company	As per in Board Resolution	Affixing of common seal of the Co.

DOCUMENTATION BY INDIVIDUAL

- Should be major, i.e. of 18 years of age
- Should be of sound mind,
- Should not be an undischarged insolvent,
- Should be in good sense while executing documents/entering into a contract,
- Drunken person is not legally competent to enter into a contract. [Indian Contract Act, 1872]. (Illiterate/Blind person can execute valid document)

Illiterate Borrower

Normally Left hand thumb (LHT) impression in case of males in the presence of Bank official. Wording to appear below LTI – “Left Thumb Impression of Shri _____”. This should not be attested on the document.

May be attested on a separate piece of paper which may be kept with the documents. Additionally, a letter stating that the contents of the documents were explained to & understood by him to be obtained and countersigned by a witness & kept on record.

Special Requirements for Banks

If the person signs with left hand, the fact should be recorded. Any material alteration should be authenticated by full signature. It is our practice to obtain signatures on all pages. Common seal of limited company should be affixed as per resolution.

Checking Of Document

In the left hand bottom corner of the document, if it is a single page document and in the left hand bottom corner of the last page of the document if it runs in more than one page and put thereon his initials in red ink/ball point pen on the dotted line below the words 'Document checked' and put the date there under.

Registration of Loan Documents

- As per the Registration Act, 1908, registration of loan documents is mandatory. The purpose of registration of a document is to:
- Give notice to the public at large that such a document has been executed
- Prevent fraud and forgery
- Ensure that every person who may like to deal with a property, the transaction of which requires registration, has complete notice of all transactions affecting the title to the property.

U/S 17 of Registration Act, 1908, registration is compulsory for the following documents:

- A mortgage deed
 - A written memorandum of deposit of title deeds
 - Lease of immovable property, if period of lease is 1 year and more
- A sale deed
 - An assignment of some right, title or interest in a property made through a deed

Place of Registration: As per Section 28/29 of Registration Act of 1908, the document should be registered with the Registrar of Assurances (Sub Registrar) under whose jurisdiction the property falls.

Time Limit: Section 23 -Should be presented at the office of the Sub Registrar within 4 months from the date of execution.

If not, further 4 months may be allowed by the sub registrar for genuine circumstances with a fine not exceeding 10 times of the prescribed fee.

Non – registration of charge on the vehicle with Regional Transport Authority discharges the guarantor under Sections 139 and 141 of Indian Contract Act. (Jose Inacio Lourence Vs. Syndicate Bank and Another – H.O. Br.Cir. 83/124 dated 29.05.89)

Law of Limitation: It prescribes the time limit within which an aggrieved person can approach the court for redress or justice. The very first Limitation Act was enacted for all courts in India in 1859. It finally took the form of the Limitation Act in 1963.

Limitation period: The time within which the parties to a legal agreement can take action in a court of law to enforce their legal right. Expiry of limitation period does not take away the right of recovery but it only bars legal remedy.

DP Note	3 yr's	from the date of execution.
Mortgage	12 yr's	from of creation of charge.
Guarantee	3 yr's	from invocation of guarantee.
Exe. of Decree	12 yr's	from the date of decree.
Demand Loan	3 Yrs	from date of loan
Term Loan	3 Years	from due date of each installments
CC Hyp. of stock	3 Years	from date of document.
Bills discounting	3 Years	from due date of bill
Bills purchase	3 Years	from bill date

Limitation Act

- DOD 01/01/2020 WILL EXPIRE ON 01/01/2023
- SEC 28- MUTUAL AGREEMENT CANNOT CHANGE LIMITATION PERIOD
- TIME BARRED DOCCUMENTS CAN BE REVIVED BY OBTAINING FRESH SET OF DOCCUMENTS
- SEC 18- LIMITATION PERIOD CAN BE EXTENDED BY L444C IF OBTAIN BEFORE EXPIRY.

CHAPTER 19

LAW AFFECTING BANKERS

NEGOTIABLE INSTRUMENT ACT,1881: The main objective –

- To legalise the system by which instruments contemplated by it could pass from hand to hand by negotiation like any other goods.
- To present an orderly and authoritative statement of the leading rules of law relating to the negotiable instruments
- Certain privileges have been conferred to the mercantile instruments with provision for special procedure in case the obligation under the instrument was not discharged.
- Bill for Negotiable Instrument Act, was passed during 1881, which came into force wef. 1st March 1882.
- It has 147 sections and 17 Chapter
- Section 138 to 142 (Dishonor of cheque) were added in 1988.
- Sections 138, 141 & 142 were amended and new section 143 to 147 were inserted in the year 2002

Definition of Negotiable Instrument

- The word negotiable means – transferable from one person to another with good title
- The term instrument means – any written document by which a right has created in favour of some person.

Categories of Negotiable Instruments

1. As per NI act (section 13): Promissory Note, Bill of Exchange and Cheque including demand draft
2. As per Transfer of Property Act 1882 (Sec 137): Documents of title to goods viz. BL (bill of lading), RR, Warehouse Receipts etc.

FEATURES OF NEGOTIABLE INSTRUMENT

- Negotiability
- Transferability
- Independent/Good Title
- Legal Recourse

PRESUMPTIONS

- Negotiable instruments are considered (Made/Drawn/ Endorsed/Transferred) for a consideration, it is not necessary to write on an Instrument the words ‘for value received’, because the payment for consideration is presumed.
- Bears the date on which the instrument drawn
- Accepted within a reasonable time before its maturity and after its date.
- Transfer made before maturity
- Endorsements made in the order in which they appear thereon.
- It was duly stamped and stamp cancelled when NI is lost.
- Holder is holder in due course.

PROMISSORY NOTE

Section 4 of N I Act defines Promissory Note as - an instrument in writing (not being a bank-note or a currency note) containing an unconditional undertaking, signed by the maker, Promise to pay a certain sum of money, only to or to the order of, a certain person, or to the bearer of the instrument.

Parties of a Promissory note

- **Maker** -Who promises to pay the debt, ie the debtor.
- **Payee** -To whom the amount is payable, ie the creditor
- **Holder**-He is the person, can be the payee, to whom the note might have been endorsed.
- **Endorser** -When the holder of the note transfers or endorses the instrument to anyone else, the holder becomes the ‘Endorser’
- **Endorsee** – The person to whom the note is endorsed is called the ‘Endorsee’

BILL OF EXCHANGE

SECTION 5 of the N. I. Act defines Bill of Exchange and Essential features of a Bill of Exchange are the instrument must be in writing

- It must be signed by the drawer
- The drawer, drawee and payee must be certain and definite individuals. Sometimes the drawer and payee may be the same person.
- It should be properly stamped.
- It must contain an unconditional and express order to pay.
- The sum payable must also certain and the payment must be in legal tender.

Types of Bill of Exchange

- **Inland and Foreign Bills**
 - **Inland bill**- Both drawn and payable in the same country.

- **Foreign bill** – It is drawn in a country different from the one it is payable in as one arising out of foreign trade.
- Demand and Time/Usance Bills
 - Demand bill – Payable at sight or on Demand, where no time for payment is specified are payable on Demand
 - Time/Usance Bills – Payable after a fixed time period after its date or a few days after sight/acceptance or after an event which is certain to happen. Additional 3 days allowed as ‘Days of Grace’
- Trade and Accommodation bills
 - Trade bills – Evolved out of genuine trade transactions.
 - Accommodation bills – Drawn and accepted not for a genuine trade transaction and without consideration, only to provide financial help to some party

DUE DATE CALCULATION OF BILL

a. PAYABLE AFTER SO MANY MONTHS (Provide as per Section 23 of the Act):
Becomes payable on corresponding date of month, after stated number of month.

e.g. Bill dt. 21.11.02 payable after 3 months will be payable on – 21.02.03 plus 3 days grace period i.e. 24.02.03

b. BILL PAYABLE AFTER SO MANY MONTH where the month has no corresponding date

(Provide as per Section 23 of the Act)

A Bill Dated 22.01.03 Accepted On 31.01.03 Payable One Month after Acceptance This Bill Be Payable On – 3rd March, 2003 after Adding 3 Days Of Grace
Clarification – The Period Shall Terminate On the Last Day of Such Month
One Month Shall Terminate On 28.02.03, As There Is No Corresponding Date To The 31st Day.

c. DUE DATE CALCULATION OF BILL payable after so many days

(Provide as per Section 24 of the Act)

Here the day of that bill date is excluded. e.g. a bill dated 21.08.03 is payable after 6 days after date, The bill will mature on 30.08.2003
Clarification - For calculation above the 21st is excluded and 22nd august is counted as 1st day, thus 6 days will terminate on 27.08.2003 and bill will mature on 30.08.2003

d. DUE DATE CALCULATION OF BILL When Maturity Date Is ‘Public Holiday’ includes Sunday

(Provide as per Section 25 of the Act)

The Bill Fall Due on Next Preceding Business Day (i.e. The Previous Business Day)

CHEQUE

Section 6 of The NI Act defines – A “cheque” is a bill of exchange drawn on a specified banker not expressed to be payable otherwise than on demand it includes the electronic image of a truncated cheque and a cheque in the electronic form.

INCHOATE INSTRUMENT

As Per Section 20, an inchoate instrument is incomplete instrument -

Which is legally valid, It may bear signature of drawer But may not contain other particulars such as date, amount, payee name, Bank do not pay such instrument.

STALE CHEQUE

From November, 2011 Under Section 35a Banking Regulation Act it is presented after 3 months from their date cannot be paid. Such cheques are classified as ‘Stale Cheque’

After a cheque becomes stale it can be revalidated any number of times. On revalidation its validity runs from the date of its revalidation

MATERIAL ALTERATION

- Any alteration in the original state of a cheque such as date, amount, payee’s name, changing the word - ‘order’ to bearer appearing after payee’s name or in endorsement is called material alteration.
- Effects of material alteration:
- The material alteration of a cheque renders such instrument void and same cannot be enforced against any person who was a party to such instrument at the time of material alteration and did not give his/her approval to it.

The following are not considered as material alteration:-

- Filling up of incomplete instrument (sec 20)
- Conversion of blank endorsement into a special endorsement (sec 49)
- Qualifying or limiting an acceptance (section 86)
- Crossing of a cheque by holder (section 125)

DEMAND DRAFT

Section 85(a) of NI Act defines Demand Draft, As an order to pay money drawn by one office of a bank upon another office of the same bank for a sum of money payable to order on demand. It cannot be issued as payable to bearer.

ENDORSEMENT

Section 15 of NI Act defines Endorsement when the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation, Signs on the back or face thereof or on a slip of paper annexed thereto, or so signs for the same purpose on a stamped paper intended to be completed as a negotiable instrument, he is said to endorse the same, and is called the 'Endorser'.

Types of Endorsement

- Followings are the most common type of endorsements:
- Blank or General Endorsement-Where the endorser merely signs on the instrument without mentioning the name of the endorsee.
- Special or Full endorsement-When the endorsement contains not only the signature of the endorser but also the name of the person in whose favour the endorsement is made. eg "Pay X or order"
- Other Types of endorsements are –
 - Partial endorsement
 - Conditional endorsement- "Pay B or order on his marriage"
- Sans recourse endorsement (Sec. 52)- "Pay X or order sans recourse" or "Pay X without recourse to me" or "Pay X or order at his own risk"

Facultative endorsement-"Pay X or order, notice of dishonor waived"

LAWS ON RESPONSIBILITY OF PAYING BANK

Negotiable Instrument Act,1881, Section 10, 85, 85a, 89 and 128 deals with protection to paying bankers.

Section 10 Deals With Payment In Due Course > Payment In Due Course Means; Payment in accordance with apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which does not afford a reasonable ground for believing that he is not entitle to receive the payment of the amount mentioned therein

Examples of payments not made in Due Course

- Endorsements not verified
- Violation of apparent tenor Post-dated cheque, stale instrument, crossed instrument paid over the counter, lesser/higher of the cheque amount paid. Special crossing in favor of "A" bank paid through "B" bank on presentation.
- Cheque payable to a Limited Co. paid to a bearer
- Payment made out of a balance already attached by a Garnishee Order or Income Tax Attachment Order.
- Cheque signed by one holder in jointly operated a/c
- Cheque paid after the drawer has placed 'stop payment' on it

- Cheque paid with difference in drawer signature
- Payment of cheque made after banking hours.

GARNISHEE ORDER

- Order passed by an executing court on application of Judgment Creditor for attachment of funds of Judgment Debtor available with the Bank.
- The Bank on whom the order is issued is called Garnishee.
- It Is Implemented In Two Parts –
- Order Nishi: As a preliminary step, the court will issue a garnishee order nishi for stop payment, immediately an application for the issuance of a garnishee order is filed
- A garnishee order nishi is a warning, it is not an order for the bank to pay.
- Order Absolute: After the bank file his explanation, if any, the court may issue the final order, called order absolute

ATTACHMENT ORDER

- Attachment Order is issued by Govt. authorities For recovery of Government dues
- It can be issued by Income Tax Department, DRT, etc.
- Amount Must Be Certain
- Attachment order applies to money deposited in the account after receipt of order also till it is fully satisfied
- Attachment Order in single name applies to joint accounts also proportionately unless the contrary is proved

WHERE AMOUNT DIFFERS IN FIGURES AND WORDS

Section 18 of N.I. Act defines as: If the amount undertaken or ordered to be paid is stated differently in figures (Courtesy amount) and in words (Legal amount), the amount stated in words (Legal amount) shall be the amount undertaken or ordered to be paid.

PARTIES TO INSTRUMENT

- Section 26 of N.I. Act defines as: > Every person capable of contracting, according to the law to which he is subject, may bind himself and be bound by making, drawing, acceptance, endorsement, delivery and negotiation of a promissory note, bill of exchange or cheque.
- Minor– A minor may draw, endorse, deliver and negotiate such instruments so as to bind all parties except himself.

DISHONOUR OF CHEQUE

- Post-dated cheque.

- Balance in the account is insufficient.
- Balance is not applicable to the payment of such cheque
- Cheque is irregular or ambiguous
- Cheque bears unauthenticated material alteration.
- When a customer becomes insolvent, or an order of adjudication has been made against him.
- “stop payment” instruction has been received against the cheque.
- Notice of death of the customer is received. If the banker pays a cheque before he receives notice of his customer’s death, the payment is valid.
- Notice is received that the customer has become unsound.
- If a garnishee or other legal order attaching the balance is received by the banker.
- Where the banker is prevented, by any Government or exchange control restriction, from honoring the cheques of a particular customer.
- If a notice is already received to close the account.

LAWS ON RESPONSIBILITY OF PAYING BANK Section 85 of N.I. Act defines as:

> Payment of instrument where alteration is not apparent:

> Where a promissory note, bill of exchange, or a cheque materially altered but does not appear to have been so altered, or

> A cheque presented for payment does not appear to be crossed or to have had a crossing which have been obliterated,

> The paying bank will discharged from all liabilities thereon and such payment shall not be questioned by the reason that instrument have been altered

> Where a cheque payable to order purports to be endorsed by or on behalf of payee, the drawee is discharged by payment in due course

> Where the cheque is originally expressed to be payable to bearer, the drawee is discharged by payment in due course to the bearer thereof, notwithstanding any endorsement whether in full or in blank appearing thereon.

LAWS ON RESPONSIBILITY OF PAYING BANK

> Section 128 of N.I. Act defines as:

> For a crossed cheque, if payment is made in due course, the paying banks gets protection

> CARE

When customer’s signature are forged, no protection is available to banker

> In a joint account if one of the signature is forged, banker cannot make payment

LAWS ON RESPONSIBILITY OF COLLECTING BANK

DUTIES OF COLLECTING BANK

- Duties to open the account with references and sufficient documentary proof
- Duty to confirm reference, pan, aadhar, voter id etc.
- Duty to ensure crossing and special crossing
- Duty to verify the instrument apparently
- Duty to take into account the state of customers account
- Negligence of collecting bank on collecting cheque payable to third parties

Section 131 of N.I. Act -

- Grants protection to a collecting banker,
- Act on good faith and without negligence, received payment for a customer of a cheque
- Crossed generally or especially to himself shall not, in case the title to the cheque proves defective, incur any liability to the true owner of the cheque by the reason having received such payment.

CROSSING OF INSTRUMENT

- Where a cheque bears across its face an addition of the words “and company” or any abbreviation thereof, between two parallel transverse lines, or
- Two parallel transverse lines simply,
- Either with or without the words “not negotiable”
- That addition shall be deemed a crossing, and the cheque shall be deemed to be crossed generally.

SPECIAL CROSSING

- Where a cheque bears across its face an addition of the name of a banker, in between two parallel transverse lines
- Either with or without the words “not negotiable”
- That addition shall be deemed a crossing, and the cheque shall be deemed to be crossed specially and to be crossed to that banker.

ACCOUNT PAYEE CROSSING

- > N.I. Act does not define account payee crossing, > However it is a direction to the collecting banker
- > The amount should be collected only for the named payee.
- > In case collecting banks fails to do so it loses the statutory protection available to collecting banker.

NOT NEGOTIABLE CROSSING

As per section 130, a person receiving a cheque crossed generally or especially with the word not negotiable shall not have better title to the cheque than that from whom he has received.

DISHONOUR OF CHEQUE

- > Section 138 To 142 Of Negotiable Instrument Act,1881-Deals With Dishonour Of Cheque
- > Cheque should have been issued in discharge of liability. > Cheque should have been presented for payment.
- > Payee should give notice of dishonour within 30 days from the date of dishonour
- > Drawer can make payment within 15 days from receipt of notice, if he fails to do so prosecution can take place
- > Offence is punishable with imprisonment for term which may extend two years or with a fine twice of the amount or both
- > No court inferior to judicial magistrate of first class will try the offence

CHAPTER 20

RECENT TRENDS IN CRR MCLR REPO RATE

CRR, SLR, MCLR, Repo Rate Based Rates

Repo Rate

The rate at which the RBI lends money to commercial banks is called repo rate. It is an instrument of monetary policy.

Whenever banks face a shortage of funds, they can borrow from the RBI as per the repo rate.

A reduction in repo rates helps banks get money at a cheaper rate and vice versa.

Reverse Repo Rate

Reverse repo rate is the rate at which the RBI borrows money from commercial banks. Banks are always happy to lend money to the RBI since their money is in safe hands and earns good interest.

An increase in reverse repo rate can prompt banks to park more funds with the RBI to earn higher returns on idle cash. It is also a tool which can be used by the RBI to drain excess money out of the banking system.

Marginal Standing Facility (MSF) Rate

It's a scheme launched by RBI while reforming the monetary policy in 2011-12.

It is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely.

In MPC of 27.03.2020 RBI increased the amount under MSF from 2% to 3% of SLR.

Bank Rate

Bank rate is a rate at which RBI provides the loan to commercial banks without keeping any security. In this instance, there is no repurchasing agreement signed and no collateral is involved.

Cash Reserve Ratio (CRR)

CRR is the amount of funds that banks have to maintain with the Reserve Bank of India (RBI) at all times.

If the central bank decides to increase the CRR, the amount available with the banks for disbursement comes down.

The RBI uses the CRR to drain out excessive money from the system.

The RBI is empowered to increase the CRR to $\leq 20\%$ of the NDTL.

- **Cash Reserve Ratio (CRR): Objectives**

To ensure that the banks maintain a minimum level of liquidity against their liabilities so that they don't run short of liquidity in case of excess demand for funds.

Banks are seen as symbols of trust and any liquidity crisis can lead to a crisis of trust. That is the sole objective of CRR.

It is also used by the RBI to give signals on the direction of liquidity, although the RBI does not use it very frequently.

- **Cash Reserve Ratio (CRR): Calculation**

The DTL is the total volume of liabilities on which the bank needs to maintain CRR with the RBI.

DTL includes demand liabilities like current account deposits, SB deposits, margins held against L/Cs & guarantees, outstanding TT/MT/DD and call money borrowings.

Time liabilities include FDs, cash Certificates, recurring deposits etc.

Statutory Liquidity Ratio (SLR)

SLR is the minimum percentage of deposits that a commercial bank has to maintain in the form of liquid cash, gold or other approved securities.

It is basically the reserve requirement that banks are expected to keep before offering credit to customers.

The RBI uses the SLR to regulate inflation and fuel growth. Increasing the SLR will control inflation in the economy while decreasing the statutory liquidity rate will cause growth in the economy.

The SLR was prescribed by Section 24 (2A) of Banking Regulation Act, 1949.

Why it is fixed ?

To check the expansion of bank credit.

To ensure the solvency of commercial banks.

To compel banks to invest in government securities like bonds.

To fuel growth and demand; this is done by decreasing the SLR so that there is more liquidity with the commercial banks.

If a bank fails to maintain the prescribed SLR, it is liable to pay a penalty to the Reserve Bank of India. The defaulter bank has to pay a penalty of 3% above the bank rate on the deficient amount for that particular day.

Difference between SLR & CRR

Statutory Liquidity Ratio (SLR)	Cash Reserve Ratio
In the case of SLR, banks are asked to have reserves of liquid assets, which include both cash and gold.	The CRR requires banks to have only cash reserves with the RBI
Banks earn returns on money parked as SLR	Banks don't earn returns on money parked as CRR
SLR is used to control the bank's leverage for credit expansion.	The Central Bank controls the liquidity in the Banking system with CRR.
In the case of SLR, the securities are kept with the banks themselves, which they need to maintain in the form of liquid	In CRR, the cash reserve is maintained by the banks with the Reserve Bank of India.

Marginal Cost of Fund Based Lending (MCLR)

Base Rate implemented since July 1, 2010. The Reserve Bank of India guidelines on computing interest rates on advances based on the marginal cost of funds came into effect from April 1, 2016.

All rupee loans sanctioned and credit limits renewed w.e.f. April 1, 2016 will be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purposes.

The MCLR will be a tenor linked internal benchmark. Actual lending rates will be determined by adding the components of spread to the MCLR. Banks will review and publish their MCLR of different maturities every month on a pre-announced date.

Banks may specify interest reset dates on their floating rate loans. They will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of MCLR.

The periodicity of reset shall be one year or lower. The MCLR prevailing on the day the loan is sanctioned will be applicable till the next reset date, irrespective of the changes in the benchmark during the interim period.

Existing loans and credit limits linked to the Base Rate may continue till repayment or renewal, as the case may be. Existing borrowers will also have the option to move to the Marginal Cost of Funds based Lending Rate (MCLR) linked loan at mutually acceptable terms.

Banks will continue to review and publish Base Rate as hitherto.

External Benchmark Based Lending Interest Rates

The banks are free to choose one of the several benchmarks indicated in the circular. The banks are also free to choose their spread over the benchmark rate, subject to the condition that the credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract.

The ROI shall be benchmarked to the external benchmarks, viz., the RBI Repo Rate or any other benchmark market interest rate published by the Financial Benchmark India Private Ltd. (FBIL).

Repo Based Lending Rate (RBLR)

Our Bank introduced Repo Based Lending Rate (RBLR) for Home Loans, Vehicle Loans & Personal Loans w.e.f. 01.09.2019 vide HOBC 113/108 dated 31.08.2019.

For MSMEs w.e.f. 10.10.2019 vide HOBC 113/167 dated 13.12.2019 for the following

- All new floating rate loans to Micro Small & Medium enterprises.
- All facilities granted to various categories of loans to new MSME borrowers viz WC, Term Loans, Bills, Packing Credit etc.
- In case of loans under above segments already sanctioned prior to 10.10.2019, but not disbursed
- Other existing borrowers shall have the option to move to the RBLR at mutually acceptable terms, upon renewal of limits.

Various Components for setting RBLR are:

Repo Rate: The Repo rate will be published on 10th of every month and the reset in repo rate can be done only if any change in repo is announced by RBI.

Mark Up: Mark Up will be computed and published by Risk Management Department, once in every three months or from time to time as decided by ALCO. However Mark Up will be reset after three years for a specific account. The first reset will be three years from the date of first disbursement and subsequent reset will be every three years from the date of last reset.

CRP: Credit Risk premium can be reset only at the time of review/renewal of credit facilities and as per credit risk rating.

Business Strategy discount/premium: This component will be computed and published by Risk Management Department on quarterly basis, or as decided by ALCO. However the Business Strategy discount/premium will be reset in a particular account only after three years from the date of first disbursement and subsequent reset will be every three years from the date of last reset.

Tenor Premium: These cost arise from loan commitments with longer tenor. The change in tenor premium should not be borrower specific or loan class specific. In other words the tenor premium will be uniform for all types of loans given for residual period.

Bank are publishing RBLRs for five tenors as below:

- Overnight RBLR
- 1 Month RBLR
- 3 Month RBLR
- 6 Month RBLR
- 1 Year RBLR

CHAPTER 21

RETAIL CREDIT – PART I

WHY RETAIL CREDIT

There are many leverages

- ❖ Risk is diversified
- ❖ Lower Risk Weights
- ❖ Simple Processing
- ❖ Reduced TAT
- ❖ Simple Monitoring
- ❖ New Leads Generation
- ❖ Long term association
- ❖ Wide Customer base

STAR HOME LOAN SCHEME

PURPOSE

- ❖ For purchase of a ready for occupation house/flat from any builder/housing board/ Govt. Agency
- ❖ Purchase of an old house / flat (Residual life should be min 1.5 times of the stipulated repayment period).
- ❖ For construction of house on already owned land (land cost treated as margin)
- ❖ Composite loan for purchase of land and construction of house.
- ❖ For renovation, addition, extension, alteration, repairs etc.
- ❖ Purchase of house-hold articles for furnishing the house as a part of housing loan.
- ❖ For repayment of loans from other banks/financial institutions (Takeover of Home loans from other Banks/F.I.s)

HOME LOAN FOR 2ND/3RD HOUSE

- ❖ Second Home loan can be considered even when another Home loan A/c is continuing, if the proponent is singly or jointly eligible for proposed loan.
- ❖ Existing Home loan account should be of standard category & proponents should have

adequate income to meet repayment obligations for both the loans and should provide stipulated margin.

- ❖ 3rd Home loan can be considered as CRE, with risk weight and provisioning norms applicable to CRE-RH. ROI of 0.5% above usual applicable Housing loan interest to be charged for third dwelling unit.

ELIGIBILITY

- ❖ Permanent salaried employees, Businessmen, Self employed, Professionals, NRIs.
- ❖ Proprietorship & Partnership firms, Corporate Borrowers for construction /purchase of dwelling units for Directors/ Partners /their employees.
- ❖ HUF customer for housing for members of HUF
- ❖ Maximum age for Individuals is 70 years (Exit age). (Sanction authority to be satisfied about post retirement repayment capacity in case of salaried)
- ❖ Proponent should secure min. 20 marks out of 50 in Credit Rating Sheet.

MAXIMUM QUANTUM OF FINANCE

- ❖ Rs.500 lakh – for metros (Mumbai/ Delhi/ Chennai/ Kolkata/ Bengaluru/ Hyderabad/ Ahmedabad/ Pune/ Nagpur/ Delhi-NCR/ Indore/ Surat/ Gurgaon/ Chandigarh/ Jaipur/ Kochi/ Bhubaneshwar)
- ❖ Rs.300 lakh for other places
- ❖ For purchase of plot Rs.300 lakh (above metros), 100 Lakhs other
- ❖ Rs.50 lakh for Repairs/Renovation
- ❖ Rs.5 lakh (15% of Home loan) for furnishing, If Solar PVs on the roof top Rs. 10 Lakh (To be sanctioned as separate Personal loan with ROI as applicable to Home loan & max. repayment period of 10 years – Extension of charge over property)

ELIGIBLE QUANTUM OF LOAN

Eligible Quantum of Loan is based on three methods, and final quantum is decided on the basis of lowest among the three.

The three methods are

- ❖ Gross Income
- ❖ Margin
- ❖ Net Take Home Pay (NTH)

GROSS INCOME

- ❖ For Salaried: 72 times of monthly gross salary (Latest annual salary certificate/Form 16/Salary slip showing name designation, details of deduction) or 6 Times of Annual Gross Income based on ITRs.
- ❖ For firms/ Corporate : 6 times of cash accrual (PAT + Depreciation). Copy of Financial Statements (preferably audited)
- ❖ ITRs for last 3 years are obtained (Reasonableness & Continuity of income. Past trend of income to be studied. ITRs to be filed every year) (Min 1 year ITR mandatory, can be waived for Central/State/PSU employees)
- ❖ Branch Managers are permitted to assess income of prospective borrowers, in the absence of any documents like Income Tax Returns, salary slips up to Rs. 2.50 lakhs per annum in respect of retail loans.

MARGIN

Quantum of loan	Margin* for 1st house	Margin* for 2 nd or subsequent house (With or without existing home loan)	Margin* where reimbursement of loan is considered- 1 st or 2 nd house/loan
Up to 30.00 lacs	10%	20%	25%
Over 30 lacs to 75 lacs	20%	20%	25%
Over 75 lacs	25%	25%	25%

- ❖ Wherever the cost of the house/dwelling unit does not exceed Rs.10 Lacs, RBI has permitted adding of expenses such as stamp duty, registration and other documentation charges in the project cost.
- ❖ Margin to be calculated on the pure cost excluding stamp duty.
- ❖ Cost of land already purchased may be treated as margin.

NET TAKE HOME PAY

For Individuals having	Net Take Home Pay / Gross Income
Gross Monthly Income up to Rs. 1 lac	40%
Gross Monthly Income over Rs. 1 lac up to 5 lac	30%
Gross Monthly Income over Rs. 5 lac	25%
For firm/corporate	DSCR Min. 1.5 (Can be accepted 1.25 with personal guarantee of partners/directors)

CO-BORROWER

❖ Joint Borrowers for the purpose of meeting income/NTH criteria (for shoring of eligible quantum of loan):-

❖ In case Property Owner is Male:

Wife, Parents, Son, Daughter-in-law, Daughter

❖ In case Property Owner is Female:

Husband, Parents of husband, Son, Daughter-in-law, Daughter

LET'S PRACTICE

Find the eligible quantum of Star Home Loan to Mr.Khandelwal who is having following credentials

Monthly Gross Income Rs.50,000/-

Cost of Flat to be purchased Rs. 50 Lacs

Existing deductions from his salary Rs. 8000/-

Consider three methods, and find the answer.

You can take his wife as co-borrower who is having monthly income of Rs.20,000/ with deductions of Rs.2000/-

Consider EMI of Rs. 850 for a loan of Rs. 1 lac

LET'S PRACTICE

Solution

Method I Gross Income (72 time of MGI)

$$70,000 \times 72 = 50,40,000/- \quad A$$

Method II Margin (30 – 75 Lacs - 20%)

$$\text{Margin} = 20 \% \text{ of } 50 \text{ Lacs i.e. Rs.10 Lacs}$$

$$\text{Eligible Loan Quantum} = \text{Rs. 40 Lacs} \quad B$$

Method III NTH (40 % upto Income of Rs. 1 lac)

Maximum deduction allowed = 60 % of Gross Income Rs.70,000

$$= 42000$$

Existing deductions = Rs. 10000/- (8000 + 2000)

$$\text{EMI available} = 42000 - 10000 = \text{Rs.32000/-}$$

$$\text{Loan Amount} \quad 32000 / 850 = 37.65 \text{ Lacs} \quad C$$

So Eligible Quantum of Loan = Min of A , B & C = Rs. 37.65 Lacs

RATE OF INTEREST

Home Loans linked with CIBIL Personal Score (in case of individuals)

REPO Linked (Star Home Loan) irrespective of amount

Presently REPO + [Mark-Up + Business Strategy premium (BSP)/Business Strategy Discount (BSD)]
= RBLR i.e. 4.40 + 2.85 = 7.25%

Rates w.e.f. 01.04.2020

	Salaried	Self Employed
Cibil-Personal Score of 760 and above	RBLR + 0.00% = 7.25% (no further concession for women beneficiary)	
Cibil-Personal Score between 725 to 759	RBLR + 0.15% = 7.40% (For women)	RBLR + 0.25% =7.50% (For women)
	RBLR + 0.20% = 7.45% (For others)	RBLR + 0.30% = 7.55% (For others)
Cibil-Personal Score between 675 and 724	RBLR+0.25%=7.50% (for women beneficiary)	RBLR+0.85%=8.10% for women beneficiary)
	RBLR +0.30%=7.55% (for others)	RBLR +0.90% = 8.15% (for others)

Cibil-Personal Score of -1 and 0	RBLR +0.15% = 7.40% (for women beneficiary)	RBLR+0.25%=7.50% (for women beneficiary) (Sanctioning in this bracket w at the next higher authority i. level above usual sanctioning authority)
	RBLR +0.20% = 7.45% (for others)	RBLR +0.30%= 7.55% (for others) (Sanctioning in this bracket w at the next higher authority i. level above usual sanctioning authority)

Home Loans presently not linked to CIBIL i.e. entities other than individuals and Star Pravasi Loan

REPO Linked	
For women beneficiary	RBLR +0.05%=7.30%
For others	RBLR +0.10%=7.35%

REPAYMENT

- ❖ New construction/New purchase from Builder, approved project - Max. 30 years with normal moratorium.

Moratorium for construction 18 months, which can be extended up to 30 months Authority ZLCC

- ❖ For 2nd purchase - Max. 25 years with no moratorium.
- ❖ For repairs - Max. 20 years with moratorium of 6 months.
- ❖ Construction for mega town ship and high rise building, Moratorium period to number of floors. Up to 7 floors- 18/30 months, up to 14th floor- 24/36 months, beyond 14 floor- 36/48 months. (Enhancement with approval of ZLCC)

SECURITY/THIRD PARTY GUARANTEE

- ❖ Mortgage of the property being financed
- ❖ Otherwise liquid security in the form of our bank's term deposit receipts/NSCS/surrender value of LIC policy equal to at least 110% the amount of loan required or 125% in case of EQM of collateral security
- ❖ Third party guarantee can be waived where equitable/ legal mortgage is available at the time of disbursement.

CHARGES

PROPOSAL PROCESSING CHARGES

- ❖ For Individuals : 0.25% of Loan Amount Min.1,500/- & Max.20,000/-
- ❖ For individual borrowers from rural areas and from rural branches:

75% of normal charges.

- ❖ For Partnership Firms & Corporate Borrowers:

Double of that applicable to individuals

DUE DILIGENCE ON BORROWER/ BUILDER & PROPERTY

- ❖ KYC, CIBIL, CFR (Central Fraud Registry), ITR verification
- ❖ Due diligence on Borrower (particularly new borrower) can be done through outside agencies
- ❖ Due diligence on the Builder can also be done through outside agencies
- ❖ Property Inspection by two officers for loan > 5 Crores
- ❖ Search Report of the house/flat/property to be taken for 30 years from Bank's approved panel advocate and on CERSAI portal
- ❖ Valuation of the house/flat/property to be done from Bank's approved panel valuer

POST SANCTION TERMS

- ❖ Valid EQM to be created and further to be registered with Sub Registrar (wherever applicable) and CERSAI (mandatory)
- ❖ CPA is to be conducted for Home Loan accounts of Rs.500 Lacs and above
- ❖ Asset to be insured with Bank's clause
- ❖ Periodical non encumbrance certificate to be obtained once in 3 years for standard account of Rs.100 Lacs and above
- ❖ Vetting of Security Documents to be taken from bank's approved advocate for Home loan accounts of Rs.50 Lacs and above

STAR DIAMOND HOME LOAN

- ❖ The scheme is an extension to Star Home Loan for amount > Rs.500 Lacs.
- ❖ Eligible proponents: HNI/ Firms/ Corporates with average annual gross income of Rs.1 Cr & above

- ❖ Quantum of Loan: > Rs.500 Lacs
 - ❖ NTH: Min 25 % of Gross salary/income,
For firms/ corporate: min. DSCR of 1.5
 - ❖ Location of house/flat: Metros/and major cities.
 - ❖ PPC: Rs.50000/- or as per Star Home Loan scheme whichever is higher.
- (All other terms same as Star Home Loan scheme)

STAR PRAVASI HOME LOAN

- ❖ The scheme is a variant to Star Home Loan applicable for NRIs/PIOs
 - ❖ Eligible proponents
 - ❖ NRIs having valid Indian Passport.
 - ❖ PIOs holding Foreign Passport (PIO status to be confirmed)
 - ❖ Income in foreign country to be support by annual Income Return filed in the country in which the applicant resides.
 - ❖ Co-borrower
 - ❖ *All co-owners to be co-borrower.*
 - ❖ *Can be a resident Indian also and his/her income also could be considered.*
 - ❖ *Foreign national of non Indian origin cannot be included as a co-owner or co-borrower.*
 - ❖ Repayment - Necessarily by remittance from abroad through normal banking channels or out of funds in his NRE/FCNR/NRO account in India.
 - ❖ Close relatives (as defined u/s 6 of the Companies Act, 1956) of the borrower in India also could repay installments of such loan, interest and other charges, if any through their Bank account directly to borrowers NRI Home Loan account with the Bank.
 - ❖ Margin - Full amount of margin to be paid before 1st disbursement of loan and should come from debit of NRE/FCNR/NRO account in India or through remittance from abroad
- (All other terms same as Star Home Loan scheme.)

STAR SMART HOME LOAN

- ❖ Eligibility - Existing or New SB/CD account holder with average / opening balance of Rs.5000/-

- ❖ Quantum
- ❖ Min Rs 5.00 lacs (For salaried) / Rs.10.00 Lacs (For others) Max As per Star Home loan scheme.
- ❖ Type of Loan - Home Loan Overdraft (LA757 ODA Type)
- ❖ Mode of operation – Cheque book, debit card, internet banking ,mobile banking etc..
- ❖ Smart home loan account to be linked with SB/CD account of the borrower.
- ❖ There would be a threshold limit for SB/CD as per mandate by the customer, to be held in the accounts for operational convenience.
- ❖ Balance lying above threshold limit in the respective SB/CD account would automatically be transferred to the SSSL Overdraft account in multiples of Rs.5000/-
- ❖ There is a facility of sweep out of funds from SB/CD accounts, But there is no facility of sweep in from loan account.
- ❖ Pre Requisite for permitting OD Facility
- ❖ Full disbursement of loan or request by borrower to restrict the loan to a specific amount within sanction limit.
- ❖ *Completion of construction and ensuring end use of funds by post sanction inspection.*
- ❖ *Completion of all required formalities including creation of EQM, registration of EQM/Mortgage with CERSAI/ ROC and completion of all terms of sanction.*
- ❖ *Completion of moratorium period and commencement of EMI.*
- ❖ Repayment - DP & SL would go on reducing every month to the extent of principal component of EMI so that the account is liquidated at the end of the loan tenure .
- ❖ (All other terms same as Star Home Loan scheme)

STAR TOP UP LOAN

- ❖ Eligibility - All Existing Individual Home Loan borrowers having satisfactory conduct of account for last 2 years, after completion of moratorium period. (Firms, HUF, Corporate not eligible)
- ❖ In case of take over of account, repayment record of other bank can also be considered

- ❖ Purpose - All permitted bonafide purposes.
- ❖ Quantum – Minimum Rs.2.00 Lacs, Max based on valuation of property. (Top up loan + Existing Home Loan) < 75% of the market value of the property.
- ❖ ROI – 0.50% + ROI on existing Home Loan.
- ❖ Repayment – Max 15 Year / upto Repayment of HL, whichever is earlier.
- ❖ All the sanction terms of Home Loan should have been complied with. Valid and enforceable Mortgage should be available.
- ❖ Upto Top up loan of Rs.5 lacs, extension of mortgage not mandatory, beyond Rs.5 Lacs, interim search report, fresh valuation and extension of mortgage to be taken
(All other terms same as Star Home Loan scheme)

PRADHAN MANTRI AWAS YOJNA

Pradhan Mantri Awas Yojna is the scheme of affordable housing through Credit Linked Subsidy, implemented by Ministry of Housing & Urban Poverty Alleviation (MoHUPA) through Banks/Financial Institutions

Housing and Urban Development Corporation (HUDCO) and National Housing Bank(NHB) have been identified as Central Nodal Agencies(CNAs) .Our Bank has entered in to MOU with National Housing Bank.

To be eligible for the scheme The beneficiary family comprising husband, wife and unmarried children should not own a pucca house

There are four categories of beneficiaries under the scheme

EWS (Economically Weaker Section)

LIG (Low Income Group)

MIG - I (Middle Income Group - I)

MIG – II (Middle Income Group – II)

Basis of categorization and the features of the scheme for all categories are tabulated below

Features	EWS	LIG	MIG – I	MIG -II
Household Annual Income	Upto 3 Lacs	>3 Lacs to 6 Lacs	> 6 Lacs to 12 Lacs	> 12 Lacs to 18 Lacs
Dwelling unit carpet Area	30 Sq Mtr.	60 Sq Mtr.	160 Sq Mtr.	200 Sq.Mtr.
Eligible Loan for Subsidy	6 Lacs	6 Lacs	9 Lacs	12 Lacs
Interest Subsidy pa	6.5 %	6.5 %	4 %	3%
Loan Tenure	20 Years			
Rate of Interest	1 Yr MCLR			
(All other terms same as Star Home Loan scheme)				

STAR VEHICLE LOAN SCHEME

ELIGIBILITY

- ❖ Salaried employees, Professionals and self-employed,
- ❖ Businessmen, Traders
- ❖ Prop. Firm, Partnership firm, Companies
- ❖ Pensioners, Farmers, Staff members
- ❖ NRI (jointly with resident Indians - close relatives)
- ❖ HUF not permitted
- ❖ Age of the proponent should not exceed 65 years at the time of availing the finance, i.e. entry age

PURPOSE

- ❖ Purchase of New / Old two/ four wheeler personal vehicles as Car, Jeep, Van, Scooter, Motorcycle etc.
- ❖ Purchase of Vehicles run on non conventional energy - electronic or battery operated
- ❖ Purchase of Old 2nd hand vehicles (not more than 3 years old & with comprehensive insurance cover)
- ❖ Reimbursement of cost of new four wheeler vehicle purchased through cheque/DD/ up to 3 months.

MAXIMUM QUANTUM OF FINANCE

- ❖ Individuals (Resident in India)
 - ❖ *For Indian make vehicles* Rs. 50 lacs
 - ❖ *Imported vehicles* Rs.100 lacs
- ❖ For companies & corporate Rs.200 lacs
(can be a fleet of vehicles)
- ❖ Non-resident Indians Rs. 50 lacs
- ❖ Where registration with RTA is not required (electronic or battery operated)
 - ❖ *For 2 wheeler* Rs. 50,000/-
 - ❖ *For 4 wheeler* Rs. 4.00 lacs
- ❖ More than one vehicle can be considered within the above limits, provided first account is in order.

ELIGIBLE QUANTUM OF LOAN

In Vehicle Loan also, Eligible Quantum of Loan is based on three methods, and final quantum is decided on the basis of lowest among the three.

The three methods are

- ❖ Gross Income
- ❖ Margin
- ❖ Net Take Home Pay (NTH)

GROSS INCOME

- ❖ For individuals:

24 times of Monthly Gross emoluments or 2 times of Average Gross Annual income as per last 3 years ITRs

❖ For others, i.e. firms/companies:

2 times of Average Annual cash accrual, i.e. (PAT + Depreciation) as per company's/firm's audited Balance sheet/P&L accounts

❖ Farmers: as per repayment capacity as applicable in agriculture loans

MARGIN

❖ Individuals (including NRIs):

❖ Up to Rs.10.00 lakh: Nil margin on Ex-Show Room price (excluding comprehensive insurance/taxes/ registration)

❖ > Rs. 10.00 lakh up to Rs.25.00 lakh: 15% On the Road Price (including comprehensive insurance/ taxes/ registration)

❖ > Rs. 25.00 lakh: 25% On the Road Price

(including comprehensive insurance/taxes/registration)

❖ Corporate/Firms: 25% Minimum

❖ For second hand vehicle: 30% on Lower of depreciated value/sale consideration/Value assessed by valuer

NET TAKE HOME PAY

❖ For individuals:

Gross Monthly income	% of NTH
Up to Rs. 1 Lac	40
> Rs.1 Lac up to Rs. 5 lac	30
> Rs 5 lac	25

❖ For others: Minimum DSCR 1.5

JOINT BORROWERS

- ❖ Vehicle Loan can be given jointly to two persons by clubbing their income but they should be close relatives & vehicle should be registered in the name of one of them

REPAYMENT

Individuals

Two wheelers	5 years
Four wheelers	7 years
Corporate/Firms	5 years
2nd hand vehicle	3 years

SECURITY

- ❖ Hypothecation of Vehicle purchased out of bank finance - Bank's Hypothecation charge to be registered with RTO.
- ❖ Comprehensive insurance of the vehicle with Bank clause.
- ❖ Collateral security to be insisted upon for loans > Rs.25 lakh
- ❖ Registration of Bank's charge over the vehicle with ROC also, in case of financing to corporate/company.
- ❖ Collateral security for loans > Rs.1.00 lakh in respect of vehicles run on non- conventional energy not requiring registration with RTO

GUARANTEE

- ❖ Guarantee can be waived in case of
 - ❖ Loans up to Rs. 25 lakh if the vehicle is registered with RTO with Bank's charge

- ❖ Corporates where vehicle in company's name & charge with ROC is registered
- ❖ Obtaining tangible collateral security of acceptable value
- ❖ Guarantee of Resident Indian required in case of loan to NRI irrespective of the limit

RATE OF INTEREST

Irrespective of loan amount & for individuals w.e.f. 01.04.2020

For Individuals	Salaried	Self Employed
Cibil-Personal Score of 760 and above	RBLR+0.50%=7.75%	RBLR +0.60%=7.85%
Cibil-Personal Score between 725 and 759	RBLR+0.75%=8.00%	RBLR +0.85%=8.10%
Cibil-Personal Score between 675 and 724	RBLR+0.80%=8.05%	RBLR +0.90%=8.15%

Cibil-Personal Score of -1 & 0	RBLR+0.90%=8.15%	RBLR +1.10%=8.35%
For Entities other than Individuals	RBLR+0.75%=8.00%	

PROCESSING CHARGES

- ❖ For New Four Wheeler Loan
0.25% of the Loan Amount, Min Rs.1000/- Max Rs.5000/-
- ❖ For New Two Wheeler Loan/ 2nd hand vehicle (both 2/4 wheelers)
1% of the Loan amount, Minimum Rs.500/- and Max.Rs.10000/-
- ❖ For partnership firms and corporate borrowers
Double of that applicable in case individuals.
- ❖ For Rural areas: 75% of applicable charges
- ❖ Note: PPC Waived for Senior Citizen, Pensioners, Staff members

OTHER IMPORTANT ASPECTS

- ❖ Rating exercise: Min. 20 marks out of 50.
- ❖ Loan for purchase of vehicle from authorized/approved dealer only (List available in CAPS)
- ❖ As far as possible disbursement should be made through NEFT/RTGS in the name of the vendor/dealer
- ❖ To ensure that the vendor/dealer delivers the vehicle to the borrower, vendor/dealer to undertake to refund the amount to the bank in case of cancellation of order.

BOI STAR DOCTORS PLUS VEHICLE LOAN

- ❖ Eligibility : Qualified registered Medical Practitioners with minimum 3 years experience in any branch of medical science recognized by statutory/regulatory authorities to practice in India. May be Individual/Joint/Proprietorship.
- ❖ Age : 25 to 75 years.
- ❖ Loan Limit Max Rs.100 lacs. (Max two vehicles)
- ❖ Quantum of Loan
 - ❖ *For salaried : 36 times of gross monthly income.*
 - ❖ *For others: 3 times of gross annual income as per ITR.*
- ❖ *Margin Upto 25 Lacs: NIL on showroom price.*
Over 25 Lacs : 10% on showroom price.
- ❖ Repayment : 84 months
- ❖ ROI : 0.40 + RBLR (New/Second hand)
- ❖ Processing Charges : 50 % of that in Vehicle Loan

(All other terms same as vehicle loan scheme.)

CONTACTLESS RETAIL LOANS

(URL: www.psbloansin59minutes.com/boi)

- ❖ Contactless Platform is an online digital loan management platform for Retail segment borrowers which entails In - Principle sanction of loan without physical contact within 59 minutes
- ❖ The platform has integrations with multiple agencies for ITR, Bank Statement analyzer, Fraud Check, Credit Information Bureau check among others.
- ❖ Quantum of loan
 - ❖ *Personal Loan - Rs.50,000 to Rs.5,00,000*
 - ❖ *Home loan - Rs.1,00,000 to Rs.10,00,00,000*
- ❖ *Branches to access the CAM report in CAPS and undertake the processing of proposal.*

CHAPTER 22

RETAIL CREDIT – II

COVERAGE

- ❖ **Education Loan**
- ❖ **Personal Loan**
- ❖ **Loan Against Property**

STAR EDUCATION LOAN

HOW TO APPLY

- ❖ **Education Loan to be applied through Vidyalakshmi Portal**
- ❖ **VidyaLakshmi Portal provides single window for Students to access information and make application for Educational Loans provided by Banks and Govt Scholarships.**
- ❖ **The portal facilitates the students to forward their queries/ grievances relating to Educational Loans to Banks**
- ❖ **Linkage to National Scholarship Portal for information and application of Govt Scholarships**

ELIGIBLE COURSES

Within India

- ❖ **Graduation/Post Graduation/Professional courses/Other courses leading to Diploma or Degree**
- ❖ **Regular Degree/ Diploma courses like Aeronautical/ Pilot training/ Shipping/ Degree-Diploma in Nursing or any other**

- discipline approved by Director General of Civil Aviation (DGCA)/ Shipping/ Indian Nursing Council or any other Regulatory Body.
- ❖ Courses to be approved by AICTE/IMC/ OR university approved by UGC/ State Govt./ Central Govt./Ministry of HRD (GOI)/ DGCA or such other Regulatory Body
 - ❖ Courses conducted by National Institutes, like IIMs, IITs, IISc, XLRI, NIFT, NID, and other Institutes set up by Central/State Govt.

For studies abroad

- ❖ Course/University should be reputed/State funded (Ranking wise first 3000 universities in Banking web of universities www.webometrics.info)

MAXIMUM QUANTUM OF LOAN

- ❖ Need based finance to meet educational expenses & having regard to student's earning potential after completion of course & not his parents' income or worth subject to :-
 - ❖ Studies in India : Max. Rs.10 lakh
 - ❖ Studies Abroad : Max. Rs. 20 lakh

(Above limits are as per RBI guidelines relating to Priority Sector. Higher limits can be considered at the top management level with full security & 25% margin)

ELIGIBILITY CRITERIA

- ❖ **Student should be Indian national & student and her/his parents should be ordinarily resident of the Branch area or operation**
- ❖ **No outstanding Education loan from any other Bank/F.I.**
- ❖ **Student should have secured admission through Entrance Test/Merit based selection process after completing 10+2 or equivalent.**
- ❖ **Where admission based on qualifying exam –**
 - ❖ **General category students : 60% marks**
 - ❖ **SC/ST/OBC : 50% marks**
- ❖ **PAN No. of borrower/co-borrower mandatory. Student may apply for PAN & submit PAN No. before disbursement.**
- ❖ **Management quota is outside the purview of scheme. However, cases can be considered with cut off marks of 60% for General category & 50% for ST/ST/OBC & with fee structure of State Govt./Regulatory body & min. 50% collateral security & also 25% margin**
- ❖ **Joint Borrower - Normally Parent or Guardian of student**
- ❖ **In case of married student – Spouse/Parents/Parents in law**
- ❖ **In case guardian with adverse credit history – Joint borrower acceptable to the Bank can be obtained but he should be relative or a person genuinely concerned about education & well being of the student**
- ❖ **Existence of an earlier education loan to sibling will not affect the eligibility of another meritorious student from the same family**
- ❖ **Family as unit for quantum of finance/margin/security has been discontinued.**
- ❖ **Documents to be executed jointly by student (if major) & co-**

borrower (Parent or Guardian)

- ❖ **In case of minor student (below 18 years of age), only co-borrower shall execute documents & fresh set of documents shall be signed by both student & co-borrower on minor attaining majority**

EXPENSES TO BE CONSIDERED

- ❖ **Tuition Fees, Examination Fees, Laboratory & Library fee, Caution Deposits, Building fund and Refundable deposit (max 10% of tuition fees), Hostel expenses.**
- ❖ **For purchase of books, equipments/instruments, computer/laptop, if essential for course, uniforms for completion of course (max 20 % of tuition fees)**
- ❖ **For boarding and lodging expenses (when the student does not get accommodation in Hostel)**
- ❖ **Passage abroad, study tours, project work, thesis etc.**
- ❖ **Life Insurance Premium for life cover of student/ co-borrower for total tenure of loan**
- ❖ **Reimbursement of expenses already incurred by the student are permissible to be considered under loan provided sanctioning authority is satisfied based on documentary evidence in the form of bills/receipts etc.**

MARGIN

- ❖ Upto Rs.4.00 lakh - Nil
- ❖ > Rs.4.00 lakh - 5.00% (for studies in India)
- 15.00% (for studies abroad)

INSURANCE

- ❖ Bank offers specially designed insurance from Star Union Dai-ichi Life Insurance Co. Ltd.
- ❖ SUD Shiksha Suraksha Plan provides the life insurance cover for the Education loan borrowers for loan amount.
- ❖ Premium of the policy may be added in total project cost for the loan

SECURITY

Upto Rs.7.50 lakh

- ❖ Parent(s) or guardian to be joint borrowers
- ❖ Clean (No Collateral Security/Third Party Guarantee)
- ❖ Cover under CGFSEL is mandatory

> Rs.7.50 lakh

- ❖ Tangible Collateral security of suitable value, Third

Party Guarantee and Assignment of future income

- ❖ **The security in the loan can be in the form of Land, Building, Govt. Securities, Public Sector Bonds, Units of UTI/NSC/KVP, and LIC policy, gold, shares, debentures, bank deposits in the name of the student, parent, guardian or any other third party with suitable margin.**

OTHER IMPORTANT FEATURES

- ❖ **Credit Guarantee Fund Scheme for Education loans(CGFSEL) is provided by National Credit Guarantee Trustee Company (NCGTC) and is mandatory for all loans upto Rs.7.50 lakhs.**
- ❖ **Date of notification/ Effective date: 16 Sep.2015**
- ❖ **Annual Guarantee Fee : 0.50% p.a. of the outstanding loan amount to be borne by the Bank.**
- ❖ **Guarantee Cover: 75% of the amount in default.**
- ❖ **Students/Parents/Co-Borrower of education loans can be issued Star Money Card. The card can be used to meet short term requirements such as purchase of books, stationery, and booking of trains, hostel expenses etc.**
- ❖ **In case of studies abroad, branches to obtain SSN / Unique identification Number /identity card and note the same in the banks record.**

PROPOSAL PROCESSING CHARGES

- ❖ **PPC: NIL (If Study in India)**
- ❖ **Sanction letter for obtaining VISA (for study abroad): Rs.5,000/- which can be refunded if the loan is availed**
- ❖ **One time charges for any deviation from the scheme norms including approval of course outside scheme:**
 - ❖ **Up to Rs. 4.00 lacs: Rs. 500/-**
 - ❖ **>Rs.4.00 lakh up to Rs. 7.50 lacs: Rs. 1500/-**
 - ❖ **> Rs.7.50 lakh up to Rs. 20 lacs: Rs. 3000/-**

RATE OF INTEREST

- ❖ **Floating Rate of Interest linked to RBLR**
- ❖ **For limit up to 7.50 lacs (Under CGFSEL): 1.70% + RBLR**
- ❖ **For limit above 7.50 lacs: 2.50% + RBLR**
- ❖ **Interest concessions:**
 - A. 1% interest concession provided if the interest is serviced during the study/moratorium period. (Normal interest applicable from the date of commencement of repayment)
 - B. 0.50% concession to girl students, minimum RBLR.
 - C. 0.50% concession to students of professional courses
Engineering/ Medical/ Management
- ❖ **Max. concession shall not exceed 1.00% under B & C above.**

- ❖ **Interest will be charged on simple basis during moratorium period.**

INTEREST SUBSIDY SCHEME

- ❖ **Scheme by Ministry of Human Resources (GOI) since 01.04.2009**
- ❖ **For economically weaker sections with parental income of max. Rs.4.50 lakh**
- ❖ **Income proof certificate from specified public authorities**
- ❖ **Only for recognized technical & professional courses**
- ❖ **Subsidy available only during moratorium period**
- ❖ **Available for loan of max. Rs.10.00 lakh in India. Where loan is exceeding Rs.10.00 lakh, subsidy will be available only upto Rs.10.00 lakh**
- ❖ **Not available for students who discontinue study or expelled from institution**
- ❖ **Canara Bank is the Nodal Bank for implementing the scheme**

STAR VIDYA LOAN SCHEME

- ❖ **Eligibility : Students/ Indian Nationals securing admission through test/selection process in premier educational institutions in India.**

- ❖ **Courses approved: Regular full time Degree/Diploma courses (Certificate/Part time courses not permitted)**
- ❖ **Quantum: 30 Lacs/ 20 Lacs/ 10 Lacs for the Institutions as per lists A,B & C.**
- ❖ **ROI : RBLR**
- ❖ **Repayment : 15 years with moratorium of Course period + 1 year.**
- ❖ **Margin : NIL**
- ❖ **Security: Co obligation of parents/guardian
Assignment of future income.**

(All other terms same as Star Education Loan scheme.)

PRADHAN MANTRI KAUSHAL RIN YOJNA
(PMKRY - SKILL DEVELOPMENT SCHEME)

- ❖ **Purpose:** To extend education loan for vocational courses offered by ITI/ITC/Polytechnic and other technical institutions/bodies.
- ❖ **Eligibility :** Indian nationals having secured admission in recognized course run by Govt organization / Recognized by Govt.
- ❖ **Quantum:** Rs.5000/- to Rs.150000/-
- ❖ **ROI:** 1.5% +RBLR
- ❖ **Moratorium:**
 - ❖ For courses upto 1 year duration: 6 months
 - ❖ For courses of duration > 1 year : 1 year
- ❖ **Repayment :** 3 years/ 5 years/ 7 years for loan limit upto 50000/- 100000/- and 150000/-
- ❖ **Margin :** NIL
- ❖ **Security:** Credit Guarantee Fund Scheme for Skill Development Loans (CGFSSL) by NCGTC.

(All other terms same as Star Education Loan scheme)

STAR PERSONAL LOAN

ELIGIBILITY

- ❖ Individuals
 - ❖ *Salaried employees*
 - ❖ *Professionals and self-employed*
 - ❖ *Businessmen*
 - ❖ *High Networth Individuals*
 - ❖ *Staff members etc.*

- ❖ Age
 - ❖ *For salaried employees – Upto the age of retirement*
 - ❖ *For others – Not beyond 65 years*
 - ❖ *(Age is the exit age at which loan should be repaid in full)*

PURPOSE

- ❖ *Clean / Unsecured – Education, Medical, Family function, Repair / Renovation of house (without mortgage) or any bonafide purpose*
- ❖ *Secured - Repair / Renovation of house (with mortgage), Purchase of consumer durables, Education or any bonafide purpose.*

ELIGIBLE QUANTUM

❖ **Clean / Unsecured**

- ❖ **For Salaried Employees - 10 times net salary Max. Rs.5,00,000/-**
- ❖ **For Professionals/Businessmen - 50% of gross annual income as per Latest I.T.Return max. Rs.5,00,000/-**
- ❖ **Margin - Nil**

❖ Secured

- ❖ For Salaried Employees - 20 times gross salary Max. Rs.10,00,000/-
- ❖ For professionals/businessmen - 100% of average income for last three years as per I.T.Return max. Rs.10,00,000
- ❖ Margin - Suitable Margin in project cost

OTHER NORMS

❖ Repayment Period

- ❖ Clean / Unsecured - Maximum 36 months, may be given 60 months, case basis.
- ❖ Secured - Maximum 60 months

❖ Mode of Disbursement

- ❖ Clean / Unsecured - To the borrower account
- ❖ Secured - Directly to seller / supplier

❖ Security

- ❖ Clean / Unsecured - Nil
- ❖ Secured - Hypothecation/ Mortgage/ Liquid

as per the loan purpose

- ❖ Tie up arrangement for recovery of installment may be there / ECS mandate may be taken.

OTHER NORMS

- ❖ **Proponent should secure min. 20 marks out of 50 in Credit Rating Sheet.**

- ❖ Net Take Home Pay including EMI for the Proposed Loan should not be less than 40% of Gross Income. (For Gross Income upto Rs. 1 Lacs p.m.)
- ❖ Type of Account – Demand Loan/ Term Loan/ OD Reducible/ OD Non reducible(Max 1 Lac)
- ❖ Processing charges : One time @ 2.00% of loan amount - Min Rs.1000/- Max. Rs.10000/-.

{PPC for senior citizens (60 years & above) : Nil}

RATE OF INTEREST

- ❖ Clean / Unsecured - RBLR + 5.50%
- ❖ Secured - RBLR + 4.50%
- ❖ For Senior citizen aged above 60 years
& for loans upto Rs.50,000 - RBLR + 3.50%
- ❖ For secured loan under tie up arrangement -
RBLR + 4.50%

BOI STAR DOCTORS PLUS PERSONAL LOAN

- ❖ **Eligibility:** Qualified registered Medical Practitioners with minimum 3 years experience in any branch of medical science recognized by statutory/regulatory authorities to practice in India.
- ❖ **Age :** 25 to 75 years.
- ❖ **Purpose :** Any approved purpose
- ❖ **Loan Limit** Rs.20 lacs.
- ❖ **Eligible Quantum of Loan**
 - ❖ For salaried : 24 times of gross monthly income
 - ❖ For others: 2 times of gross annual income as per ITR.
- ❖ **Margin :** NIL
- ❖ **Type of advance:** Demand loan/ Term Loan/ OD reducible/ OD non reducible (Max 10 Lacs)
- ❖ **Repayment :** 84 months
- ❖ **ROI:** RBLR + 3.00% (Unsecured/clean)
- ❖ RBLR + 2.00% (Secured)
- ❖ **Security:** For loans upto 5 lacs: No collateral security
- ❖ For loans over 5 Lacs upto 10 Lacs : TPG of adequate value.

- ❖ **For Loans over 10 lacs : Adequate collateral security.**
 - ❖ **Processing Charges : 50% to that applicable to others**
- (All other terms same as personal loan scheme.)**

STAR PERSONAL LOAN TO GOVERNMENT EMPLOYEES

- ❖ **Target group: Permanent/confirmed employees of State/ Central Govt/ PSB/ PSE**
- of State & Central Govt**
- ❖ **Salary deduction of EMI should be available.**
 - ❖ **Quantum : Rs.10 lacs (Max)**
 - ❖ **15 times of monthly net emoluments.**
 - ❖ **NTHP Min 40% of gross salary**
 - ❖ **Rate of Interest : RBLR + 4.5%**
- (All other terms same as Star Personal loan scheme.)**

STAR PENSIONER LOAN SCHEME

- ❖ **Target group : Regular or Family pensioners drawing regular monthly pension through the branch.**
- ❖ **Age : Not to exceed 75 years (outer limit)**

- ❖ **Co borrower : Nominee/legal heir.**
- ❖ **Eligible quantum : 15 times of monthly net pension**
- ❖ **Max quantum of loan**
 - ❖ If PPO is with Bank : Rs.5 lacs
- (Regular / Family pensioners)**
- ❖ If pension received directly
 - from Treasury/ DPDO : Rs.3 lacs
 - ❖ For family pensioners : Rs.1.5 Lacs
- ❖ **Processing charges : NIL for senior citizens. For others 2% of loan amount (Min Rs.500/- Max Rs.2000/-)**
- ❖ **ROI: RBLR + 2.50%**

(All other terms same as Star Personal loan scheme)

STAR MITRA PERSONAL LOAN

- ❖ **Eligibility :**
 - ❖ **All Physically Challenged Individuals, Salaried and self-employed.**
 - ❖ **All Physically Challenged Minors through their Parents/ Legal Guardians.**
- ❖ **Purpose:- To purchase durable and sophisticated aids / appliances that promote their physical and social rehabilitation.**
- ❖ **Type of Advance:-Demand /Term Loan – Secured.**
- ❖ **Amount:- 10 times of net salary for salaried persons and 50% of net annual income as per latest Income Tax Return for Self-**

Employed/Professionals, Maximum Rs.1.00 lac (No minimum stipulation)

- ❖ **Margin:- 10% (May be waived in deserving cases)**
- ❖ **Repayment :-12 to 60 months, commencing one month after full disbursement/ three months after first disbursement, whichever is earlier.**
- ❖ **Interest (ROI):-1.00% +BSS+1 Yr MCLR**
- ❖ **Security: Hypothecation of the Equipment purchased out of Bank Fin.**
- ❖ **Insurance: Waived. However, Borrower may be advised to obtain insurance at his own cost.**
- ❖ **Processing Charges: Waived.**
- ❖ **Doctor's Certificate to be obtained from the borrower regarding the**
- ❖ **extent of handicap and the need for the equipment.**
- ❖ **Quotation/Invoice in respect of the equipment to be purchased.**
- ❖ **Stamped receipt to be submitted after purchase of the equipment.**

(All other terms same as Star Personal loan scheme)

STAR HOLIDAY LOAN

- ❖ *Target group : Salaried employees, Professionals and self-employed,*

Businessmen, HNIs, Pensioners, Staff members, Agriculturists etc.

- ❖ *Purpose : For Tours/ Pilgrimage/ Excursions Expenses like Travel fare, accommodation, site seeing etc.*
- ❖ *Eligible quantum : 10 times of monthly net emoluments/
50% of Gross Annual Income as per
last ITR.*
- ❖ *Max quantum of loan*
 - ❖ *Clean : Rs.2 Lacs*
 - ❖ *Secured : Rs.5 Lacs if 50% liquid collateral is
given
: Rs.10 lacs if 100% liquid collateral is
given*
 - ❖ *For pensioners : Rs. 1 Lac*
- ❖ *Repayment : 24 EMIs one month after first disbursement
36 EMIs in exceptional cases.
(All other terms same as Star Personal loan scheme)*

COVID 19 PERSONAL LOAN (CPL)

❖ **Eligibility:**

- ❖ Applicants drawing salary from our Bank for more than one year.
- ❖ Existing standard housing loan and personal loan customers

(Both salaried and self-employed)

- ❖ *Purpose : To meet consumption needs and medical expenses*

❖ **Eligible quantum :**

- ❖ 3 times of last drawn gross salary in case of salaried persons,
- ❖ 3 times of monthly income based on the latest ITR in case of self-employed borrowers; In both cases Max: Rs. 5.00 Lakhs.
- ❖ NTHP min 25% irrespective of income

- ❖ Repayment : 36 months including 6 months moratorium.

- ❖ Security: Clean

- ❖ Rate of Interest : RBLR

- ❖ Other norms: Satisfactory CIBIL reports and Credit rating Min marks 20 out of 50

- ❖ *Scheme valid till 30-06-2020*

(All other terms same as Star Personal loan scheme)

LOAN AGAINST PROPERTY

PURPOSE

- ❖ **To meet credit needs of Traders/Businessmen/Professionals**
- ❖ **Educational expenses**
- ❖ **Purchase of residential/commercial property/Plot (Against security of property already owned by proponent)**
- ❖ **Repairs/Renovation/Extension of residential-commercial property**
- ❖ **Repayment of loan from other Banks/F.I.s (conforming to Bank's Take over guidelines)**
- ❖ **Any other bonafide purpose**

ELIGIBLE CUSTOMERS

- ❖ **People engaged in trade/commerce/business**
- ❖ **Professionals & Self employed**
- ❖ **High net worth individuals (HNIs)**
- ❖ **Salaried people**
- ❖ **Proprietary firms/Partnership firms**
- ❖ **Limited companies (Pvt. Ltd. & Public Ltd.)**
- ❖ **HUFs (Excluding Partnership firms where HUF is a partner)**
- ❖ **Societies**
- ❖ **Staff members**

- ❖ **NRIs – subject to compliance with Bank’s/RBI guidelines (Delegation for HUF/NRI/Societies – ZLCC & above)**

INELIGIBLE CUSTOMERS/ PURPOSE

- ❖ **Speculative purposes including investing in equities**
- ❖ **Builders/Developers/Promoters/Real Estate Agents for Real Estate activities such as purchase of land/construction with intent to sell or hold real estate stock for sale/resale**
- ❖ **Non Banking Finance Companies (NBFCs)**
- ❖ **Trusts**
- ❖ **Partnership firms where HUF is a partner**
- ❖ **PIO is not presently covered under LAP**

AGE LIMIT

- ❖ **For salaried individuals: 60 years**
- ❖ **For Non-salaried/self employed: May be relaxed by 10 years till 70 years by sanctioning authority. Age limit will also apply to proprietary concern.**
- ❖ **Even in OD limit endeavour to be made to close the a/c within max. age limit by reducing limit in annual review**
- ❖ **If the security is in the name of guarantor age norms as per LAP applicable.**

TYPE OF ADVANCE / QUANTUM

(Rs. In Lacs)	Demand/ Term Loan	Overdraft (Reducible)	Overdraft (Non Reducible)
Individuals/ Professionals & Self employed	500	200*	Nil
Doctor/s – In case of joint account all to be doctors*	500	500	Nil
All others ie Prop./ Partner- ship Firms, Company etc	500	500	500
(Hybrid facility of demand/term/OD can also be considered)			

ELIGIBLE QUANTUM

Salaried/Professional & Self employed / Doctors	48 times of average net emoluments based on salary slip/form 16/ITR OR 4 times of net annual income with other rental income from property etc. based on ITRs for last 2/3 years
Others – Traders/Businessmen/ Companies/Firms	T/L & OD (Reducible)- 4 times of average cash accrual (i.e. PAT + Depreciation) as per their Balance sheet/P&L for last 2/3 years In case of OD (Non reducible) 20% of the annual turnover based on audited Balance sheet for the last years can be considered. Obtain audited balance sheet for 2/3 years

MARGIN (ON VALUE OF PROPERTY)

The loan limit will be based on valuation of property

- ❖ **100% of circle rate/registration value }
of the property as on date of valuation }**
- ❖ **40% of market value of the property } **Whichever is lower****
- ❖ **50% of distress value of the property }**

- ❖ **Where the advance is based on distress sale value of property
(margin to be 50% of distress value and need for 2nd valuation),
Delegation ZLCC onwards**

NET TAKE HOME PAY & REPAYMENT

For individuals	Gross Monthly income % of NTH Up to Rs. 1 Lac - 40 > Rs.1 Lac up to Rs. 5 lac - 30 > Rs 5 lac - 25
For firms/companies	DSCR min. 1.5 (No deviation considered)
For OD (Non-Reducible)	ISCR min. 1.5 (No deviation considered) (Int. to be served on monthly basis)

Repayment of Term Loan &
OD (Reducible)

12 years (excluding moratorium if any)

Repayment to commence subsequent to the month in which final disbursement is made or 6 months after first disbursement, whichever is earlier

SECURITY

- ❖ **Equitable/Legal Mortgage charge over the property (including registration of equitable mortgage charge in applicable state & registration of charge with CERSAI in eligible accounts).**
- ❖ **Property to be mortgaged should be in the name of applicant, his/her spouse or close relative as per Section 6 of Companies Act, 1956/2013 or between persons representing relationship such as firm & proprietor, Partnership firm & partners, Company & Directors**
- ❖ **Person in whose name property stands to be taken as co-borrower or guarantor**
- ❖ **Property should be self occupied or leased out to acceptable individuals, Govt. Agencies, PSUs, Corporates etc.**
- ❖ **Agricultural land not to be accepted as security for loans/advance under this scheme**

CHARGES

Proposal Processing Charges

- ❖ One time for Loan (Repayable in installments): 1.00% of sanctioned amount, min.Rs.5,000 – max. Rs.50,000
- ❖ For OD (Non-Reducible): 0.50% of sanctioned/reviewed limit, min. Rs.5,000 – max. Rs.30,000 on annual basis
- ❖ For OD (Reducible): 0.50% of sanctioned limit, min. Rs.5,000 – max. Rs.30,000 for 1st year at the time of original sanction / 0.25% of Reviewed limit, min.2500 – max. Rs.15,000 for subsequent years
- ❖ (For Rural areas 75% of the normal applicable charges)

EQM Fee

- ❖ Limit up to Rs. 10 lakh- Rs. 5000/-
- ❖ >Rs. 10 lakh & up to Rs. 1 crore- Rs. 10000/-
- ❖ >Rs. 1 crore & up to Rs. % crore- Rs. 20000/-

CREDIT RATING

- ❖ For individuals: Normal Rating exercise for all other retail loans with min. 20 marks out of total 50 marks
- ❖ For prop firm/partnership firm/company: For loans exceeding Rs.10.00 lakh - Credit rating as per SBS/SME/MS/HLC model with entry level norms stipulated under each rating model

INSURANCE

- ❖ The property mortgaged should be kept insured for full value against the risk of fire, natural calamity, riots, civil commotion, earthquake etc with the usual bank clause

GUARANTOR

- ❖ **Not mandatory but may be obtained to strengthen the credit proposal, but if the property to be mortgaged stands in the name of third party, his guarantee is must.**

RATE OF INTEREST

- ❖ **Loan & OD (Reducible) : RBLR + 2.00%**
- ❖ **OD (Non-Reducible) : RBLR + 2.50%**
- ❖ **Group concept is applicable**

BOI STAR REVERSE MORTGAGE LOAN SCHEME

ELIGIBILITY

- ❖ **Senior citizen above 60 Yrs & not more than 80 Yrs of age.**
- ❖ **Proponent should be owner and permanent primary resident of residential property located in India**
- ❖ **Residential property should be free from encumbrance**
- ❖ **No monthly income/ gross income criteria**

SCHEME NORMS

- ❖ **Purpose:** To provide a source of additional income to senior citizens
- ❖ **Quantum of Loan:** Min 2 Lacs & Max 25 Lacs
- ❖ **Basis of Eligible Loan :** Age of borrower/s & Valuation of property
- ❖ **Security:** Equitable Mortgage of the self occupied / self owned residential property
- ❖ **Revaluation of property to be done once in 5 years**

ELIGIBLE QUANTUM OF LOAN

Age of the Sole Applicant / younger in case of joint borrowers	Ratio of Loan to Value of property	
	Joint Borrower	Single Borrower
60-65 Years	45 %	50 %
66-70 Years	50 %	55 %
71-75 years	55 %	60 %
76- 80 years	60 %	65%

OTHER NORMS

- ❖ Tenure of Loan
 - ❖ Age Upto 65 Years : Max 15 years
 - ❖ Age above 65 years : Max 10 years subject to borrower's maximum age of 80 years
- ❖ Rate of Interest : 2.30% +BSS+ 1 Yr MCLR
- ❖ Disbursement
 - ❖ *Lump sum – 50% of the total eligible amount of loan (Max 12.50Lacs)*
 - ❖ *Balance may be disbursed as Periodic payments (monthly/*

quarterly/ half yearly /annual) to be decided mutually between Bank and the borrower

- ❖ Insurance : The mortgaged property to be insured for a minimum period of 10 years

REPAYMENT / SETTLEMENT OF LOAN

- ❖ Borrower or his legal heir shall have the first right to settle the loan along with accumulated interest, without the sale of property
- ❖ Principal and interest shall become due and payable upon the death of the last surviving borrower or if borrowers like to sell or permanently move out of the house.
- ❖ Balance due in the account, becomes payable within 6 months of the death of annuitant
- ❖ Bank shall take steps to realize the security through sale of property after 6 months of the death of borrower & upon expiry of intimation to the legal heirs to settle the dues.
- ❖ The balance surplus, if any remaining after settlement of the loan with accrued interest shall be passed on to the legal heirs/estate beneficiaries of the borrower

CHAPTER 23

IRAC NORMS

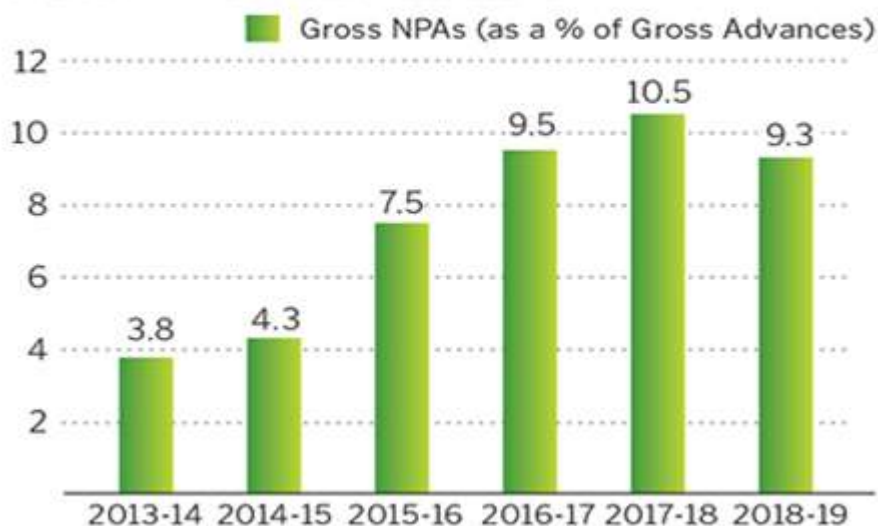
NPA MANAGEMENT IRAC NORMS & PROVISIONS

Session Plan

In this Session you will learn about:

- ✓ NPA position of our Bank
- ✓ Impact of NPA over Banks
- ✓ Income Recognition Norms
- ✓ Asset Classification Norms
- ✓ Provisioning Norms
- ✓ Case Study to calculate provisions
- ✓ Knowledge Test

NPAs at Banks in India



सरकारी बैंकों का एनपीए

बैंक	वित्त वर्ष (2019-2020)
इलाहाबाद बैंक	32,150
आंध्रा बैंक	30,951
बैंक ऑफ बड़ौदा (बीओबी)	73,140
बैंक ऑफ इंडिया	61,730
बैंक ऑफ महाराष्ट्र	15,746
केनरा बैंक	36,645
सेंट्रल बैंक ऑफ इंडिया	33,259
कॉर्पोरेशन बैंक	19,557
इंडियन बैंक	13,862
इंडियन ओवरसीज बैंक	23,734
ओरिएंटल बैंक ऑफ कॉमर्स	21,634
पंजाब एंड सिंध बैंक	8,923
पंजाब नेशनल बैंक	76,809
भारतीय स्टेट बैंक (एसबीआई)	1,59,661
सिंडिकेट बैंक	25,330
यूको बैंक	22,140
यूनियन बैंक ऑफ इंडिया	49,924
युनाइटेड बैंक ऑफ इंडिया	11,457



BOI Asset Quality- Sequential

(Rs. In

crores)

Item	Mar 2019	Sep 2019	Dec 2019
Gross NPA	60661	61476	61730
Net NPA	19119	19646	20113
Gross NPA%	15.84	16.31	16.30
Net NPA %	5.61	5.87	5.97
Provision Coverage Ratio%	76.95	77.12	77.15

IMPACT OF NPA

- Profitability
- Liquidity, Hurdle in Recycling of funds
- Management Cost , Value of time
- Increase in Provision , Drop in Reserves
- Loss of Image/Reputation Loss / Restrictions by RBI
- Lowering of Share Value
- Lowering of Rating
- Capital Adequacy Ratio(CRAR)

INTRODUCTION

- As per the recommendations of Mr Narsimham Committee :-The concept came in 1992-93 following Narasimham Committee Recommendations on the financial system & in line with the International Practices.
- IR- Income Recognition – Income actually credited to our P/L & based on record of recovery on Cash Basis.
- AC- Asset Classification- On the basis of recovery, not on the basis of assets and which would ensure a uniform & consistent application of norms.

What is NPA ?

- When asset of the Bank ceases to generate income, it is called NPA.
- Interest and /or Installment of Principal Loan remains unpaid/overdue for period of **more than 90 days** in respect of demand and term loan.
- With a view to moving towards international best practices and to ensure greater transparency, it has been decided to adopt 90 days overdue norm for identification of NPAs, from 31.03.2004 (Earlier it was 180 days)

DCCO

- Project loan for non-infra project will become NPA if it fails to commence commercial production within 12 months of original

DCCO (date of commencement of commercial operations) or COD commercial operation date, unless it is restructured and fresh DCCO is fixed which should not extend beyond 24 months of original DCCO.

- **In case of Infra projects if the project fails to commence commercial operation within 2 years of original DCCO.**

NPA Continue.....

- **In case of Bank guarantee if it is invoked and remains unpaid for more than 90 days a/c will be NPA**
- **The bills remain overdue for a period of more than 90 days in case of bills purchased and negotiated.**
- **in case of TOD if limit expired and not repaid within 90 days , a/c will be NPA**
- **Moratorium period for payment of Interest,staff H/L does not make NPA.**

Crop Loans :-

The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops and one crop season for long duration crop .

Agriculture Term Loans (Farm Loans)

The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops and one crop season for long duration crop.

Technical NPA

- **In case of Cash Credit A/c Stock\Book Debts statements are not submitted for more than 6 months.**
- **A/c is overdue for Review for more than 6 months. If short reviewed, period will not extend.**

- In all other term loan, a/c is overdue for Review for more than 6 months
- If unit is closed.

Point to Remember

- Asset classification is borrower-wise but not facility wise. If H/L of individual is NPA, his proprietorship will be treated as NPA.
- NPA account subjected to restructuring would be eligible to be upgraded to standard category only after a specified period of one year after the date when first payment of interest or the principal installment, whichever falls due.

General Guide lines

Interest on following advances may be taken into income :

- Bank 's own TDRs.
- Loan against NSC/KVP/IVP
- Loan against LIC policies ,

These need not be classified as NPA, provided Adequate Margin is available

Advances against Gold ornaments/ Govt. Securities / Shares-Not covered under exemption

NPA Norms in Government Guaranteed Accounts

Central Government Guaranteed A/cs:-

- Even though overdue it is treated as Standard Asset
- Treated as NPA when Govt. repudiates the guarantee on being invoked
-

State Government Guaranteed A/cs:-

- ✓ Requirement of Invocation has been delinked
- ✓ Interest and or Installment remains overdue for more than 90 days [w.e.f. 31-03-2006]
- ✓ Appropriate Provision even if the guarantee NOT invoked

Income Recognition:

- Primary understanding regarding Income recognition ?
- Normal Recovery in NPA a/c should first be appropriated towards forced debits/charges in the account, unrealised interest kept in Sundry Credit, then uncharged interest and finally to Principal outstanding in the account.
- Above provisions are not applicable in accounts where recoveries are made under compromise settlement.

Asset Classification- Standard Asset

- **Asset Code 11** - performing asset , carry normal credit risk and does not pose any problem.
- **Watch category (Asset Code 12)** – Overdue from 31 days to 90 days and are reported under SASCL.
- Watch category accounts are classified as under :
- SMA-0 : Delinquency up to 30 days or even no delinquency in repayment, but terms of sanction are not complied.
- SMA-1 : Delinquency from 31 days to 60 days.
- SMA-2 : Delinquency from 61 to 90 days.
- SMA-1 and SMA-2 is covered under Watch Category Accounts.
- SMA-2 above Rs. 5 cr. Should be reported to RBI via H.O.
- (Non-reporting)\concealment of facts\ ever greening of assets will attract accelerated provisioning).
- **Asset Code 13** (Non-CDR Restructured Accounts)
- **Asset Code 14** (CDR Restructured Accounts)
- **Asset code 15-** Infra. A/c DCCO Restructured > 2 years
- **Asset Code – 16** Non Infra A/c DCCO restructured > 1 year

Asset Classification

Classification	Code	Period
Sub-standard: Secured	21	12 months
Unsecured	22	
Doubtful-1	31	12 months (total-24months)
Doubtful-2	32	24 months (total-48months)
Doubtful-3	33	Till liquidation
Loss-Asset	40	Not applicable.

More about Classification

- An NPA need not necessarily go through the various stages of classification in case of serious Impairment.
- Standard to Doubtful- if erosion of security is more than 50% of the value accepted in the last inspection.
- Standard to loss-if the RVS is less than 10% of the balance outstanding, fraud account & overdraft due to usage of India card/TOD in C/D a/c.

NPA Porvision

Classification	Code	Period	Provision
Sub-standard	21	12 months	15 %
	22		25% Of O/S amt
Doubtful-1	31	12 months (total-24months)	25% of RVS + 100%Of Short
Doubtful-2	32	24 months (total-48months)	40% of RVS + 100% of short
Doubtful-3	33	Till liquidation	100% of O/S, Irrespective of value of securi
Loss-Asset	40	Not applicable.	100% of O/S amt.

Provision on Standard Asset

- **Farm credit to agricultural and small and micro enterprises- 0.25%**
- **Home Loan - 0.25% (Sanctioned After 07.06.17)**
- **Advances to Commercial Real Estate Sector(CRE)- 1.00%, Real Estate Housing-0.75%**
- **Restructured Advances-5.00%**
- **All Other loans Other Than Above-0.40%**
- **Provision on standard assets not to be reckoned for arriving at net NPA.**

Loss Asset (Asset code 40)

- **Loss Assets** are those assets where the RVS (Realisable Value of Security) is less than 10% of outstanding. Provision 100%.
- Identified as loss asset by bank/ internal/external auditors/RBI inspectors. Any substantial erosion in value of security or non availability of security or due to fraudulent act or omission on the part of the borrowers, classified as loss assets.

CASE STUDY-I

calculation of provision amount in npa account – sub standard

- Balance outstanding - Rs. 21.60 lacs
- Unrealised interest (URI) - Rs. 1.60 lacs
- Realisable value of security - Rs. 5.00 lacs
- Calculation of provision –

Balance outstanding	Rs. 21.60 lacs
Less : URI	Rs. 1.60 lacs
Net amount	Rs. 20.00 lacs
Provision amount (15% on o/s)	Rs. 3.00 lacs

CASE STUDY-II

CALCULATION OF PROVISION AMOUNT IN NPA ACCOUNT COVERED BY ECGC GUARANTEE

- EXAMPLE: LEDGER OUTSTANDING : RS.4.00 LAKHS
- ECGC COVER 50 PERCENT

- AGE OF NPA CATEGORY 8 MONTHS IN DOUBTFUL
- VALUE OF SECURITY HELD : RS.1.50 LAKHS
- (EXCLUDES WORTH)
- PROVISION REQUIRED TO BE MADE:
- Ledger balance : Rs.4.00 lakhs
- less value of security held : Rs.1.50 lakhs
- Unsecured Balance : Rs. 2.50 lakhs
- Less ECGC cover(50%)
- : Rs.1.25 lakhs
- Net Unsecured Balance : Rs.1.25 lakhs
- Provision Required in this a/c : Rs.1.62 lakhs.
- at @100%unsecured Balance &25% of realisable value of security

Review

- **NPA**
- **Agriculture a/c**
- **DCCO**
- **TDR loan**
- **Technical NPA**
- **Consortium**
- **IR & AC**
- **Provision**

CHAPTER 24

CREDIT MONITORING & NPA

MANAGEMENT

GENESIS OF CREDIT MONITORING

- CREDIT MONITORING STARTS FROM THE MOMENT THE POSSIBILITY OF A NEW ADVANCE IS VISUALIZED
- THE PRINCIPLES OF GOOD LENDING, IDENTIFYING GENUINE BORROWER AND AVAILABILITY OF ADEQUATE SECURITY, ARE OF PARAMOUNT IMPORTANCE FOR CREDIT MONITORING
- THE PURPOSES OF CREDIT MONITORING ARE TO:
 - ❖ UNDERSTAND THE FINANCIAL PROBLEMS OF THE UNIT
 - ❖ ASCERTAIN, IF THERE IS ANY IMPEDIMENT IN SERVICING OF INTEREST
 - ❖ ASCERTAIN, IF THERE IS ANY THREAT TO RECOVERY OF PRINCIPAL AMOUNT LENT, AND LAST BUT NOT THE LEAST
 - ❖ **HELP THE ENTREPRENEUR IN ESTABLISHING HIMSELF AS PER HIS OWN PROJECTION**
- THE PRESENT CREDIT MONITORING DEPARTMENT OF OUR BANK BECAME FULLY OPERATIONAL IN OCTOBER, 2002 HEADED BY GENERAL MANAGER.

IT ENVISAGE TO COVER ALL ACCOUNTS WITH OUTSTANDING OF Rs.5 CRORES & ABOVE MAY BE MONITORED BY HEAD OFFICE.

OBJECTIVE OF CREDIT MONITORING

- TO ENSURE DELIVERY OF CREDIT IN COMPLIANCE WITH LAID DOWN PROCEDURE AND STIPULATED CONDITION.
- CONTINUOUS MONITORING OF CONDUCT OF ADVANCE ACCOUNTS, REGULAR PAYMENT OF INTEREST, INSTALLMENTS & OTHER DUES.

- REGULAR FOLLOW UP OF ADVANCE ACCOUNTS TO MAKE THEM REMAIN IN STANDARD CATEGORY.
- IDENTIFY EARLY WARNING SIGNALS.
- TO TAKE CORRECTIVE MEASURES IF ACCOUNTS SHOW IRREGULARITIES.
- UPGRADATION OF WEAK / SUB STANDARD ACCOUNTS.
- CONTAINMENT OF SLIPPAGES

CREDIT MONITORING GOALS

- TO SEE THAT THE ACCOUNT ALWAYS PERFORMS
- TO SEE THAT ALL THE SANCTION TERMS ARE FOLLOWED AND COMPLIED WITH
- TO EVALUATE AND JUSTIFY TEMPORARY ABERRATIONS IN GOOD ACCOUNTS
- TO ASCERTAIN THE DEGREE OF PERSONAL INTEREST BEING TAKEN BY AND STAKE OF THE BORROWER
- TO IDENTIFY PROBLEMS, IF ANY, IN THE PROCESS OF PRODUCTION
- TO ASCERTAIN END USE OF FUNDS

DIFFERENT CREDIT MONITORING TOOLS

- PERIODICAL INSPECTIONS
- REVIEW OF ACCOUNTS
- CREDIT PROCESS AUDIT (CPA)
- MARKET ENQUIRIES/REPORTS
- STOCK AUDIT
- INTERNAL/EXTERNAL AUDIT REPORTS

- CREDIT AUDIT AND LOAN REVIEW MECHANISM (CALRM)
- VARIOUS TAX RETURNS
- VARIOUS CONTROL RETURNS (POST SANCTION REVIEW SYSTEM/CENTRAL REPOSITORY OF INFORMATION ON LARGE CREDITS etc.)
- END OF DAY (EOD) REPORTS
- SASCL REPORTS
- TIE UP WITH ASM (AGENCIES FOR SPECIALISED MONITORING)
- SPECIALIZED AGENCIES (NATIONAL/INTERNATIONAL REPUTE) TO CONDUCT AUDIT FOR ACCOUNTS WITH EXPOSURE ABOVE Rs.250 CRORES.

DIFFERENT CREDIT MONIRING TOOLS

- BORROWER HEALTH PROFILE (BHP).
- EARLY WARNING SIGNALS (EWS) SOLUTION PACKAGE SOFTWARE.
- DATA ANALYTICS FOR MONITORING OF TRANSACTION IN CREDIT (FUNDED & NON FUNDED EXPOSURE).

CREDIT MONITORING AT BRANCH LEVEL

- PERIODICAL UPDATION OF KYC.
- CHARTERED ACCOUNTANT (CA) CERTIFIED ACTUAL COST OF PROJECT STATEMENT VIS-À-VIS THE ORIGINAL ENVISAGED COST OF PROJECT.
- STOCK/BOOK DEBT STATEMENTS.
- MONTHLY CASH BUDGET WHERE EVER APPLICABLE.
- QIS (QUARTERLY INFORMATION SYSTEMS) RETURNS.
- MSOD (MONTHLY STATEMENT OF OPERATIONAL DATA) STATEMENTS.

- INSPECTION REPORTS.
- STOCK INSPECTION REPORTS INCLUDING OF OUTSIDE AGENCIES/STOCK AUDIT.
- CONCURRENT/INTERNAL/REVENUE/RISK BASED INTERNAL AUDIT (RBIA) REPORTS.
- FACTORY VISITS REPORTS.
- TECHNICAL OFFICERS' REPORT.
- AUDITED/PROVISIONAL FINANCIAL STATEMENTS.
- ADVERSE/PROBING ENQUIRIES FROM OTHER BANKS REGARDING THE ACCOUNT, PROMOTERS OR GUARANTORS.
- REVIEW OF ACCOUNTS

CREDIT MONITORING AT BRANCH LEVEL

- ACCOUNT OPERATION SCRUTINY.
- TRANSACTION MONITORING.
- INFORMATION IN RESPECT OF OVERDUE POSITION OF ACCOUNTS RECEIVED FROM DATA CENTRE.
- DIFFERENT TAX RETURNS.
- FINANCIAL STATEMENTS.
- SEARCH REPORT FROM REGISTRAR OF COMPANIES (ROC)
- INFORMATION FROM MARKET/NEWS PAPERS.
- IT/WEALTH TAX/ASSESSMENT ORDERS.
- SCRUTINY OF STATUTORY OBLIGATION RECORDS.
- EOD REPORTS.
- SASCL REPORT.
- MINUTES OF CONSORTIUM MEETING.
- VERIFICATION OF CENTRAL FRAUD REGISTRY (CFR)

CREDIT MONITORING AT BRANCH LEVEL

- CREDIT INSPECTION REPORT
- CENTRAL ECONOMIC INTELLIGENCE BUREAU (CEIB) REPORT FOR EXPOSURE OF Rs.50 CRORE & ABOVE.
- CRILC REPORT.
- INDIVIDUAL CIBIL
- COMMERCIAL CIBIL REPORT with CMR (CIBIL MSME RANK) FOR LIMIT OF RS.10 LAKHS TO RS.10 CRORES
- BHP- BORROWER HEALTH PROFILE.
- EARLY WARNING SIGNALS (EWS) SOLUTION PACKAGE SOFTWARE.

CREDIT MONITORING AT CONTROLLING OFFICE

- STATUTORY AUDIT REPORT.
- RBIA/CONCURRENT AUDIT/SPECIAL AUDIT/CALRM REPORT.
- RBI INSPECTION REPORT.
- ANNUAL REVIEW OF THE ACCOUNT.
- VISITS TO BRANCHES.
- CONSORTIUM MEETING MINUTES.
- STOCK AUDIT REPORT.
- AGENCIES FOR SPECIALISED MONITORING (ASM)- REPORT.
- FORENSIC AUDIT REPORT/SPECIAL INVESTIGATIVE REPORT/INTERNAL INVESTIGATION.
- SASCL REPORT
- DAILY IDENTIFIED NPA.
- CRILC REPORT.

- BHP- BORROWER HEALTH PROFILE.
- EARLY WARNING SIGNALS (EWS)

STAGES OF CREDIT MONITORING

- PRE DISBURSEMENT STAGE
- DURING DISBURSEMENT STAGE
- POST DISBURSEMENT STAGE

PRE DISBURSEMENT STAGE

- DUE DILIGENCE
- OBTAINING AN APPROPRIATE APPLICATION FOR LOAN.
- OBTAINING STATUS REPORT FROM EXISTING BANKERS.
- COLLECTION AND VERIFICATION OF REQUIRED DATA.
- PRE-SANCTION INSPECTION.
- PREPARATION OF PROPOSAL IN PRESCRIBED FORMAT AND SANCTION THEREOF AT APPROPRIATE LEVEL.
- ISSUING OF SANCTION LETTER TO THE BORROWERS AND OBTAINING AN ACKNOWLEDGEMENT OF THE SAME, DULY SIGNED, *inter alia*, SIGNIFYING ACCEPTANCE OF THE VARIOUS TERMS OF SANCTION, AS CONVEYED.
- SELECTION OF RIGHT SET OF DOCUMENTS.
- EXECUTION OF DOCUMENTS AND SECURITIES.
- VETTING OF DOCUMENTS, WHEREVER NECESSARY.
- CARRYING OUT CPA, WHEREVER NECESSARY.
- KEEPING DULY SIGNED & COMPLETED CHECKLIST ON RECORDS.

DURING DISBURSEMENT STAGE- LOAN ACCOUNTS

- ACTUAL IMPLEMENTATION VIS-À-VIS PROJECT SCHEDULE.
- POSSIBILITY OF TIME OR COST OVERRUN.
- ADEQUACY OF ARRANGEMENTS TO MEET COST OVERRUNS.
- IMPACT OF TIME OVERRUN ON TIMELY CASH GENERATIONS OF THE PROJECT.
- VERIFICATION OF END USE OF FUNDS WITH REFERENCE TO VERIFIABLE RECORDS SUCH AS INVOICES, ACCOUNT BOOKS, REGISTERS, ETC.
- CERTIFICATE FROM COMPANY'S AUDITORS ON THE EXTENT OF COST INCURRED ON THE PROJECT.
- IMPLEMENTATION PROGRESS CERTIFICATE APPROVED VALUER/ARCHITECT.
- DISBURSEMENT TO THE EXTENT POSSIBLE, DIRECTLY TO THE SUPPLIERS/SERVICE PROVIDERS .
- CASH WITHDRAWALS TO BE KEPT MINIMUM.
- OBTENTION OF STATUS REPORT ON THE SUPPLIERS OF MACHINERY AS PER EXTANT GUIDELINES

DURING DISBURSEMENT STAGE- CASH CREDIT ACCOUNTS

- COMPLIANCE OF SANCTION TERMS/STIPULATIONS.
- WORKING CAPITAL TO BE DISBURSED ONLY AFTER PLANT IS READY FOR MFG. ACTIVITY.
- TRANSACTIONS IN WORKING CAPITAL FUND BASED (WCFB) ACCOUNT TO BE THROUGH SUPPLIER'S ACCOUNT ONLY AND CASH TRANSACTIONS TO BE AVOIDED/ RESTRICTED, IN OBSERVANCE OF STIPULATIONS IN THIS REGARD AS PER TERMS OF SANCTION.
- ASSETS CHARGED TO THE BANK TO BE INSURED ADEQUATELY, AT ALL THE TIME.
- MEANINGFUL ON SITE/OFF SITE VERIFICATION OF STOCK /BOOK DEBT STATEMENTS TO ENSURE ADEQUACY OF DRAWING POWERS/DRAWING LIMIT.

POST DISBURSEMENT STAGE

- OBTAINING OF PERIODICAL STATEMENTS: STOCK/BOOK DEBT, MONTHLY STATEMENT OF SELECT OPERATIONAL DATA (MSOD), QUARTERLY INFORMATION SYSTEM (QIS), CREDIT MONITORING ARRANGEMENT (CMA), BALANCE SHEET (B/S), ETC.
- CARRYING OUT INSPECTIONS REGULARLY.
- CONSTANT WATCHING THE ACCOUNT AND INTERACTION/DIALOGUE WITH THE BORROWERS.
- ARRANGING FOR STOCK AUDIT, IF REQUIRED.
- TIMELY IDENTIFYING SYMPTOMS OF SICKNESS AND IMMEDIATE REMEDIAL MEASURES TO BE ADOPTED.
- TIMELY REVIEW OF THE ACCOUNT.

LEVEL OF MONITORING

AMOUNT OF EXPOSURE	LEVEL OF MONITORING
UPTO Rs.25.00 LAKHS	BRANCH/AMO
ABOVE Rs.25 LAKHS AND UPTO Rs.1.00 CRORE	ZONAL OFFICE
ABOVE Rs.1.00 CRORE AND UPTO Rs.5.00 CRORES	NBG OFFICE
ABOVE Rs.5.00 CRORES	H.O. CREDIT MONITORING DEPTT.

CREDIT PROCESS AUDIT (CPA)

- THIS IS A SYSTEM WHEREBY COMPLIANCE OF TERMS OF SANCTION IS VERIFIED **BEFORE DISBURSEMENT** BY OUR OWN INDEPENDENT OFFICERS, **NOT CONNECTED WITH SANCTION AND DISBURSEMENT OF LOAN.**
- IT IS APPLICABLE TO ALL NEW/REVIEW WITH ADDITIONAL LIMIT SANCTIONS FOR ACCOUNTS WITH EXPOSURE OF Rs.50 LAKHS AND ABOVE.
- ZONAL MANAGER AT HIS DISCRETION MAY REDUCE THIS CPA THRESHOLD LIMIT AT APPROPRIATE LEVEL BELOW Rs.50.00 LAKHS AS HE DEEMS FIT CONSIDERING OVERALL CREDIT PORTFOLIO AND RISK PERCEPTION OF THE ZONE.
- CPA CONSISTS OF THREE PHASES NAMELY CPA-1, CPA-2 AND CPA-3.
- CPA-1 -TO BE CONDUCTED BY OFFICER OF THE LENDING BRANCH WHO HAS PROCESSED THE LOAN/DISBURSEMENT TO CONFIRM COMPLIANCE OF ALL PRE DISBURSEMENT FORMALITIES ALONG WITH VETTING OF DOCUMENTS WHERE EVER APPLICABLE. BRANCH MANAGER WILL VERIFY THE SAME AND COUNTER SIGN THE CERTIFICATE. THEN BRANCH WILL INFORM ZO TO APPOINT CREDIT PROCESS OFFICER (CPO) TO CONDUCT CPA-2. THEN BM WILL INFORM CPO TO CONDUCT CPA-2.

CREDIT PROCESS AUDIT (CPA)

- CPA2- FOR LOAN EXPOSURE OF Rs.50 CRORES AND ABOVE CPA PROCESS TO BE COMPLETED AND CPA-2 TO BE PUT UP TO COMPETENT AUTHORITY, GENERAL MANAGER, HO, RESPECTIVE FUNCTIONAL DEPARTMENT FOR CLOSURE BEFORE DISBURSEMENT. ONLY AFTER CONCLUSIVE CLOSURE OF CPA-2, THE DISBURSEMENT IN THE ACCOUNT BE ALLOWED.
- CPA3- IT IS CONDUCTED TO ENSURE ALL POST DISBURSEMENT TERMS OF SANCTION ARE COMPLIED WITH FOR ACCOUNTS INVOLVING SANCTION LIMIT OF Rs.5.00 CRORES AND ABOVE. IT INCLUDES STANDARD AS WELL AS ALL NPA RESTRUCTURED ACCOUNT.
- CPA3- IT NEEDS TO BE CARRIED OUT IN ALL NEW ACCOUNTS, REVIEW WITH ADDITIONAL LIMITS AND REVIEW WITH CHANGE OF TERMS.
- CPA FOR RETAIL LOANS- CPA IS DISCONTINUED FOR ALL RETAILS LOANS EXCEPT LOAN AGAINST PROPERTY WITH LIMITS OF Rs.50.00 LAKHS AND ABOVE AND HOUSING LOAN OF Rs.500.00 LAKHS AND ABOVE. BUT VETTING TO BE CARRIED OUT IN RETAIL LOANS.
- CPA LOAN AGAINST TDR-

- CPA-2 WILL BE APPLICABLE FOR LOAN AGAINST TDR OF Rs.5.00 CRORES AND ABOVE

TO COPRPORATES, SOCIETIES, GOVT DEPARTMENTS, WHETHER TDRs ARE IN THE NAME OF THIRD PARTIES OR BORROWER. CPA-2 IS ALSO APPLICABLE TO LOAN AGAINST THIRD PARTY TDR AND LOAN TO BORROWER AGAINST ITS OWN DEPOSIT AT OTHER THAN PARENT BRANCH.

- VETTING IS NOT REQUIRED FOR LOAN AGAINST TDR.
- THE SAME WILL BE CONDUCTED BY A DESIGNATED OFFICER OF THE SAME BRANCH

OTHER THAN THAT OF THE CREDIT DEPT. IF NO SUCH OFFICER IN THE BRANCH THAN ZM WILL ASSIGN ANOTHER OFFICER OF OTHER BRANCH.

CREDIT PROCESS AUDIT (CPA)

- NOW CPA IS BEING DONE THROUGH FINACLE USING MENU OPTION “CCPA”.
- AUTHORITY FOR CLOSURE CPA

CREDIT LIMITS BOTH FB &NFB	AUTHORITY TO CLOSE CPA-2
ZONES HEADED BY AGMS/DGMS	
UPTO Rs.5.00 CRORES	AGM (DZM RECOVERY) IF DZM RECOVERY NOT PRESENT THEN DZM AGM-ZM
ABOVE Rs.5 CR & UPTO Rs.25 CR	ZM- DGM
ABOVE Rs.25 CR & BELOW Rs.50 CR	GM-NBG
Rs.50 CR & ABOVE	GM- HO (FUNCTIONAL DEPTT.)
LCB- ALL PROPOSAL CPA APPLICABLE	GM- HO (FUNCTIONAL DEPTT.)

- CPA-2 WILL BE TREATED AS CLOSED AUTOMATICALLY IF NO REMARKS BY CPO OR REMARK BY CPO BUT WAIVED BY SANCTIONING AUTHORITY.

- IF DEFERRED THEN CPA-2 FOR LIMIT LESS THAN Rs.50 CRORES TO BE CLOSED BY APPROPRIATE AUTHORITY.

CREDIT PROCESS AUDIT (CPA)

- AUTHORITY FOR CLOSURE CPA

CREDIT LIMITS BOTH FB &NFB	AUTHORITY TO CLOSE CPA-3
Rs.5.00 CR & UPTO Rs.25 CR	ZM- DGM
ABOVE Rs.25 CR (OTHER THAN M COM SANCTION)	GM-NBG
ALL M.COM SANCTION	GM- HO (FUNCTIONAL DEPTT.)
LCB- ALL PROPOSAL CPA APPLICABLE	GM- HO (FUNCTIONAL DEPTT.)

POST SANCTION REVIEW SYSTEM (PSRS)

- THIS IS A SYSTEM OF MONTHLY REPORTING OF SANCTIONS OF ALL LOAN ACCOUNTS EXCEPT LOAN AGAINST TDR BY BRANCH/ZONE/NBG TO NEXT HIGHER AUTHORITY.
- UNDER THIS SYSTEM, WHERE THE SANCTIONED EXPOSURE IS RS. 2.00 LAKHS AND ABOVE, THE MONTHLY REPORTING STATEMENT OF SANCTIONS AT THE BRANCH, ARE REQUIRED TO BE SUBMITTED ALONG WITH A COPY OF SANCTIONED PROPOSAL TO THE NEXT AUTHORITY, SO AS TO REACH ZO BY 7TH OF THE SUCCEEDING MONTH.
- ZONAL OFFICE, AFTER SCRUTINY OF PROPOSALS, HAS TO INFORM THE BRANCH ABOUT THE SHORTCOMINGS, IF ANY.

- ZO, AMONG OTHER THINGS IS EXPECTED TO SEE THAT, THERE ARE NO DEVIATIONS ALLOWED BEYOND DELEGATED AUTHORITY, THERE IS NO CASE OF NON ADHERENCE TO LAID DOWN NORMS OR A CASE OF INDISCRIMINATE OR RASH FINANCING LIKE, LOAN TO A LARGE NUMBER OF BORROWERS IN ONE PARTICULAR SEGMENT, ETC.
- TDR LOAN-
 - RS.1CR & ABOVE IN RURAL BRANCHES
 - RS.2CR & ABOVE IN SEMI URBAN BRANCHES
 - RS.10CR & ABOVE IN URBAN/METRO BRANCHES ARE TO BE REPORTED IN PSRS
- FOR REPORTING NOW MENU OPTION “PSRS” IS BEING USED IN FINACLE.

STOCK AUDIT

- ANNUAL STOCK AUDIT IS COMPULSORY FOR ALL ACCOUNTS WITH WCFB LIMITS OF RS. 5.00 CR AND ABOVE UPTO RS.250 CR, WHERE MOVEABLE STOCK IS THE SECURITY.
- IT IS REQUIRED TO BE CARRIED OUT BY AN INDEPENDENT CHARTERED ACCOUNTANT
- THE PURPOSE OF STOCK AUDIT IS TO VERIFY:
 - (I) VOLUME OF STOCKS,
 - (II) METHOD OF ITS VALUATION,
 - (III) CONDITION OF INVENTORY,
 - (IV) ACCOUNTING PRACTICES OF THE BORROWER, &
 - (V) ACCEPTABILITY OF THE BOOKS MAINTAINED BY THEM.
- ZONAL MANAGER/ LCB- DGM HAS DISCRETION TO RECOMMEND STOCK AUDIT IN ANY ACCOUNT WITHIN BRACKET OF Rs.1 CR TO LESS THAN Rs.5 CR IF CIRCUMSTANCES SO WARRANT.
- STOCK AUDIT IS EXEMPTED FOR PRIME RATED ACCOUNT SUCH AS SBS-1/2, MS-1/2, HLC-1/2 & SME-1/2.

CREDIT AUDIT & LOAN REVIEW MECHANISM

- OBJECTIVES –
- IMPROVE CREDIT QUALITY, REVIEW SANCTION & COMPLIANCE, CREDIT RATING, PORTFOLIO REVIEW (SECTOR WISE)
- REGULATORY COMPLIANCE, CREDIT CONCENTRATION, PICK UP EARLY WARNING SIGNALS & SUGGEST CORRECTIVE ACTION
- CREDIT AUDIT & LOAN REVIEW MECHANISM APPLICABLE FOR ALL ACCOUNTS WITH FB/NFB LIMITS OF RS.5 CR AND ABOVE
- FOR ACCOUNTS HAVING LIMITS LESS THAN Rs. 5 CR 5%-10% OF ACCOUNTS RANDOMLY
- FREQUENCY BASED ON CREDIT RATING-
 - LOW RISK ACCOUNTS – YEARLY
 - AVERAGE RISK ACCOUNTS – HALF YEARLY
 - HIGH RISK ACCOUNTS –QUARTERLY

SPECIAL MENTION ACCOUNTS

- THESE ARE THE ACCOUNTS WHICH ARE CLASSIFIED AS SMA IMMEDIATELY ON DEFAULT.
- CATEGORIES OF SMA ACCOUNTS: LOAN ACCOUNTS

SMA SUB CATEGORY	PRINCIPAL OR INTEREST OR ANY OTHER AMOUNT REMAIN OVERDUE PARTLY OF FULLY
SMA-0	1-30 DAYS
SMA-1	31-60 DAYS
SMA-2	61-90 DAYS

- CATEGORIES OF SMA ACCOUNTS: REVOLVING CREDIT

SMA SUB CATEGORY	O/S REMAINS IN EXCESS OF SL/DP WHICH EVER IS LOWER CONTINUOUSLY
SMA-1	31-60 DAYS
SMA-2	61-90 DAYS

SPECIAL MENTION ACCOUNTS

- POOR PERFORMANCE AND WEAK FINANCIAL INDICATORS
- LOWER PERFORMANCE LEVELS IN COMPARISON WITH OTHER PLAYERS IN THE SAME LINE OF BUSINESS.
- POOR CHANCES OF REPAYMENT OVER THE NEXT 12 MONTHS.
- BAD HISTORY OF DELINQUENCY/DEFAULT IN THE ACCOUNT.
- RESTRUCTURED ACCOUNT CLASSIFIED UNDER STANDARD CATEGORY.
- DELAY IN IMPLEMENTATION OF THE PROJECT.
- NON ACHIEVEMENT OF COMMERCIAL OPERATION DATE.
- ACCOUNTS OVERDUE FOR MORE THAN 90 DAYS.
- POOR HEALTH OF SECTOR/INDUSTRY IN WHICH BORROWER IS DOING BUSINESS.
- CHANGE IN GOVT POLICIES ADVERSELY AFFECTING BORROWER UNIT.
- FREQUENT LIQUIDITY CONSTRAINTS FACED BY BORROWING UNIT.

SPECIAL MENTION ACCOUNTS

- REPORTING OF SMA ACCOUNTS TO BE DONE TO CRILC ON MONTHLY BASIS FOR LOAN AMOUNT OF Rs.5 CR & ABOVE.
- SMA ACCOUNTS HAVING EXPOSURE OF Rs.5 CR AND ABOVE ARE REPORTED TO RBI ON WEEKLY BASIS ON EVERY FRIDAY OF THE WEEK.
- SUCH REPORTING ARE DONE BY HEAD OFFICE CREDIT MONITORING DEPARTMENT.
- THOSE ACCOUNTS WHICH HAVE BEEN CLASSIFIED AS SMA-2 CAN BE SOLD TO ARC AS PER NPA MANAGEMENT POLICY.

INCIPIENT SIGN OF SICKNESS

- REDUCTION IN DRAWING POWER BY 20% AFTER STOCK AUDIT
- EVIDENCE OF DIVERSION OF FUNDS FOR UNAPPROVED PURPOSE
- DOWN GRADING OF CREDIT RATING BY 2 NOTCHES
- RETURN OF 3 OR MORE CHEQUES IN 30 DAYS
- 3 OR MORE BILL PURCHASE/CHEQUE PURCHASE RETURN
- DEVOLVEMENT OF LETTER OF CREDIT/INVOCATION OF BANK GUARANTEE AND NONPAYMENT WITHIN 30 DAYS
- 3RD EXTENSION FOR CREATION OF SECURITIES AND OR COMPLIANCE WITH TERM OF SANCTION
- FREQUENT OVER DRAFT IN CURRENT DEPOSIT ACCOUNTS.
- ANY OTHER STRESS IN FINANCIALS
- PLEDGING /SELLING OF SHARES/ REDUCING STAKE

NON REPORTING OF SMA ACCOUNTS

- NON REPORTING OF SMA 2 ACCOUNTS TO CENTRAL REPOSITORY OF INFORMATION ON LARGE CREDIT, CONCEALING OF STATUS OF ACCOUNTS OR EVER GREENING WILL ATTRACT ACCELERATED PROVISIONS
- THIS IS APPLICABLE TO FACILITIES OF RS.5 CR AND ABOVE ON DAY TO DAY BASIS IMMEDIATELY ON ACCOUNT BECOMING SMA 2
- ONCE ACCOUNT BECOMES SMA 0 ACTION SHOULD BE INITIATED TO BRING BACK TO NORMALCY
- ON REACHING SMA 2, BANK SHOULD PUT IN PLACE CORRECTIVE ACTION PLAN (CAP)

NON REPORTING OF SMA ACCOUNTS

- ACCELERATED PROVISIONING:

ASSET CLASSIFICATION	NPA PERIOD	CURRENT PROVISION%	ACCELERATED PROVISION%
SUB STANDARD –SECURED	UPTO 6 MONTHS	15	No Change
	6 MONTHS TO 1 YR	15	25
SUB STANDARD- UNSECURED ABINITIO	UPTO 6 MONTHS	25 (OTHER THAN INFRA)	25
		20 (INFRA LOAN)	
	6 MONTHS TO 1 YR	25 (OTHER THAN INFRA)	40
		20 (INFRA LOAN)	
DOUBTFUL 1	2 ND YEAR	25 (SECURED PORTION)	40 (SECURED PORTION)
		100 (UNSECURED PORTION)	100 (UNSECURED PORTION)
DOUBTFUL 2	3 RD & 4 TH YEAR	40(SECURED PORTION)	100 BOTH SECURED & UNSECURED PORTION
		100 (SECURED PORTION)	
DOUBTFUL 3	5 TH YEAR ONWARDS	100	100

INSPECTION

- OBJECTIVES:
 - ENSURING EXISTENCE , QUANTITY & QUALITY OF ASSETS (FIXED & CURRENT).
 - ASCERTAINING END USE OF FUNDS.
 - CHECK MOVEMENT OF STOCKS/STAGNANCY.
 - TO DETECT FRAUDS/FRAUDULENT DEALINGS AND TO ARREST TRANSFER OF, AND/OR OTHERWISE TAMPERING WITH, SECURITIES CHARGED TO THE BANK.
- STAGES OF INSPECTION:
 - PRE SANCTION INSPECTION

- POST SANCTION AND PRE DISBURSEMENT INSPECTION
- PERIODICAL INSPECTION THEREAFTER DURING CONTINUATION OF ADVANCE
- INSPECTION COVERAGE:
 - INSPECTION OF STOCKS
 - INSPECTION OF BOOK-DEBTS
 - INSPECTION OF FIXED ASSETS INCLUDING INSPECTION OF INFRASTRUCTURE/CAPACITY UTILIZATION

INSPECTION

- SIGNALS NOTICEABLE WHILE INSPECTING A UNIT:
 - UNDUE AND UNREPORTED DELAY IN THE PROJECT IMPLEMENTATION.
 - INSTALLATION OF MACHINERY OF INFERIOR QUALITY.
 - FREQUENT BREAK DOWNS OF PLANT AND/OR NON-WORKING OF MACHINERY.
 - PRODUCTION BELOW CAPACITY AND/OR OF INFERIOR/SUB-STANDARD QUALITY.
 - LABOUR PROBLEMS IF ANY.
 - IMPROPER MAINTENANCE OF RECORDS.
 - FAILURE IN MEETING STATUTORY OBLIGATIONS, i.e., THOSE UNDER ESIS / EXCISE / POLLUTION CONTROL / GST/VAT ETC.
 - FREQUENT REJECTION OF GOODS SOLD AND DISPOSAL OF SUCH GOODS.

INSPECTION

- SIGNALS NOTICEABLE WHILE INSPECTING A UNIT:
 - SLOW MOVING / IDLE / OBSOLETE STOCK AND DEAD INVENTORY.
 - FREQUENT CHANGES IN THE KEY PERSONS.
 - LITIGATION AGAINST THE BORROWERS.

- RAPID EXPANSION WITHOUT KNOWLEDGE OF, AND/OR TIE UP ARRANGEMENT WITH THE EXISTING BANK.
- DEPENDENCE ON SINGLE BUYER.
- POOR MAINTENANCE AND LACK OF A WELL DEFINED SUCCESSION PLAN.
- ADVERSE MARKET REPORTS.
- LOSS OF CRUCIAL CUSTOMERS.

EARLY WARNING SIGNALS

- NON-COMPLIANCE OR RELUCTANCE / AVOIDANCE TO COMPLIANCE OF TERMS OF SANCTION.
- UNPLANNED BORROWINGS FOR THE MARGIN MONEY.
- DELAY IN SERVICING OF INTEREST FOR MORE THAN PERMISSIBLE DAYS (AS PER IRAC NORMS).
- DELAY IN REPAYMENT OF INSTALLMENT FOR MORE THAN PERMISSIBLE DAYS (AS PER IRAC NORMS).
- RETURN OF CHEQUES DUE TO FINANCIAL REASONS, MORE THAN TWICE A MONTH.
- LOWER TURNOVER IN THE ACCOUNT.
- RETURN OF IBP/ BG INVOCATION / LC DEVOLVEMENT, MORE THAN ONCE IN A MONTH.
- FREQUENT REQUEST FOR TOL AND NON REGULARIZATION THEREOF IN TIME.
- DELAY IN SUBMISSION OF PERIODICAL STOCK/MSOD/QIS STATEMENTS.
- LACK OF TRANSPARENCY AND DELIBERATE ATTEMPTS TO AVOID TO MEET THE BANK OFFICIALS.
- INCLUSION OF UNPAID STOCK AND/OR BOOK DEBTS OLDER THAN PERMISSIBLE LENGTH OF TIME IN THE STOCK/BOOK DEBTS STATEMENT.

RED FLAGGING OF ACCOUNTS

- CASH WITHDRAWALS OF MORE THAN RS.10 LACS TWICE OR MORE IN A MONTH
- RED FLAGGING APPLIED TO EXPOSURE OF RS.50 CR & ABOVE

- IT IS TRANSACTION BASED AS WELL AS NON TRANSACTION BASED
- PRE SANCTION STAGE
- DISBURSEMENT STAGE
- PROMPT REPORTING TO CRILC
- PROMPT FILING OF COMPLAINT WITH LAW ENFORCEMENT AUTHORITIES
- PENAL MEASURES IMPOSITION
- NO RESTRUCTURING/ ACCOMODATING RFA BORROWERS.

PREVENTIVE MEASURES

- TIMELY REVIEW OF THE ACCOUNT.
- TIMELY RESTRUCTURING OF THE ACCOUNT.
- RECOVERY OF THE CRITICAL AMOUNT.
- STOCK AUDIT OF ACCOUNTS WITH WCFB LIMIT OF RS. 100.00 LACS AND ABOVE.
- PROPER IDENTIFICATION OF WATCH CATEGORY ACCOUNTS, AS PER IRAC NORMS IN VOGUE.
- CONSTANT FOLLOW UP IN SUCH WATCH CATEGORY ACCOUNTS.
- RESCHEDULING OF ACCOUNTS
- STRIVING FOR UPGRADING OF SUB-STANDARD ACCOUNTS (SOFT NPA) TO STANDARD CATEGORY.
- ACTING AS / PLAYING A ROLE OF A FRIEND, PHILOSOPHER AND GUIDE OF/TO THE BORROWERS.



Performance Analysis Q4:FY 2019-20

GROSS NPA/ NET NPA

Asset Quality – Sequential


<i>Item</i>	<i>Mar 19</i>	<i>Dec 19</i>	<i>Mar 20</i>
<i>Gross NPA</i>	<i>60,661</i>	<i>61,730</i>	<i>61550</i>
<i>Net NPA</i>	<i>19,119</i>	<i>20,113</i>	<i>14311</i>
<i>Gross NPA %</i>	<i>15.84</i>	<i>16.30</i>	<i>14.78</i>
<i>Net NPA %</i>	<i>5.61</i>	<i>5.97</i>	<i>3.88</i>
<i>Provision Coverage Ratio %</i>	<i>76.95</i>	<i>77.15</i>	<i>83.75</i>

BREAK UP OF GROSS NPA
Breakup of Gross NPA


<i>Particulars</i>	<i>Mar 19</i>	<i>Dec 19</i>	<i>Mar 20</i>	<i>% to Domestic Credit</i>	
				<i>Mar 19</i>	<i>Mar 20</i>
<i>Large Corporate</i>	<i>32,097</i>	<i>32,793</i>	<i>31,799</i>	<i>9.78</i>	<i>8.89</i>
<i>MSME</i>	<i>9,023</i>	<i>8,993</i>	<i>8,889</i>	<i>2.75</i>	<i>2.49</i>
<i>AGRICULTURE</i>	<i>8,368</i>	<i>8,730</i>	<i>9,044</i>	<i>2.55</i>	<i>2.53</i>
<i>RETAIL</i>	<i>1,679</i>	<i>1,769</i>	<i>1,806</i>	<i>0.51</i>	<i>0.50</i>
<i>TOTAL (Domestic)</i>	<i>51,167</i>	<i>52,285</i>	<i>51538</i>	<i>15.59</i>	<i>14.41</i>
<i>Total (Overseas)</i>	<i>9,494</i>	<i>9,445</i>	<i>10012</i>	<i>17.35</i>	<i>17.01</i>
<i>Total (Global)</i>	<i>60,661</i>	<i>61730</i>	<i>61550</i>	<i>18.49</i>	<i>17.21</i>

EXTERNAL REASON BEHIND NPA

- POOR BANKING DISCIPLINE.
- POOR INVENTORY / RECEIVABLE MANAGEMENT.
- DELAYED SETTLEMENT OF RECEIVABLES OF BORROWER BY LARGE INDUSTRIAL HOUSES, GOVT. DEPTTS, PSUS, ETC.
- INABILITY TO COMPETE IN THE MARKET BECAUSE OF SMALLER SIZE AND NEW BRAND NAME.
- ENTRY INTO BUSINESS AT AN INAPPROPRIATE TIME OF BUSINESS CYCLE.
- ADVERSE EXCHANGE FLUCTUATIONS.
- TRANSPORT BOTTLENECKS.

INTERNAL REASON BEHIND NPA- BORROWER

- WILLFUL DEFAULTS.
- INCOMPETENT MANAGEMENT.
- FINANCIAL INDISCIPLINE / DIVERSION OF FUNDS.
- SUBMISSION OF WRONG / INADEQUATE INFORMATION.
- TIME / COST OVERRUNS DUE TO DELAYED PROJECT IMPLEMENTATION, ETC.
- DIFFERENCES / DISPUTES AMONG COMPANY PROMOTERS OR CONTROLLING FAMILY MEMBERS.

INTERNAL REASON BEHIND NPA- BANK SIDE

- **WRONG / IMPROPER BORROWER IDENTIFICATION.**

- POOR APPRAISAL / UNREALISTIC PROJECTIONS / TOUGH REPAYMENT SCHEDULE.
- DELAYED DECISION MAKING AT OPERATIVE LEVEL ITSELF OR DUE TO MULTIPLICATION OF PROCESSING TIERS (WITHOUT REAL VALUE ADDITION).
- INADEQUATE SUPERVISION, ABSENCE OF EFFECTIVE MONITORING (POST DISBURSEMENT)
- DELAYS IN DETECTION OF SYMPTOMS & **INITIATION OF REMEDIAL MEASURES.**

REASON OF NPA BEYOND CONTROL

- GENERAL SLOW-DOWN IN THE ECONOMY / RECESSIONARY TRENDS.
- DELAY IN ARRANGEMENT OF FUNDS FOR THE PROJECT.
- FREQUENT ADVERSE CHANGES IN THE GOVT. POLICIES.
- ISOLATED OR GENERAL LAW AND ORDER PROBLEM RESULTING IN STOPPAGE OF INDUSTRIAL PRODUCTION AND MOVEMENT OF GOODS.
- INADEQUACY OF INFRASTRUCTURE, IN PARTICULAR POWER RESULTING IN HIGH COST OF PRODUCTION AND HENCE LESSER MARKETABILITY OF PRODUCTS.
- POLITICAL UNCERTAINTIES.
- INEFFECTIVE FUNCTIONING OF BIFR / DRT.
- OUTDATED LAWS, LABOUR UNREST, RIOTS, LOCKOUTS, STRIKES, ETC.
- **C A R O N A – EFFECT****

IMPACT OF NPA

- PROFITABILITY
- LIQUIDITY
- CAPITAL ADEQUACY
- CREDIT RATING
- SHARE PRICE
- MANAGEMENT COST
- EROSION OF RESERVES, SURPLUS AND CAPITAL
- LOSS OF IMAGE/REPUTATION



WHAT HAPPENS WHEN ACCOUNT BECOME NPA

- **INTEREST APPLICATION CEASED. NOT TO CHARGE INTEREST** TO THE ACCOUNT ON ACCRUAL BASIS. NO OTHER INCOME/COMMISSION TO BE BOOKED TO NPA ACCOUNTS.
- INTEREST TO BE BOOKED TO P&L ACCOUNT ONLY WHEN IT IS ACTUALLY RECEIVED (CASH BASIS)
- TO **REVERSE (DERECOGNIZE) THE INTEREST** ALREADY CHARGED TO THE ACCOUNT & WHICH IS NOT RECOVERED. THIS INTEREST AMOUNT IS PARKED IN A SEPARATE OFFICE ACCOUNT **SUNCR ACCOUNT UNREALIZED INTEREST**
- AMOUNT CREDITED TO THE UNREALIZED INTEREST ACCOUNT IS **BOOKED** TO THE PROFIT **ONLY WHEN IT IS ACTUALLY RECOVERED/REALISED.**

HOW TO MANAGE NPA

- HOLDING ON OPERATIONS IN THE ACCOUNT AS A TEMPORARY REMEDIAL.

- GIVING MORATORIUM, RESCHEDULING, BALLOONING REPAYMENT (IF ABLE TO REPAY OVERDUE)
- CONVERTING PRE SALE (STOCK) FINANCE TO POST SALE (BILLS/BOOK DEBTS)
- CONSIDERING ADDITIONAL LONG TERM LOAN
- RESTRUCTURING OF LOANS ETC.

IF NO REMEDY TO NPA THEN..

- **RECOVERY ACTION** – USE OF SARFAESI , DRT, LOK ADALAT, NCLT, IBC ETC
- **TIMELY EXIT**
- **NAME & SHAME POLICY-**
 - **SOME OF THE BANKS HAVE NOW STARTED RESORTING TO THE POLICY OF NAME & SHAME.**
 - **UNDER THIS POLICY, NAMES WITH PHOTOGRAPHS OF THE DEFAULTERS WITH THE AMOUNT OF DEFAULT ARE PUBLISHED IN THE LEADING NEWSPAPERS FOR THE KNOWLEDGE OF GENERAL PUBLIC.**

NON LEGAL METHOD OF RECOVERY

- **UP GRADATION;**
- **HOLDING ON OPERATIONS;**
- **RESTRUCTURING;**
- **OTS AS PER NPA MANAGEMENT POLICY;**
- **OTS AS PER STAR SANJEEVANI SCHEME (113/42);**
- **BOI OTS 2019.**

LEGAL METHOD OF RECOVERY

- **LEGAL ACTION**
- **SARFAESI**

- **INSOLENCY & BANKRUPTCY CODE (IBC) AT NCLT**
- **DEBT RECOVERY TRIBUNAL (DRT)**
- **REVENUE RECOVERY CERTIFICATE (RRC)**
- **SUIT FILE**
- **LOK-ADALAT**

COMPROMISE

- IT IS NON LEGAL NEGOTIATED SETTLEMENT
- SACRIFICE FROM BANK'S SIDE
- TO ESCAPE LEGAL HURDLES
- TIME VALUE OF MONEY
- RECYCLE OF FUNDS
- CARRYING COST OF NPA
- CLEANING OF BALANCE SHEET

POINTS TO BE CONSIDERED IN NEGOTIATION

- AGE OF NPA
- STRENGTH OF DOCUMENTATION, AGE & STAGE OF SUIT
- CONDITION & AVAILABILITY OF SECURITY CHARGED TO BANK
- THE SOCIAL STANDING OF BORROWER/GUARANTOR
- CHARACTER/CAPACITY OF BORROWER/GUARANTOR
- LIKELY DETERIORATION OF VALUE OF PRIMARY/COLLATERAL SECURITY
- COST OF MAINTAINING THE SECURITY INTACT
- CAPACITY OF NEGOTIATION OF BORROWER / HIS COMPULSIONS / WEAKNESS

POINTS TO BE CONSIDERED IN NEGOTIATION

- COST OF MAINTAINING THE SUIT;
- SECURITY (GODOWN CHARGES);
- INSPECTION ISSUES;
- INSURANCE/ SECURITY WAGES;
- IMPACT ON P&L;
- PROVISIONS;
- UNREALIZED INTEREST & UNCHARGED INTEREST.

COMPROMISE UNDER NPA MANAGEMENT POLICY

- ALL NPA ACCOUNTS ELEGIBLE FOR COMPROMISE UNDER NPA MANAGEMENT POLICY EXCEPT:
 - WILLFUL: (M. COM.)
 - FRAUD: (WHERE FIR LODGED)
 - UP TO RS. 10 LAKH:- ZLCC
 - ABOVE RS. 10 LAKH:-NBGLCC
 - MALFEASANCE/MISFEASANCE.

SARFAESI ACT

- SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST (SARFAESI), ACT.
- SEGMENT OF SARFAESI ACT:
 - Regulation of securitization and Regulation of Financial Assets of Banks and Financial Institutions.
 - Enforcement of security Interest.
 - Central Registry.

- SUMMARY OF TIME LIMITS IN SARFAESI ACT:

NOTICE BEFORE POSSESSION	60 DAYS
REPLY TO OBJECTION BY BORROWER	15 DAYS
BORROWER CAN APPROACH DRT AGAINST POSSESSION NOTICE WITHOUT ANY DEPOSIT	45 DAYS
APPEAL TO DRAT AGAINST DECISION OF DRT BY DEPOSIT OF 50% OF AMOUNT	30 DAYS
NOTICE BEFORE SALE	30 DAYS
PERIOD OF BALANCE PAYMENT 75% BY THE BUYER OF ASSETS	15 DAYS

SARFAESI ACT

- IMPORTANT SECTIONS IN SARFAESI ACT:

60 DAYS NOTICE BEFORE POSSESSION	SEC 13(2)
ASSISTANCE BY CHIEF METROPOLITAN MAGISTRATE OR DIST MAGISTRATE IN TAKING POSSESSION	SEC 14
APPLICATION TO DRT AGAINST POSSESSION NOTICE ISSUED BY BANK	SEC 17
APPEAL AGAINST DRT TO DRAT BY DEPOSITING 50% AMOUNT	SEC 18
POSSESSION OF ASSET	SEC 13(4)

SARFAESI ACTION- ELIGIBLE ACCOUNTS

- CONTRACTUAL DUES SHOULD BE Rs.1 LAC & ABOVE
- THE SECURITY CHARGED TO THE BANK MUST BE SPECIFIC, CLEAR & AVAILABLE TO THE BANK.

- THE SECURED ASSETS SHOULD BE CHARGED TO THE BANK BY WAY OF MORTGAGE/ HYPOTHECATION CHARGE/ASSIGNMENT.
- THE SECURED ASSET SHOULD NOT BE AN AGRICULTURE LAND
- THE PRESENT CONTRACTUAL DUES SHOULD NOT BE LESS THAN 20% OF PRINCIPAL AMOUNT DISBURSED & INTEREST THEREON.

SARFAESI ACTION- EXEMPTED ACCOUNTS

- WHERE THE CONTRACTUAL DUES ARE BELOW RS.1.00 LAKH.
- WHEN SECURITY INTEREST IS CREATED ON AGRICULTURAL LAND.
- WHERE THE CONTRACTUAL DUES REMAINING UNPAID ARE LESS THAN 20% OF THE PRINCIPAL PLUS INTEREST THEREON.
- ASSETS UNDER PLEDGE/LIEN ARE NOT COVERED.

SARFAESI ACTION- ISSUE OF NOTICE

- THERE IS NO WAITING PERIOD FOR ISSUING NOTICES UNDER THE ACT.
- AS SOON AS ACCOUNTS BECOME NPA NOTICES UNDER THE ACT SHOULD BE ISSUED AFTER APPROVAL FROM THE COMPETENT AUTHORITY.
- SERVICE OF PROPER NOTICE IS A PRE REQUISITE FOR ENFORCEMENT OF SECURITY INTEREST.
- REGISTRATION WITH CERSAI MUST FOR SARFAESI.

SARFAESI ACTION- DELEGATION

Authority	Amt in Lakhs
Chairman & Managing Director	Full Powers

Executive Director	Full Powers
General Manager, HO,RD/GMs-NBG/GM as ZM	Full Powers
Dy General Manager	5000.00
Asst General Manager	2500.00
Chief Manager	1000.00
Senior Manager (Large Branch)	200.00

SARFAESI ACTION- NOTICE UNDER SEC 13(2)

- 60 DAYS NOTICE TO BOTH BORROWER & GUARANTOR
- **THE AMOUNT DEMANDED IN THE NOTICE WILL BE CONTRACTUAL DUES**
- FULL & CORRECT DESCRIPTION OF THE SECURED ASSET TO BE MENTIONED IN THE NOTICE .
- IF THE GUARANTOR HAS ALSO CREATED THE SECURITY, SEPARATE FORMAT OF NOTICE FOR GUARANTOR, WITH DETAILS OF SECURITY .
- **IF EXPENSES IN TAKING POSSESSION >EXPECTED RECOVERY** RECOMMEND ACTION ONLY IF IT WOULD HAVE DEMONSTRATIVE EFFECT.
- THE COMPETENT PERSON TO SIGN THE NOTICE IS AUTHORISED OFFICER, (MIN. CHIEF MANAGER)
- IT SHOULD BE SENT BY REGD. POST WITH AD. IF AD SIGNED BY BORROWER/GUARANTOR IS RECEIVED, PROPER SERVICE IS CONFIRMED.
- IF AD IS SIGNED BY SOMEONE ELSE, TRY TO OBTAIN THE SIGNATURE OF THE ADDRESSEE OF NOTICE ON ITS COPY THROUGH HAND DELIVERY.
- IF NONE OF THE ABOVE OPTIONS IS SUCCESSFUL, GO FOR PUBLICATION OF THE NOTICE IN TWO LEADING NEWS PAPER, ONE IN LOCAL LANGUAGE.
- DUE DILIGENCE OF THE SECURED ASSET TO BE DONE BEFORE ISSUANCE OF NOTICE

SARFAESI- ACTION DURING NOTICE PERIOD

- **REPRESENTATION RECEIVED FROM THE BORROWER & OR GUARANTOR MUST BE REPLIED WITHIN 15 DAYS FROM THE DATE OF ITS RECEIPT.**
- VISIT THE MORTGAGED PROPERTY OF BORROWER ALONG WITH VALUER, ENFORCEMENT AGENT ETC TO ASSESS THE REALISABLE VALUE OF THE SECURED ASSET, TECHNICAL SUPPORT REQUIRED, REQUIREMENT OF MAN POWER ETC. IT IS CALLED PRE POSSESSION DUE DILIGENCE.
- HOWEVER, THE MOST IMPORTANT PURPOSE OF THE ABOVE VISIT IS TO BUILD PRESSURE ON THE BORROWER FOR LIQUIDATION OF BANK'S DUES.

- THIS WILL ALSO HELP US TO HAVE ON HAND INFORMATION ABOUT THE ATTITUDE OF THE BORROWER, IF IT APPEARS TO BE HOSTILE, IT MEANS HE WILL NOT HANDOVER PEACEFUL POSSESSION OF THE SECURED ASSET TO THE BANK.
- IF THE ATTITUDE OF THE BORROWER APPEARS TO BE HOSTILE, THE AUTHORISED OFFICER MUST SEEK THE ASSISTANCE OF CMM OR DM AS PER SEC.. 14 OF THE ACT AT THE TIME OF PROCEEDING FOR TAKING POSSESSION AFTER 60 DAYS.

SARFAESI- POSSESSION OF MOVABLE ASSET

- ONLY ACTUAL POSSESSION IS REQUIRED TO BE TAKEN IN CASE OF MOVABLE SECURED ASSETS. THERE IS NOTHING LIKE TAKING NOTIONAL OR SYMBOLIC POSSESSION IN CASE OF MOVABLE SECURED ASSET.
- PANCHNAMA & INVENTORY MUST BE PREPARED AS PER PRESCRIBED FORMAT. COPY OF 60 DAYS NOTICE AS WELL AS DOCUMENTS CREATING THE CHARGE ON SECURED ASSETS SHOULD BE TAKEN WHILE GOING FOR TAKING POSSESSION OF MOVABLE ASSETS.
- IN CASE OF EXPECTED LAW & ORDER PROBLEM, APPLICATION UNDER SEC 14 TO BE FILED WITH DM OR CMM
- POSSESSION NOTICE IS NOT REQUIRED TO BE SERVED IN THE CASE OF MOVABLE ASSETS.

SARFAESI- POSSESSION OF IMMOVABLE ASSET

- POSSESSION NOTICE AS PER PRESCRIBED FORMAT AS PER SARFAESI RULE 8(I) TO BE SERVED TO THE MORTGAGOR.
- BANK PREFERS VACANT OR ACTUAL POSSESSION OF THE IMMOVABLE PROPERTY TO NOTIONAL OR SYMBOLIC POSSESSION.
- AFTER TAKING POSSESSION, PANCHNAMA & INVENTORY IS TO BE PREPARED AS PER PRESCRIBED FORMAT.
- IF IT IS NOT POSSIBLE TO TAKE ACTUAL POSSESSION, EVEN NOTIONAL OR SYMBOLIC POSSESSION CAN BE TAKEN BUT PROPER RECORD OF THE SAME MUST BE CREATED.
- THE POSSESSION NOTICE MUST BE PUBLISHED IN TWO LEADING NEWSPAPERS ONE IN LOCAL LANGUAGE WITHIN 7 DAYS FROM THE DATE OF POSSESSION.
- OTHERWISE FRESH POSSESSION IS REQUIRED TO BE TAKEN AS PER THE PROCEDURES MENTIONED ABOVE.

SARFAESI- IMMOVABLE PROPERTY IN POSSESSION OF BONAFIDE TENANTS

- AUTHORIZED OFFICER SHALL TAKE CONSTRUCTIVE POSSESSION OF SUCH PROPERTY AS PER RULES.

- AUTHORIZED OFFICER CAN SERVE A NOTICE UNDER SECTION 13(4) (D) OF THIS ACT, ASKING THEM TO PAY THE RENT TO THE BANK.
- ON RECEIPT OF THE RENT AUTHORIZED OFFICER CAN GIVE VALID DISCHARGE TO THE TENANTS.
- BANK CAN SELL THIS PROPERTY ON AS IS WHERE IS BASIS.
- AT THE TIME OF TAKING SYMBOLIC POSSESSION PROPER RECORD SHOULD BE CREATED BY WAY OF TAKING AN APPLICATION FROM THE TENANTS REGARDING THEIR OCCUPYING THE PROPERTY.

APPEAL AGAINST BANK'S ACTION UNDER SARFAESI

- THE BORROWER/GUARANTOR CAN FILE AN APPEAL AGAINST BANK'S ACTION UNDER SEC.13(4) WITH DRT UNDER SEC.17 OF THE ACT.
- BUT THIS APPEAL IS TO BE FILED WITHIN 45 DAYS FROM THE DATE ON WHICH ACTION HAS BEEN TAKEN BY BANK UNDER SEC.13(4).
- AS PER SEC.19 DRT CAN ASK THE SECURED CREDITOR TO RESTORE THE POSSESSION OF SECURED ASSETS TO THE BORROWER AND ALSO PASS ORDER FOR PAYMENT OF COMPENSATION TO THEM, IN CASE IT FINDS THAT THE POSSESSION TAKEN WAS WRONGFUL.
- DRT HAS TO PASS ORDER WITHIN 60 DAYS FROM THE DATE OF FILING OF APPEAL BUT CAN EXTENDED IT UP TO 4 MONTHS.
- APPEAL ,AGAINST THE ORDER PASSED BY DRT CAN BE MADE TO DRAT UNDER SEC.18 OF THE ACT, WITHIN 30 DAYS FROM THE DATE OF RECEIPT OF THE ORDER SUBJECT TO DEPOSIT OF 50% OF DEBT AS DETERMINED BY DRT.

INTERVENTION OF CIVIL COURT UNDER SARFAESI

- AS PER SEC. 34 OF SARFAESI ACT NO CIVIL COURT SHALL HAS GOT ANY JURISDICTION TO ENTERTAIN ANY SUIT OR PROCEEDING IN RESPECT OF SARFAESI ACTION. ONLY DRT OR DRAT IS EMPOWERED IN THIS REGARD.

- THIS SECTION FURTHER SAYS THAT NO INJUNCTION SHALL BE GRANTED BY ANY COURT OR OTHER AUTHORITY IN RESPECT OF ANY ACTION TAKEN OR TO BE TAKEN BY THE SECURED CREDITOR IN PURSUANCE OF ANY POWER CONFERRED BY OR UNDER THIS ACT.
- AS PER SEC.35, THE PROVISIONS OF THIS ACT WILL SUPERSEDE, IF IT IS INCONSISTENT WITH PROVISIONS CONTAINED IN ANY OTHER LAW.

SALE OF SECURED ASSETS IN POSSESSION UNDER SARFAESI

- VALUATION OF THE ASSETS ARE OBTAINED BY A VALUER ON BANK'S PANEL, REGISTERED UNDER SEC.34 AB OF WEALTH TAX ACT, 1957.
- RESERVE PRICE OF THE ASSET WILL BE FIXED BY THE COMPETENT AUTHORITY.
- THE AUTHORIZED OFFICER HAS TO SERVE SALE NOTICE TO THE OWNER OF THE PROPERTY BEFORE 30 DAYS FROM THE DATE OF SALE
- THE MORTGAGOR, WHO IS THE OWNER OF THE IMMOVABLE PROPERTY SHOULD ALSO BE INVITED TO PARTICIPATE IN THE SALE PROCESS.
- THE SALE NOTICE IS ALSO REQUIRED TO BE PUBLISHED IN 2 LEADING NEWSPAPER 1 IN LOCAL LANGUAGE AT LEAST BEFORE 30 DAYS FROM THE DATE OF SALE.

OTHER MATTERS UNDER SARFAESI

- NO CIVIL COURT CAN INTERFERE
- BORROWER MAY GO TO DRT
- ALL COSTS INCURRED BY CREDITOR
- INTEREST CALCULATION AS PER CONTRACT ONLY
- COMPOUNDING/ CAPITALIZATION OF PENAL INTEREST NOT PERMISSIBLE.
- NO BORROWER/GUARANTOR CAN, AFTER RECEIPT OF NOTICE, TRANSFER THE PROPERTY BY SALE, LEASE OR OTHERWISE OTHER THAN THE ORDINARY COURSE OF BUSINESS

APPROPRIATION OF SALE PROCEEDS UNDER SARFAESI

- FIRST TOWARDS COSTS, CHARGES AND EXPENSES INCLUDING ONES FOR PRESERVATION AND PROTECTION, INSURANCE ETC
- SECONDLY TOWARDS DUES OF SECURED CREDITOR
- IF RESIDUE, PERSON ENTITLED THERETO IN ACCORDANCE WITH THE RIGHTS AND INTERESTS
- IF INSUFFICIENT, FILE RECOVERY SUIT (DOCUMENTS SHOULD BE ALIVE)

LOK ADALAT

- GENERALLY COMPROMISE/AVOID LEGAL PROCEDURES I.E WITHOUT GOING TO COURT. **MAX. AMT- RS 20.00 LAKHS.**
- SUIT FILED CASES, RC CASES, & PRE LITIGATION CASES WITH CONSENT OF THE CONCERNED DISTRICT LEGAL AUTHORITIES
- THE AWARD OF LOK ADALAT HAS THE EFFECT OF A DECREE OF A CIVIL COURT AND BINDING ON THE PARTIES TO THE DISPUTE. NO APPEAL CAN BE FILED BY EITHER OF THE PARTIES
- NO COURT FEE, HENCE BEST OPTION BEFORE CLAIM TO CGTMSE

OTHER RECOVERY TOOLS

- IN THE OTHER SESSION OF THIS TOPIC WE SHALL COVER OTHER RECOVERY TOOLS LIKE –
 - DRT & DRAT
 - NCLT & NCLAT
 - IBC ETC.

CHAPTER 25

VARIOUS RECOVERY TOOLS

VARIOUS RECOVERY TOOLS

1. LEGAL ACTION
2. DRT
3. IBC
4. VARIOUS OTS SCHEME

LEGAL ACTION

CIVIL SUITS

- A. Mortgage Suit
- B. Summary Suit
- C. Money Suit

MORTGAGE SUITS

- Mortgages should be available as security to file mortgage suit.
- Bank files mortgage suit to recover debt by realizing mortgage security.
- Period of limitation for mortgage suit to enforce payment of money secured by mortgage is 12 years.

SUMMARY SUITS

- Suit is filed as per Code of Civil Procedure (CPC) order No.37.
- Security is not available to enforce for recovery of dues.
- Suit is filed for recovery from borrower on the basis of Promissory Note or Term Loan Agreement.
- Suit is filed against guarantor on Letter of Guarantee.
- In summary suit defendant is not entitled as a right to defend the suit as he is in ordinary suit, so he must apply for leave to defend.
- Suit is filed at specified centres notified by High Courts.

MONEY SUITS

- No security available by way of Mortgage.
- Bank seeks to recover loan on the basis of loan documents.
- Suit is filed to get money decree against borrower/ guarantor.

DELEGATION FOR APPROVAL OF LEGAL ACTION

AUTHORITY	CLAIM AMOUNT
MD & CEO	Full Powers
Executive Directors	Full Powers
General Manager	Full Powers
Dy. General Manager	Rs.5000 lakhs
Asst. General Manager	Rs.2000 lakhs
Chief Manager	Rs.1000 lakhs
Senior Manager	Rs.200 lakhs

DELEGATION FOR APPROVAL OF DRAFT PLAINT

AUTHORITY	SUIT AMOUNT
GENERAL MANAGER	Full Powers
Dy. General Manager	Rs.5000 lakhs
Asst. General Manager	Rs.5000 lakhs
Chief Manager	Rs.500 lakhs
Senior Branch Manager	Rs.25 lakhs
Branch Manager (Scale-II)	Rs.10.00 lakhs

DELEGATION FOR WAIVER OF LEGAL ACTION

AUTHORITY	SUIT AMOUNT
Management Committee	Full Powers
Chair & Managing Director	Rs.100 lakhs
Executive Director	Rs.75 lakhs
General Manager	Rs.35 lakhs
Dy. General Manager	Rs.20 lakhs
Asst. General Manager	Rs.10 lakhs
Chief Manager	Rs.2.50 lakhs
Senior Branch Manager	Rs.1 lakh

DELEGATION FOR WAIVER OF APPEAL

AUTHORITY	NOTIONAL SACRIFICE AMOUNT
Chair & Managing Director	Full Powers
Executive Director	Rs.150 lakhs
General Manager	Rs.75 lakhs
Dy. General Manager	Rs.40 lakhs
Asst. General Manager	Rs.20 lakhs
Chief Manager	Rs.5 lakhs
Senior Branch Manager	Rs.2.50 lakh

REVIEW OF SUIT FILED/DECREED ACCOUNTS

BOOK OUTSTANDING	AUTHORITY
Upto Rs.10 lakhs	Branch Manager
Upto Rs.50 lakhs	Branch Manager (Very Large/ARB)
Upto Rs.250 lakhs	BM (ELB)/AGM/DGM
Upto Rs.500 lakhs	ZM/LCB Chief/GM-NBG
Other Cases	Legal Dept- HO

OTHER IMPORTANT POINTS

- Within 2 months of approval of legal action suit is to be filed before civil court.
- After decree, execution application to be filed within 1 month of decree.
- Maximum claim amount under legal action is less than Rs.20 lakhs.

DEBT RECOVERY TRIBUNAL

BACKGROUND

- DRTs were established to facilitate the debt recovery involving Banks & FIs with their customers
- DRT & DRAT were established under the **Recovery of Debts Due to Banks and Financial Institutions Act (RDDBFI Act), 1993**
- Appeal against the orders passed by DRT can be filed before Debt Recovery Appellate Tribunal (DRAT)
- Presently 39 DRTs and 5 DRATs are functioning in India.

BENEFITS

- **EXCLUSIVE JURISDICTION:** for recovery of dues of Rs.20 lakhs and above.
- **CPC:** It is not bound by Code of Civil Procedures,1908
- **CONSUME LESS TIME:** to award recovery certificate (RC) in favor of the Banks.
- **POWER TO ARREST:** defendant/judgment debtor before and after passing the RC.

PREREQUISITE

- **RECALL NOTICE:** demanding entire outstanding dues must be sent to borrowers and guarantors by Regd Post with AD/speed post, Hand delivery etc.
- **DEBT & ASSET DETAILS:** The OA must mention the details of the debts and assets of the borrower along with true copies of all the documents and evidence of witness.
- **PERSONAL ASSETS:** Details of the personal assets other than mortgaged properties to be provided for the attachment before judgment.

PROCEDURE

- Recovery application should be filed in prescribed format within reasonable time from approval of legal action from appropriate authority.
- Recovery application should contain all relevant documents and securities charged to the Bank.
- Only photocopies of documents should be provided at the time of filing recovery applications.
- Interim reliefs such as injunction against properties, attachment before judgment, appointment of Receiver, Recovery certificate for admitted dues should be prayed as a rule.

PROCEDURE

- Certified copy of account extracts should be produced along with other documents.

- Penal interest should not be compounded.
- Costs for preserving the securities before filing suit and during the pendency of suit should be claimed.

PROCEDURE

- Defendant gets Max 30days to file written statement.
- If fails in exceptional cases Presiding Officer may give extension of 15 days with reason recorded in writing.
- Secured creditor to realize secured debts due and payable by sale of assets over which security interest has been created.
- Secured creditor shall have priorities over such proceeds over all other dues including Govt dues including revenues, taxes, cesses etc

STEP AFTER FILING CASE

- When Recovery Application filed is complete, DRT gives a serial number & issues summons to defendants.
- Summon should be served within a period of one month.
- If summons are served on the defendants, proceeding commence with evidence by way of affidavits.
- Reply to counter-claims raised by the borrowers should be filed without delay.

STEP AFTER FILING CASE

- Adjournment on various ground should be opposed.
- Where ever the order of the DRT disobeyed by defendants, Bank's advocate should plead for arrest and detention of such defendants.

EXECUTION OF RECOVERY CERTIFICATES (RC)

- RC is issued by Presiding Officer (PO) in DRT.

- Recovery Officer (RO) execute RC.
- Branch should supply the asset details within one month of the issuance of RC.
- Branch must move for declaration of assets through affidavit by the judgment debtor under section 28 (4A) of the DRT.
- Where judgment debtor is entitled to any Shares or Debenture or any deposit with any Bank/Co., Bank should initiate “GARNISHEE” proceedings.

APPEAL TO DRAT

- Appeal against DRT order can be filed before DRAT by the borrower.
- Appeal should be filed within 30days of the date of order is received by the borrower.
- Borrower has to deposit 50% of the debt so due for filing appeal against DRT order.
- DRAT may reduce the deposit amount for appeal but not less than 25% of the debt so due.
- Application for review of order to be filed within 30 days from the order date.

INSOLVENCY AND BANKRUPTCY CODE



SALIENTS FEATURES

- It deals with two kind of insolvency proceedings:
 - Insolvency resolution and liquidation for corporate. (NCLT)
 - Insolvency resolution and bankruptcy for individuals and partnership firm. (DRT)
- NPA as well as SMA are eligible for action under IBC.
- It is an expensive measure as compared to other measures.
- Once case filed in NCLT, all others recovery measures will come to halt.
- If resolution plan fails, then it may lead to liquidation of the company.

IDENTIFICATION OF ACCOUNT

- Minimum default amount is Rs.1.00 Crore.
- Where sufficient collateral/primary security is available. Action under IBC should not be initiated.
- In consortium/ joint lending accounts decision to proceeds under IBC should be considered in consultation with lead bank/other lenders.

- In accounts where our Bank is an unsecured creditor and other lenders are not cooperating to resolve the issue.
- When account is identified by RBI and give direction to initiate action under IBC.

DELEGATION AUTHORITY FOR IBC

AUTHORITY	CLAIM AMOUNT
MD & CEO	Full Power
ED (In charge of SARD)	Rs.500.00 Crore
GM-(GM-NBG/GM-SARD)	Rs.250.00 Crore
DGM-ZM/Branch Head-LCB	Rs.50.00 Crore
AGM- DZM (Recovery)	Rs.20.00 Crore

EMPANELMENT OF IP/IPE

- IP/E- Insolvency Professional/ Entities.
- Must hold a valid certificate of registration from Insolvency Bankruptcy Board of India (IBBI).
- Must enrolled as a member of Insolvency professional agency
- No criminal proceedings are pending on the date of empanelment
- Should not be in the list of defaulter with CIBIL or any other credit information bureau.

EMPANELMENT OF IP/IPE

- Should not be declared as willful defaulter or non cooperative borrower on the date of empanelment.

- Should not be under any investigation by SEBI, ED or any other such agency.
- Should not be black listed by any Bank/FI/IBA/RBI or any other Govt. agency.
- License and/or registration should not be revoked.

INSOLVENCY RESOLUTION TIME LIMIT

- Insolvency Resolution Process (IRP) should be completed within 180 days from admission date of application by NCLT.
- Can be extended by 90 days if 75% of Committee of Creditors Agrees.
- Maximum time period for resolution is 270 days by NCLT.
- President of NCLT or Chairperson of NCLAT may extend specified time for 10 days.

APPEAL

- First appeal within 30 days to NCLAT from the date of order of the NCLT.
- Second appeal within 45 days to Supreme Court from the date of order of the NCLAT.

ONE TIME SETTLEMENT



NPA MANAGEMENT POLICY

COMPROMISE SETTLEMENT

- Settlement of disputes by mutual consent.
- Negotiated settlement by sacrifice.
- It is non legal remedy for reduction of NPA.
- RBI One Time Settlement Scheme not covered under this scheme

PARAMETERS FOR NEGOTIATION PROCESS

- Age of NPA
- Strength of documentation
- Age and stage of proceedings in the suit
- Condition of charged assets and realizable value/distress sale value
- Marketability, ascertainability of charged security.
- Social Status of the borrower.
- Negotiating capacity of the all parties.
- Net worth of the borrower/guarantor.
- Position of group accounts & present status of the activity.

SACRIFICE COMPONENTS

- Penal interest,
- Incidental expenses including inspection & insurance charges,
- ECGC/CGTMSE guarantee fees/Back ended subsidy,
- Legal expenses incurred and to be incurred,
- Compounding effect of interest,
- Uncharged interest,
- **Ledger writes off is to be considered only when it is unavoidable**

OTHER FACTORS

- Time value of money,
- Probable future recoveries vis-a-vis offer amount,
- RVS on a distress sale basis,
- Other means of Borrower's/Guarantor's,
- Amount repayable to CGTMSE/ECGC,
- Credit balances available in borrowers' deposit accounts,
- Stage of recovery action such as recall, filing of suit, decree etc,
- Strength and weaknesses of bank-Documentation,
- Cost of maintaining the suit & security
- Impact of accepting proposal on P&L A/c

NEGOTIATION WITH

- Principal borrower
- Guarantors
- Parent company
- Other interested parties like drawee of bills, legal heirs, etc
- ARC/NBFC on 100% cash basis

ELIGIBILITY

- All NPAs accounts except:
 - Wilful Defaulters – M. Com.
 - Malfeasance/Misfeasance

➤ Fraud/Cheating

- ❖ Upto Rs.10.00 lakh sacrifice- ZLCC
- ❖ Above Rs.10.00 lakh sacrifice- NBGLCC & Above

SETTLEMENT & SACRIFICE

- Approving Authority on the basis of proposed SACRIFICE.
- Sacrifice is calculated on ANAP.
- ANAP- Adjusted Net Amount Payable.
- Sacrifice= ANAP- Offer.

CONSIDERATION FACTORS FOR ANAP

- Age of NPA
- Nature of Asset Classification
- Ground Realities

ANAP CALCULATION

- TWO WAY OF SYSTEM
 1. Sub Standard or Doubtful- Simple Interest at 1 year MCLR from interest cease date to last date of previous month of proposal is added to ledger o/s.
 2. Loss/Written of account- Ledger Balance.
- ❖ Fraud Account (loss Asset)- If security is available ANAP will be calculated as per 1st method & if security is not available as per 2nd method.

SACRIFICE CALCULATION

- Amount by which the ANAP exceeds the proposed compromise amount.
- Sacrifice due to interest concession given for OTS repayment period if any (ZLCC onward can grant such concession)

JUSTIFICATION OF SACRIFICE

- While negotiating compromise branches should have following four dues handy:
 1. Contractual dues including details of penal interest. (Calculated upto previous month of the month in which OTS proposal is submitted)
 2. ANAP
 3. Benchmark dues recoverable as per Module approach
 4. Net Present Value (NPV) of settlement Amount & Distress Sale Value of Securities (DSV)
- Endeavor to maximize the recovery amount not below ANAP/Benchmark dues recoverable as per Module approach whichever is higher,
- Book write off should be in exceptional cases only;
- Bench Mark:- Calculated on the basis of the module. It is only a guiding tool for negotiations.
- Compromise below the module/benchmark should not be treated as deviation.

MODULE APPROACH (CALCULATION OF BENCH MARK)

- PARAMETERS:
 - Average Realizable Sale Value.
 - Net Worth of Borrowers/Guarantors (excluding encumbered asset)

- NPA Category

MODULE APPROACH (CALCULATION OF BENCH MARK- RSV)

AVERAGE RSV OF SECURITY	POINTS
>= Amount Due	7
75-99% of the amount due	5
50-74% of the amount due	3
25-49% of the amount due	2
< 25% of the amount Due	0

MODULE APPROACH (CALCULATION OF BENCH MARK- NET WORTH)

NET WORTH OF BORROWER + GUARANTORS	POINTS
>= Amount Due	3
75-99% of the amount due	2
25-74% of the amount due	1
<25 % of the amount due	0

MODULE APPROACH (CALCULATION OF BENCH MARK- NPA CATEGORY)

NPA CATEGORY OF ACCOUNT	POINTS
Sub Standard	2
Doubtful	1
Loss	0

MODULE APPROACH (CALCULATION OF BENCH MARK)

AGGREGATE POINTS	BENCH MARK AMOUNT
Over 10	Ledger O/s + 75-100% of interest (1 year MCLR)
8-10	Ledger O/s + 50-75% of interest (1 year MCLR)
5-7	Ledger O/s + 0-50% of interest (1 year MCLR)
3-4	75% of Ledger O/s
Below 3	50% of Ledger O/s

PAYMENT TERMS

- Preferably in one lump sum.
- If borrower unable to pay in one lump sum:
 - Upfront-Minimum 10% of compromise amount.
 - Not obtaining of upfront/down payment shall not be treated as deviation.

PAYMENT TERMS

- Repayment of compromise amount
 - Minimum 25% within 3 months.
 - Remaining 75% with interest in further 9 months- ZLCC
 - Remaining 75% with interest in more than 9 months- NBGLCC

PAYMENT TERMS

- The rate of interest to be charged for payment of compromise amount as under:

- No interest if, 25% upfront is received and full OTS amount is paid within 90 days of conveying approval of OTS
- Repayment period upto 12 months- 1% over 1 year MCLR (simple) on reducing balance from date of approval of OTS till full payment
- Beyond 12 months- 2% over 1 year MCLR (simple) on reducing balance from date of approval of OTS till full payment

PAYMENT TERMS

- Delegation for maximum OTS repayment period including interest concession:

AUTHORITY	PERIOD
ZLCC	Upto 1 year
NBGLCC	Upto 3 year
EDLCC	Upto 4 year
CAC	Upto 5 year
M.Com.	Full Power

DELEGATION- SACRIFICE UNDER NPA MANAGEMENT POLICY

Authority	Sacrifice Amount in Rs. lakhs
M.Com	Full Powers
CAC	2000.00
EDLCC	1000.00
NBGLCC	400.00

ZLCC	150.00
SZLCC	75.00
DGM (OF6) (LCB/Branch)	100.00
AGM (OF5) at Branch	75.00
Area Manager AMLCC (OF4)	25.00
CM (OF4) at Branch	15.00
Senior Manager (OF3) Large Branch	5.00
Branch Manager (OF2)	3.00

DELEGATION- CAP

- ANAP upto Rs.10.00 lakhs:
 - ❖ Sacrifice Amount Shall not exceed 75% of ANAP. In case sacrifice exceed 75% of ANAP, proposal may be referred to next higher authority Minimum SZLCC
- ANAP above Rs.10.00 lakhs:

Sacrifice amount shall not exceed 50% of ANAP. In case sacrifice exceed 50% of ANAP, proposal may be referred to next higher authority Minimum ZLCC.

STAR SANJEEVANI SCHEME- FY-2019-20

ELIGIBILITY

- The Accounts with O/s upto Rs.100 lakhs under Doubtful/Loss and Regular Written Off category as on 31.03.2019.
- Fraud/Malfeasance & Willful Defaulters eligible:
 - ZLCC- upto Rs.10.00 lakhs
 - NBGLCC- above Rs.10.00 lakhs
- Staff Loan/ Loan Against TDRs/ NSCs/ LIC Policies/ Gold Loans will be INELIGIBLE under the scheme

DELEGATION

Criteria		Doubtful Assets			Loss/Regular W/o
Cat	Ledger O/s	D1-31	D2-32	D3-33	LOSS-40
1	Upto Rs.2.00 lakhs	40%	35%	25%	10%
2	>Rs.2.00 lakhs <= Rs.10.00 lakhs	45%	40%	35%	10%
3	>Rs.10.00 lakhs<= Rs.50.00 lakhs	55%	45%	40%	10%
4	>Rs.50.00 lakhs <= Rs.100.00 lakhs	65%	55%	45%	10%

DELEGATION

- Ledger O/s upto Rs.50.00 lakhs can be sanctioned at Branch Level.
- Ledger O/s above Rs.50.00 lakhs would be considered at SZLCC level.
- Powers are to be exercised by Chief Incumbent/ designated Branch Manager at the Branch.
- The official approving the compromise proposal should have not sanctioned the proposal in his personal capacity. In such case the proposal will be referred to next higher authority i.e SZLCC.
- In regular **Written Off** A/c BMs in Scale- 1&2 can approve OTS upto ledger O/s of Rs.5.00 lakhs only, for ledger O/s more than Rs.5.00 lakhs will be referred to SZLCC for such Branches.

IMPORTANT POINTS

- Liquid Securities, credit balance in any Deposit or Loan A/c in same capacity & one customer ID must be appropriated in the Account by following the due procedure before accepting the OTS proposal.
- CGTMSE/CGFMU/CGSSI/CGFSEL/CGFSSDL or other Guarantee covered Accounts are eligible. Terms & conditions advised by Bank and such guarantee corporations will be followed.
- Monthly reporting of OTS under Star Sanjeevani Schemes to the next higher authority.

PAYMENT TERMS

- **LEDGER O/S OR W/O AMOUNT UPTO RS. 10.00 LAKHS:** Entire compromise amount will be payable in one lump sum at the time of approval or latest within 90 days of approval, with Min. 10% of approved amount to be paid up front.
- **LEDGER O/S OR W/O AMOUNT ABOVE RS.10.00 LAKHS:** Min 10% of approved amount up front and remaining amount within 6 months of approval subject to PDC.
- **INTEREST:**
 - No interest if full OTS amount is paid within 90 days of conveying approval of OTS.
 - Beyond 90 days, simple interest @ 1% above 1 yr MCLR will be charged till full repayment from the Date of approval on reducing balance, But Not more than 1 year from the date of approval.
- **VALIDITY:** Approved OTS will be valid for period of 1 year from the date of Approval.

GENERAL CONDITIONS OF THE SCHEME

- **SUIT FILED ACCOUNTS:** are covered under the scheme. But a consent decree/application will be filed before the appropriate court.

- **INTERIM WAIVER OF LEGAL ACTION:** will be approved by the OTS approving authority. Legal remedies are not barred by limitation in OTS failed Accounts.
- **RENEWAL DOCUMENTS:** should be obtained from Borrowers/ Co borrowers/Guarantors at the time of OTS application.
- **SAR:** should be dealt in while considering OTS. If SAR has not been dealt in, then Br must submit SAR to ZO within 30 days & ZO will deal the same within 30 days.

DEVIATION

- Deviation in sacrifice & payment terms below level of SZLCC is with SZLCC.
- Deviation in sacrifice & payment terms with SZLCC is with ZLCC.

BOI OTS -2019

ELIGIBILITY

- Outstanding: Above Rs.1 Crore to Rs.50 Crore.
- Asset Classification: Doubtful, loss & written off as on 31.03.2019
- NPA Date: On or before 31.03.2018
- Willful Defaulter- Maximum O/s Rs.15.00 Crore (Minimum-NBGLCC)

NOT ELIGIBLE

- Fraud/ Cheating cases
- Central/ State Govt. guaranteed accounts
- Compromise cases under repayment
- Units under rehabilitation/ restructuring
- Malfeasance/ Misfeasance cases

SACRIFICE

- Above Rs.1 crore to Rs.25 Crore

Asset Code on 31.03.2019	Sacrifice on Dues (Total Outstanding- cash recovery)	
	Secured Portion	Unsecured Portion
Doubtful-1	20%	65%
Doubtful-2	25%	75%
Doubtful-3	30%	85%
Loss/written off	Maximum 90%	

SACRIFICE

- Above Rs.25 crore to Rs.50 Crore

Asset Code on 31.03.2019	Sacrifice on Dues (Total Outstanding- Cash Recovery)	
	Secured Portion	Unsecured Portion
Doubtful-1	15%	50%
Doubtful-2	20%	50%
Doubtful-3	30%	85%
Loss/written off	Maximum 90%	

PAYMENT TERMS

- Application Money:
 - 5% of the O/s as on 31.03.2019
 - If OTS rejected will be refunded within 3 months without interest.
- Upfront:
 - 10% of the OTS amount within 30 days from the date of conveying approval including application money.

PAYMENT TERMS

- Balance Amount:
 - Within 3 months from the date of sanction of OTS without interest.
 - Beyond three months: In case, no upfront apart from 5% initial application money is deposited, interest will be charged from the date of conveying approval of OTS (Interest @ 1 year MCLR +2%)
 - Repayment Period – six months beyond that it can be extended by 3 months by the same delegatee, subject to:
 - ❖ The borrower has deposited 20% of OTS amount

- ❖ No interest waiver to be allowed and will be charged from the date of conveying approval (Interest @ 1 Yr MCLR + 2%)

EARLY PAYMENT INCENTIVE

- Full payment of OTS amount within 3 months from the date of conveying approval:
 - ❖ Outstanding above Rs.1 Crore to Rs.25 Crore- 10% of OTS amount.
 - ❖ Outstanding above Rs.25 Crore to Rs.50 Crore- 5% of OTS amount.

DELEGATION

AMOUNT	AUTHORITY
Upto Rs.15 Crore	ZLCC
Above Rs.15 Crore to Rs.50 Crore	NBGLCC

CHAPTER 26

GOVERNMENT SPONSORED SCHEMES – PART I

INSURANCE AND PENSION

Pradhan Mantri Jan-Dhan Yojana

(PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.

Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet

BSBDA Account are opened under this with features-

- There is no requirement of minimum balance.
- The services available include deposit and withdrawal of cash at bank branch as well as ATMs; receipt/credit of money through electronic payment channels or by means of collection/deposit of cheques.
- RuPay debit card can be issued to the account holder after the age of 18 years.
- Facility of ATM card or ATM-cum-Debit card.
- These facilities are to be provided without any extra cost.
- Any individual above the age of 10 years can open BSBDA Account.
- Illiterate customers can be issued RuPay Card.
- To get benefit of Accidental Insurance Cover, RuPay Debit Card must be used at least once in 90 days.
- If a person has two or more RuPay Debit Cards, accidental insurance cover is available in only one account /card.
- A person who is already having a bank account with any bank NEED NOT to open a separate account under PMJDY. He/she will just have to get issued a RuPay Card in his

existing account to get benefit of insurance. Credit facility can be extended in the existing account if it is being operated satisfactorily.

- Overdraft facility up to Rs.10000/- will be available to one account holder of PMJDY per household after 6 months of satisfactory conduct of the account. To avoid duplication Aadhaar number will also be required.
- Accidental Insurance Cover is Rs.2.00 lac and no premium is charged to the beneficiary -- NPCI will pay the premium.
- Accidental Insurance cover of Rs.2.00 lac will be available to all account-holders. However, overdraft facility upto Rs.10000/- will be available to only one person in the family (preferably lady of the house).
- In PMJDY accounts if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria, if any, of the bank.
- Interest charged by bank on overdraft facility in PMJDY as per HO guidelines issued from time to time.

Documents required to open an account under Pradhan Mantri Jan-Dhan Yojana

- If Aadhaar Card/Aadhaar Number is available then no other documents is required. If address has changed, then a self-certification of current address is sufficient.
- If Aadhaar Card is not available, then any one of the following Officially Valid Documents (OVD) is required:

Voter ID Card, Driving License , Passport, NREGA Card. If these documents also contain the address, it can serve both as "Proof of Identity and Address".

If a person does not have any of the "officially valid documents" mentioned above, but it is

categorized as 'low risk' by the banks, then he/she can open a bank account by submitting any

one of the following documents:

-Identity Card with applicant's photograph issued by

-Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector

Undertakings, Scheduled Commercial Banks and Public Financial Institutions;

-Letter issued by a gazette officer, with a duly attested photograph of the person.

Reserve Bank of India (RBI) has clarified as under: "Those persons who do not have any of the 'officially valid documents' can open "Small Accounts" with banks. A "Small Account" can be opened on the basis of a self-attested photograph .

These accounts are allowed to be operated upon with restrictions, details as under:

1.The aggregate of all credits in a financial year does not exceed rupees one lakh;

1,00,000/-

2.The aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand ;

10,000/-

3.The balance at any point of time does not exceed rupees fifty thousand ;

50,000/-

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Pradhan Mantri Suraksha Bima Yojna was introduced by GOI to provide accident insurance cover to citizens of India. Features of the scheme are as under:-

1) Applicant must have a savings bank account .

2) Age of the applicant must be between 18 to 70.

3) Yearly premium is Rs.12.

4) Rs.2 lakh insurance cover is available.

Rs.2 lakh Insurance cover is provided for death, total irrecoverable loss of both eyes, both hands or both legs in the accident. Rs.1 lakh cover is provided for loss of one eye/one leg/ one hand in the accident.

SB accountholder should retain the premium amount in the account at the time of renewal.

If the renewal is not done then the scheme is lapsed.

In Bank of India, PMSBY is administered by New India Assurance Co. Ltd.

	Table of benefits	Sum insured
a	Death	Rs.2 lakh

b	Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	Rs.2 lakh
c	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	Rs.1 lakh

Appropriation of Premium:

- 1) Insurance Premium payable to Insurance Company: Rs.12/- per annum per member.
- 2) Reimbursement of Expenses to BC/Micro/Corporate/Agent by insurer: Rs.1/- per annum per member
- 3) Reimbursement of Administrative expenses to participating Bank by insurer: Rs.1/- per annum per member.

Date of commencement of the scheme is 1st June 2015. The Annual renewal dates shall be each successive 1st of June in subsequent years.

Master Policy Holder: Participating Bank will be the Master policy holder on behalf of the participating subscribers.

Termination of cover: The accident cover for the member shall terminate on any of the following events and no benefit will be payable there under:

- 1) On attaining age 70 years (age nearest birthday).
- 2) Closure of account with the Bank or insufficiency of balance to keep the insurance in force.
- 3) In case a member is covered through more than one account ,the insurance cover will be restricted to one bank account only and the premium paid for duplicate insurance(s) shall be liable to be forfeited.
- 4) If the insurance cover is ceased , the same can be reinstated on receipt of full annual premium . During this period, the risk cover will be suspended.

PRADHAN MANTRI JIVAN JYOTI BIMA YOJNA

PMJJBY was introduced by GOI to provide insurance cover to citizens of India. Features of the scheme are :-

- 1) Applicant must be savings bank account holder of the branch.
- 2) Age of the applicant must be between 18 to 50 years.
- 3) Yearly premium is Rs.330/-.
- 4) Rs. 2 lakh insurance cover is provided to the account holder. who joins the scheme.
- 5) Insurance cover is provided for death due to any reason.
- 6) Insurance can be renewed up to the age of 55 provided account holder must have PMJJBY policy at the age of 50.
- 7) If the renewal is not done every year then the scheme is lapsed.
- 8) No insurance claim will be entertained up to 45 days from the date of enrollment.
- 9) In Bank of India, scheme is administered by SUD-Life

Enrolment : The cover shall be for one year period stretching from 1st June to 31st May for which option to join / pay will be required to be given by 31st May of every year. Delayed enrolment for prospective cover is possible with payment of pro-rata premium as laid down

- a) For Enrolment in June, July and August – Full Annual Premium of Rs.330/- is payable.
- b) For Enrolment in September, October, and November – pro rata premium of Rs. 258/- is payable
- c) For Enrolment in December , January, and February – pro rata premium of Rs. 172/- is payable.
- d) For Enrolment in March, April and May – pro rata premium of Rs. 86/- is payable.

Lien period of 45 days shall be applicable from the date of enrolment

Appropriation of Premium:

- 1) Insurance Premium payable to Insurance Company: Rs.330/- per annum per member
- 2) Reimbursement of Expenses to BC/Micro/Corporate/Agent by insurer: Rs.30/- per annum per member
- 3) Reimbursement of Administrative expenses to participating Bank by insurer: Rs.11/- per annum per member.

Master Policy Holder: Participating Bank will be the Master policy holder on behalf of the participating subscribers.

Termination of cover: The accident cover for the member shall terminate on any of the following events and no benefit will be payable there under:

- 1) On attaining age 55 years (age nearest birthday).
- 2) Closure of account with the Bank or insufficiency of balance to keep the insurance in force.
- 3) In case a member is covered through more than one account, insurance cover will be restricted to one bank account only and the premium paid for duplicate insurance(s) shall be liable to be forfeited.
- 4) If the insurance cover is ceased, the same can be reinstated on receipt of appropriate premium, subject to the cover being treated as fresh and 45 days lien clause being applicable.

Atal Pension Yojana

- ✓ Government of India has launched the ATAL PENSION YOJANA scheme to provide defined pension, depending on the contribution, and its period.

The special features of this scheme are-

- ✓ The scheme will focus on all Citizen of India especially those in the un-organized sector, who do not have any formal pension provision.
- ✓ Person aged between 18 years and 40 years, who have their Bank account and are not member of any other statutory social security scheme, who are not income tax payer are eligible to subscribe under this scheme.
- ✓ Minimum contribution (at the age of 18) would be Rs.42/- per month to get pension of RS.1000/- per month starting at the age of 60. Contribution amount may vary depending upon the age of subscriber and amount of pension required.
- ✓ The minimum pension would be Rs.1000/- and maximum would be Rs.5000/- .
- ✓ Maximum period of contribution at the age of 18 would be 42 years and and, and if person joins at the age of 40 years it would be 20 years.
- ✓ Penalty for default – Rs.1/- per month for contribution up to Rs.100/- per month
- ✓ Rs.2/- per month for contribution up to Rs.101 to 500/- per month
- ✓ Rs.5/- per month for contribution between Rs.501/- to 1000/- per month and
- ✓ Rs.10/- per month for contribution beyond
- ✓ Rs.1001/- per month.
- **Discontinuation of payments of contribution amount may lead to following**
 - After 6 months account will be frozen.
 - After 12 months account will be deactivated.
 - After 24 months account will be closed.
- Exit before the age of 60 is permitted by making specific application to PFRDA on the event of death of beneficiary or terminal disease.
- Upon completion of 60 years of age, the subscriber will submit the request to the concerned Bank for drawing the guaranteed pension amount.

Exit in case of death of the Subscriber

In case, the Subscriber dies before the age of 60 years, there are two options:

(a) Closure of APY account - In case, spouse wishes to exit from the scheme and close the account, the corpus will be settled in the name of spouse. If spouse is not present, then the corpus will be settled in the name of the nominee.

(b) Continuation of APY account (only for Spouse) – The spouse would have an option to continue contributing to APY accounts of the Subscriber, which can be maintained in the spouse's name, for the remaining vesting period, till the original Subscriber would have attained the age of 60 years. The spouse of the Subscriber shall be entitled to receive the same pension amount.

Upgrade/downgrade of pension amount

The option for upgrade / downgrade of pension amount would be permitted once in year during the month of April.

Basic Requirement to exercise upgrade / downgrade option:-

(a) Subscribers must have contributed regularly and all his previous contributions till the last month have been paid.

Upgradation of Pension - Differential amount is payable

(i) Difference between the old contribution amount and New contribution amount multiplied by number of months plus Interest @8% p.a on monthly compounding basis.

(ii) The differential amount has to be paid first.

(iii) New contribution amount would be calculated on the age as on date of PRAN registration.

Down gradation of Pension - The difference amount would be refunded to subscriber savings account after change request has been uploaded to NSDL.

CHAPTER 27

GOVERNMENT SPONSORED SCHEMES- PART II

LOANS

We will discuss about

- PMEGP
- DAY-NRLM
- DAY-NULM
- SRMS
- STANDUP INDIA
- STAR STARTUP

P M E G P

SALIENT FEATURES

- **PMEGP is a new MSME Scheme of Govt. of India by merging REGP and PMRY scheme launched on 04-04-2008.**
- **State Khadi & Village Industries Board (KVIB) and District Industries centre(DIC) of State Government have also been associated in implementation of the programme.**
- **Special Package of subsidy to promote rural industrialization.**
- **Empowering entrepreneurs through Skill Development and entrepreneurial development programme (EDP).**

OBJECTIVES

- **To generate employment opportunities in rural and urban areas of the country through self employment ventures/projects/ micro enterprises.**
- **To bring together widely dispersed traditional artisans/rural and urban unemployed youth and give them self – employment opportunities to the extent possible, at their place.**

- To provide continuous and sustainable employment to traditional and prospective artisans, of rural and urban unemployed youth in the country.
- To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.
- To facilitate participation of financial institutions for higher credit flow to only new micro enterprises.

ELIGIBILITY

- Borrowers:-Individuals, SHGs, Charitable Trust, Institutions under Society Registration Act., Production based Co-operative Societies.
- Individuals above 18 years of age.
- Education Qualification:- VIII Std. Passed only for project costing above Rs. 10.00 lakhs in manufacturing and above Rs.5.00 lakhs for Service Sector.
- Only one person from a family is eligible.
- No income ceiling for setting up of projects.
- Rate of Interest: Bank discretion.
- Repayment: 7 years with moratorium prescribed.
- Assistance under the Scheme is available only to new units to be established.
- Existing units or units that have already availed Govt. Subsidy either under State / Central Govt. Schemes are not eligible.

CERTIFICATES TO BE ATTACHED

- Age proof certificate.
- Caste certificate if beneficiaries are from special categories (SC/ST/Minority/Ex-Servicemen etc.).
- Educational qualification certificate if beneficiaries opting project cost above Rs.10.00 lakhs in case manufacturing and above Rs.5.00 lakhs for service sector.
- 2-3 weeks EDP training certificate if already undergone such training.

ELIGIBLE INDUSTRY

- Any industry including Coir Based projects excluding those mentioned in the negative list.

- Per capita investment should not exceed Rs.1.00 lakh in plain areas and Rs.1.50 lakhs in Hilly areas.
- Maximum project cost for Rs.25.00 lakh in case of manufacturing and Rs.10.00 lakh for Service Sector.

Quantum and Nature of Financial Assistance

Categories of beneficiaries under PMEGP	Beneficiary's contribution of project cost	Rate of Subsidy of Project Cost	
		Urban	Rural
Area (location of project/unit)			
General Category	10%	15%	25%
Special (including SC/ST/OBC/Minorities/Women, Ex-Servicemen, Physically handicapped, NER, Hill and Border areas etc.	05%	25%	35%

BANK FINANCE

- The Bank will sanction 90% of the project cost in case of General category beneficiary and 95% in case special category of beneficiary / institutions.
- The Bank will disburse full amount suitably for setting up of the project.
- Credit Guarantee Scheme (CGTMSE) of MSME is also available for PMEGP units.

FINANCING AGENCIES

- All Public Sector Banks
- All Regional Rural Banks

- SIDBI
- Co-operative Banks approved by a committee headed by the Secretary, Industries of the State.
- Private Sector Commercial Banks approved by a committee headed by the Secretary, Industries of the State.

SELECTION OF BENEFICIARIES

- Project proposals will be invited from potential beneficiaries at District level through Print and Electronic Media by KVIC/KVIBs and DIC at periodic intervals.
- Facilitating agencies may also collect applications for placing the same before District Task Force Committee.
- To ensure the transparency in identification of the beneficiaries, Panchayati Raj Institutions to be involved in the process of selection.

HOW TO APPLY ?

- Prescribed application may be downloaded from KVIC website www.kvic.org.in/www.pmegp.in or from any field offices of KVIC or KVIB or DICs.
- The application along with required certificate may be submitted to any one of the Offices of KVIC or KVIB or DICs.
- The application will be placed before District Task Force Committee by respective Offices.
- Personal Interview will be conducted by District Task Force Committee.

DISTRICT TASK FORCE

A District Task Force will be constituted to recommend the applications for consideration of Banks.

District Magistrate/Deputy Commissioner/Collector : Chairman

Lead Bank Manager : Member

Representative of KVIC / KVIB/DIC : Member

Rep. of NYKS/SC/ST/Women Corporation : Special Invitee

Rep. of MSME-DI, ITI/Polytechnic : Special Invitee

Rep. from Panchayat by rotation : 3 Members

(To be nominated by Collector/

District Magistrate/ Deputy Commissioner

General Manager, DIC/ Rep of KVIC / KVIB :Member Convener

APPLICATION SELECTION

- **Personal interview for Selection will be done.**
- **The District task force will forward its recommendation to KVIC /KVIB /DICs within a period of one month of the meeting. The same will be forwarded by the implementing agencies to Financing Branch of the Bank within 15 days of receipt of the same.**

2nd Financial assistance under PMEGP is available to all existing units financed under PMEGP/MUDRA for upgradation of the viable and profit making unit.

- The earlier loan should have been repaid and margin money adjusted.
- The unit should be a profit making during the last 3 years.
- The unit should be able to provide additional employment.
- Registration of Udyog Aadhar is mandatory.
- Max.cost of project- manufacturing sector- Rs. 1 crores
- Max.cost of project- service/trading sector- Rs.25 lakhs.
- Beneficiary contribution is 10% of proposed cost.
- Rate of subsidy is 15% (20% for NER and hilly areas)
- The capital expenditure component should not exceed 60% of project cost and working capital cost not to exceed 40%.
- Lock in period for margin money of 2nd loan is 18 months

OPERATIONAL PROCEDURE

- **The Bank will take their own credit decision on selection of projects. In case of any rejection, the same will be intimated to the District Task Force with reasons.**
- **After sanctioning of project, the beneficiary has to deposit 5% or 10% of the project cost as the case may be, in the bank.**

- First installment of loan will be released to Beneficiaries only after completion of EDP training.
- Project cost will include capital expenditure and one cycle of working capital.

SKILL DEVELOPMENT

- District Task Force will recommend needy entrepreneurs for skill development programme.
- Skill Development / Skill Up gradation will be provided to the entrepreneurs by Training Centre accredited with Ministry of MSME and reputed institutions of KVIC / KVIB / State Govts. , DIC.

SUBSIDY RELEASE & ADJUSTMENT

- A PSB acts as Nodal bank for settlement of subsidy claim.
- The Financing Branch will forward the claim to the authorized branch of the Nodal bank.
- The Nodal Branch will release the subsidy to the Financing Branch.
- The original claim format to be forwarded to respective office i.e. KVIC/KVIB/DIC by the Nodal Branch of the Bank keeping a copy with them.
- Acknowledgement letter will be issued by the KVIC/KVIB/DIC to the Nodal Branch on receipt of original claim format.
- Subsidy will be kept in subsidy reserve fund.
- No interest will be paid on the TDR .
- Interest charged to loan account will be net of subsidy.
- Subsidy will be adjusted/appropriated only after physical verification and permission of KVIC/DIC.

NEGATIVE LIST OF ACTIVITES

- a) Any Industry/business connected with Meat (slaughter) i.e. processing, canning and/or serving items like Beedi / Pan / Cigar / Cigarette etc. any Hotel or Dhaba or sales outlet serving liquor, preparation / producing tobacco as raw materials, tapping of toddy for sale.
- b) Any industry / business connected with cultivating of crops / plantation like Tea, Coffee, Rubber etc. sericulture (cotton rearing), Horticulture, Floriculture, Animal Husbandry like Pisciculture, Piggery, Poultry, Harvester machines etc.

- c) **Manufacture of Polythene carry bags of less than 20 microns thickness and manufacture of carry bags or containers made up of recycled plastic for storing, carrying, dispensing or packaging of food stuff and any other item which causes environmental problems.**
- d) **Industries such as processing of Pashmina Wool and such other products like hand spinning and hand weaving, taking advantage of Khadi Programme under the purview of Certification Rules and availing sales rebate.**
- f) **Rural Transport (except Auto rickshaw in Andaman & Nicobar Islands, House boat, Shikara & Tourist Boats in Jammu & Kashmir and Cycle Rickshaw).**

Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)

- ❖ **The Ministry of Rural Development, Government of India launched a new programme known as NRLM now renamed as Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM), by restructuring and replacing the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme with effect from April 01, 2013.**
- ❖ **NRLM was renamed as DAY-NRLM w.e.f. March 29, 2016.**

OBJECTIVE

- **To reduce poverty by forming strong institutions/groups of the poor (particularly women) and enabling these institutions to repeatedly access, a range of financial services (particularly bank loans) till they attain sustainable livelihood.**
- **The blocks and districts where all the components of DAY-NRLM will be implemented, either through the SRLMs (State Rural Livelihood Mission) or partner**

institutions or NGOs, will be the intensive blocks and districts, whereas remaining will be non-intensive blocks and districts.

FEATURE OF WOMEN SHG

- ❖ SHGs(particularly women of affinity group) under DAY-NRLM should have 10-15 members.
- ❖ The number may be 5 (min.) in groups with disabled persons, and groups formed in remote tribal areas.
- ❖ Groups formed by Persons with disabilities, and/or other special categories like elders, transgender, such SHG's having both men and women will be considered under DAY-NRLM.
- ❖ Registration under Societies Act, State Cooperative Act or as a partnership is not mandatory.
- ❖ But federations of SHGs formed at Village level, cluster levels are to be registered under appropriate acts prevailing in their states.

FINANCIAL ASSISTANCE TO SHG

A. Revolving Fund (RF): RF is available if

(a) SHG is in existence for a minimum period of 3-6 months.

(b) SHG follows 'Panchsutra' i.e. *Regular meetings; Regular savings; Regular inhouse lending; Timely repayment; and Up-to-date books of accounts;*

(c) SHGs should not have received any RF earlier.

RF is available as corpus with a minimum of Rs. 10,000/- and maximum of Rs. 15,000/- per SHG.

COMMUNITY INVESTMENT SUPPORT FUND (CIF)

- ❖ CIF will be provided to the SHGs in the intensive blocks, routed through the Village level/ Cluster level Federations.
- ❖ The CIF will be used, by the Federations, to advance loans to the SHGs and/or to undertake the common/collective socio-economic activities.
- ❖ Capital Subsidy: No Capital Subsidy is available under this scheme at present.

INTEREST SUBVENTION

- 1) **The difference between lending rate of the banks and 7% on all loans upto 3 lakhs from Banks/FIs to Women SHGs;**
 - a. **In 250 identified districts, banks will lend to the women SHGs @ 7% up to an aggregate loan amount of Rs. 3.00 lakhs. The SHGs will get additional interest subvention of 3% on prompt repayment.**
 - b. **In the remaining districts, DAY- NRLM compliant women SHGs will be registered with State level Rural Livelihood Missions (SRLMs). They are eligible for interest subvention for the loan amount up to Rs. 3.00 lakhs.**

Eligibility Criteria for availing loan

1. **The SHG's are required to open savings account with the bank complying with the KYC norms specified by RBI**
2. **SHG should be in active existence for a minimum of 6 months;**
3. **Practising 'Panchasutras'**
4. **Existing defunct SHGs are eligible if they are revived and continue to be active for a minimum period of 3 months.**

LOAN AMOUNT

Emphasis is laid on the multiple doses of assistance under DAY-NRLM.

CASH CREDIT LOAN (CCL)

Branch has to sanction CCL limit Rs.5 lakhs(min.) for the period of 5 years with yearly enhancement of limit.

- 1) Drawing Power for 1st year: - 6 times of the existing corpus or Rs.100,000/- whichever is higher.
- 2) Drawing power for 2nd year: - 8 times of the corpus or minimum Rs.2 lakhs whichever is higher.
- 3) Drawing power for 3rd year: - minimum Rs.3 lakhs based on the microcredit plan
- 4) Drawing power for 4th dose and onward: - Minimum Rs.5 lakhs based on the micro credit plan.

TERM LOAN (TL)

The amount is sanctioned in doses as below:

- 1) First Dose: 6 times of existing corpus or minimum Rs.1 lakh whichever is higher.
- 2) Second Dose: 8 times of the existing corpus or minimum Rs.2 lakhs whichever is higher.
- 3) Third Dose: Minimum Rs.3 lakhs based on micro credit plan and appraised by the federation/support agency .
- 4) Fourth dose: Minimum Rs.5 lakhs based on micro credit plan and appraised by federation/support agency.

Corpus consist of Total savings of SHG, revolving fund received, Interest paid by the bank on SB A/c in the last year, Interest generated in in-house lending, income from other sources if any.

Repayment schedule

- I) First dose/ first year will be repaid in 12-18 months in monthly or quarterly instalment.
- II) Second dose / second year will be repaid in 18 -24 months in monthly or quarterly instalments.
- III) Third dose / third year will be repaid in 24-36 months in monthly or quarterly instalments.
- IV) Fourth dose onwards: Repayment has to be either monthly/quarterly/half yearly based on cash flow and it has to be between 3 to 6 years.

OTHER FEATURES OF DAY-NRLM

Security & Margin:

- Loan up to Rs. 10 lakhs- NIL;
- No lien should be marked against Savings bank account of SHGs;

- There will not be any processing fee up to limit Rs.50 thousand. But for limit above Rs.50000/- processing charges will be as per charges of agriculture loan limits.
- Assets created out of bank finance must be insured by the SHG.
- While opening of SHG loan account, in free code 3, code 154 i.e. NRLM SHG should be included.

National Urban Livelihoods Mission (NULM)

- ❖ **Launching/Implementing Agency: GOI, Ministry of Housing and Urban Poverty Alleviation has restructured the existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and launched the w.e.f. 24.09.2013. NULM**
- ❖ **Scheme is operative in all districts headquarters and all cities with population of 1 lakh and above for urban poor living below urban poverty line.**
- ❖ **The Self Employment Programme (SEP) component of NULM provides interest subsidy on loans.**

TARGET AND FEATURES OF NULM

- **30% of the beneficiaries should be women.**
- **SC/ST beneficiaries as per proportion of population in the city/town.**
- **3% for Differently abled persons,**
- **15% for minority community.**
- **No minimum educational qualifications.**
- **Training will be provided to projects which requires skill.**
- **The ULB will also arrange to conduct EDP Programme for 3-7 days.**

INTEREST SUBVENTION

- Interest subsidy is difference of 7% and prevailing rate of interest of Bank. Additional 3% interest subsidy for those who repay their loan promptly.
- The disbursing branch of the bank will send details of disbursed loan cases to ULB.
- Claim of interest subvention- quarterly basis.

NULM LOAN TO INDIVIDUAL

Eligibility: An urban poor individual for setting up a micro-enterprises for self employment.

Age: Beneficiary should have attained 18 years age.

Project Cost: The maximum unit project cost for individual micro-enterprises cases is Rs. 2.00 lakhs.

Collateral on Bank Loan: Banks are mandated not to accept collateral security in the cases of loans up to Rs. 10 lakhs extended to units in the MSME Sector.

Repayment: 5 to 7 years after initial moratorium of 6-18 months.

NULM LOAN TO SHG

Eligibility: The group enterprise also referred to as SHG with a minimum of 70% members from urban poor families.

Age: All members of the group enterprise should have attained the age of 18 years.

Project Cost: The maximum unit Project Cost for a group enterprise is Rs. 10 lakhs.

Loan: Project cost less the beneficiary contribution (as specified by bank) would be made available as loan amount to the group enterprise by the bank.

Collateral on Bank Loan: Only assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans. The banks may approach CGTMSE guarantee.

Repayment: 5 to 7 years after initial moratorium of 6-18 months as decided by banks.

SELF EMPLOYMENT SCHEME FOR REHABILITATION OF MANUAL SCAVENGERS (SRMS)

“Manual scavenger” means a person engaged or employed , at the commencement of this Act or at any time thereafter ,by an individual or a local authority or an agency or a

contractor , for manually cleaning , carrying , disposing of, or otherwise handling in any manner , human excreta in an insanitary latrine or in an open drain or pit into which human excreta from the insanitary latrines is disposed of , or on a railway track or in such other spaces or premises , as the Central Government or a state Government may notify, before the excreta fully decomposes in such manner as may be prescribed , and the expression “manual scavenging “

SCHEME NORMS OF SRMS

Cash Assistance :The identified manual scavengers, one from each family, would be eligible for receiving Cash Assistance of Rs. 40,000/-. The beneficiary would be allowed to withdraw the amount in monthly installments of maximum of Rs.7000.

Maximum Project Cost : Rs.10 lakh for any activities and Rs.15 lakh, in case of sanitation related projects

SCHEME NORMS OF SRMS

Capital subsidy based on project cost-

Back-end Capital Subsidy as given below:-

<u>Range of Project Cost (Rs.)</u>	<u>Rate of Subsidy</u>
Upto 2,00,000/-	50% of project cost
2, 00,001/- to 5,00,000/-	Rs. 1 lakh + 33.3% of project cost
5,00,001 to 10,00,000/-	Rs. 2 lakh + 25% of project cost
10, 00,001 to 15, 00,000/-	Rs. 3, 25,000/-

Rate of Interest to be charged from beneficiaries –

5% for ProjectCost up to Rs.25,000/-, (4% for women),

6% for ProjectCost above Rs.25,000/-

Moratorium period for repayment of loan – Up to two years.

Maximum period of Training - 2 years.

Stipend during training - Rs.3,000/- p.m.

Repayment period including the moratorium period-

For projects costing up to Rs. 5 lakhs - 5 years.

For projects costing more than Rs. 5 lakhs - 7 years.

Penal Provisions for misuse of funds – Penalty for misuse of funds by beneficiaries is provided under the Scheme. Entire amt. of subsidy with a penal intt. of 9% will be recovered.

STANDUP INDIA

Br.Circular 110/51 dated 27-05-2016

- Facility: Composite loan(Working capital/Term loan)
- Purpose : Setting up of Greenfield projects
- Eligibility: SC/ST category or Women beneficiary
- Quantum of Finance: 10 lakh to 1 crore.
- Bank finance will be 75% of project cost.
- Margin: Beneficiary's contribution is 10%minimum.
- Repayment of loan : 84 months including moratorium of 18 months.

- Security: In addition to primary security, loans are covered under NCGTC(National credit Guarantee Trustee Company. No collateral security to be obtained.

While opening loan account under this scheme, Free code3 should be fed as 372(Standup India)

STAR STARTUP SCHEME

- Facility: Working capital/Term loan/Non fund based
- Eligibility: Entity incorporated/registered in India not before 5 years.Annual turnover not exceeding 25 crores in any preceeding financial year.
- Quantum of Finance: 10 lakh to 5crore.
- Margin: Term loan - 25% Working capital – 10%.
- Repayment of loan : Working capital – 12 months Term loan -120 months including moratorium of 24 months.
- Security: Hypothecation/Mortgage of assets created out of bank finance as primary security, CGTMSE/credit guarantee fund by NCGTC(National credit Guarantee Trustee Company) is the collateral security.

Chapter 28 & 29

OVERVIEW OF FOREX

What is Foreign Exchange Business?

- Global trade and the cross-border money and capital movements give birth to foreign exchange dealings.
- Foreign Exchange Business (Forex) as it is called is trading of a one national currency for another national currency at a certain price. It simply means buying one currency and selling the other.
- Foreign exchange transactions can take place on the foreign exchange market, also known as the Forex Market.

Let us consider an example:

- If an Indian exporter exports a machine to a buyer in USA, buyer will pay in his national currency USD. Whereas Indian exporter needs to convert USD in INR for using the money in India. The exporter will go to Authorized Dealer for exchange of USD with INR. In other words he will sell USD and receive the proceeds in INR.
- Conversely, if an Indian buyer imports a machinery from USA, he has to pay the cost in USD. In this case Indian importer will approach Authorized Dealer for conversion of INR with USD. In other words he will purchase USD against payment of INR.

EXCHANGE RATE

- From the above examples we can understand that in the case of international trade exchange of currencies becomes necessary.
- EXCHANGE RATE can be defined, as a rate at which one national currency can be exchanged into another national currency.

For example, 1 USD = 75.00 INR.

- This rate indicates that for each USD, INR 75.00 can be received.
- Or for INR 75.00, one USD can be purchased.

METHODS OF QUOTING EXCHANGE RATES

There are 2 types of methods for quoting of exchange rates.

1. "DIRECT METHOD". In this method of quotation, units of foreign currency are constant whereas units of home currency varies. Foreign Currency is called "BASE CURRENCY".

Example: 1 USD = 76.30 INR,

1 EUR = 82.58 INR.

2. "INDIRECT METHOD" In this method of quotation, units of the home currency remain fixed and units of foreign currency vary.

Example 1 INR = 0.01310 USD

1 INR = 0.0100 EUR

COMMONLY TRADED CURRENCIES

Currencies are indicated by three letter symbols. The standard symbols for some of the most traded currencies are:

EUR – Euros

USD – United States Dollar

CAD – Canadian Dollar

GBP – British Pound

JPY – Japanese Yen

AUD – Australian Dollar

CHF – Swiss Franc

TYPES OF EXCHANGE RATES

- TT Buying and Selling Rates (For Foreign Inward and outward remittances mainly)
- Bill Buying and Selling Rates (Export and Import Bills)
- TC Buying and Selling Rates (Foreign Traveller's Cheques)
- Currency Notes Buying and Selling Rates (Foreign Currency Notes)

Basis: delivery of foreign currency:

- **TOM** (part of tomorrow) **RATES** are applied to transactions which are to be settled on the next working day.
- **READY/CASH RATES** are rates for settlement of transactions on the same day of the deal.
- **SPOT RATES** are rates for settlement of transactions on 2nd business day after the deal is concluded. Unless otherwise stated, rates are normally quoted on SPOT basis only.
- All transactions, settlement for which takes place beyond spot date, are called **FORWARD** and rates applied thereto are called **FORWARD RATES**.

NOSTRO ACCOUNTS

- Nostro Account mean “*our account with you*”. *Nostro* is a Latin word. Nostro account is an account maintained by an Indian bank with a foreign bank/branch. For example, USD account maintained by Treasury branch with Chase Manhattan Bank, New York is called Nostro Account . Nostro account is always in foreign currency. Transactions in relevant currencies are settled through credits or debits into Nostro accounts. In order to keep a check on the Nostro account and reconcile various transactions routed through it, a *mirror account* is maintained in the books of the bank in India/home country.

VOSTRO ACCOUNTS

- Vostro Accounts are the accounts maintained by a foreign bank/branch with a bank in India. In Latin, term Vostro Account stands for “your account with us”. Vostro accounts are denominated in Indian rupees. Account of London branch with Mumbai Overseas branch or account maintained by Barclays Bank with Mumbai Overseas branch are examples of Vostro Accounts.

VARIOUS AUTHORITIES SUPERVISING FOREIGN BUSINESS IN INDIA

Ministry of Finance through –

- Reserve Bank of India.
- Central Board of Indirect Taxes and Customs.
- Directorate of Enforcement (ED)

(Compliance of FEMA1999/PMLA 2002).

The statutory power for exchange control was provided by the Foreign Exchange Regulation Act (FERA) of 1947, which was subsequently replaced by a more comprehensive Foreign Exchange Regulation Act, 1973. The Foreign Exchange Management Act (FEMA) was enacted in 1999 to replace FERA. FEMA became effective from June 1, 2000.

Ministry Of Commerce through-

- Directorate General of Foreign Trade (DGFT).

Regulates Foreign Trade. Registration of Importers and Exporters with DGFT is mandatory.

FOREIGN EXCHANGE MANAGEMENT ACT (FEMA)

- FEMA, 1999 came into effect from 01.06.2000.
- Purpose to consolidate the regulations relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India.
- It extends to whole of India. It shall also apply to all branches, offices and agencies outside India owned or controlled by a person resident in India and also to any

contravention thereunder committed outside India by any person to whom this Act applies.

- 7 chapters/49 articles. Rules and regulations have been issued under the act to govern various Forex transactions and for orderly development of Forex Market.

IMPORTANT ORGANISATIONS

- FEDAI: Foreign Exchange Dealers Association of India

An association of Banks dealing in Foreign Exchange in India. Setup in 1958. Incorporated under Sec 25, (Companies Act 1956). Based in Mumbai. Main functions are:

- Frame guidelines and rules for inter-bank Foreign exchange Business.
- Training of Bank Personnel in the areas of Foreign Exchange Business.
- Accreditation of Foreign exchange Brokers and periodic review of their operations.
- ECGC: Export Credit Guarantee Corporation

Under Commerce Ministry, it is a Corporation set-up by the Govt. of India for providing export credit insurance and guarantee facilities to India's exporters.

- ICC: International Chamber of Commerce

Established in 1919 and presently consists of more than 120 members. Headquartered in Paris, it frames rules and guidelines to facilitate cross border trade.

IMPORTANT PUBLICATIONS OF ICC

- INCOTERMS-International commercial terms- They are being incorporated in contracts for the sale of goods worldwide to facilitate common understanding in different countries. Versions are revised at specific time intervals as per business needs.
- Uniform Customs and Practice for Documentary Credits - UCP 600 :

These are the Rules for Letter of Credits. Present version is 600 since 01.07.2007. There are 39 articles covering different aspects of LC. They apply when the text of the credit expressly indicates that it is subject to these rules. A credit is irrevocable even if there no indication to this effect.

- Uniform Rules for Collection (URC –ICC Publication 522)
- Uniform Rules for Demand Guarantees (URDG 758)
- Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits (URR 725)

REMITTANCES

- **INWARD REMITTANCE**-All remittances must conform to the permitted methods of receipts and payments as detailed in FEMA. There is no limit to the foreign currency that come to India through approved modes. However, the FC is being brought in through currency notes or bank notes then same needs to be declared at customs in Currency Declaration form if the amount exceeds USD 5000. If import is by way of both currency/bank notes and TCs then amount to be declared if it is above USD 10000.
- **OUTWARD REMITTANCES**: All foreign Outward Remittances are governed by the Exchange Control Regulations as per Foreign Exchange Management Act (FEMA), 1999 and are to be effected through Authorised Persons only.

They can be under:

- **Current Account**: The current account consists of visible trade (export and import of goods), invisible trade (export and import of services), unilateral transfers, and investment income etc. The current account represents a country's net income over a period of time.
- **Capital Account**: The capital account is a record of the inflows and outflows of capital that directly affect a nation's foreign assets and liabilities. The components of the capital account include foreign investments and loans, and other forms of capital etc.

VARIOUS REMITTANCE FACILITIES

- Remittance Facilities under Liberalised Remittance Scheme - LRS
- Remittance facilities for others – Other than Individuals
- Remittance facilities for NRIs / PIO / Foreign nationals

LIBERALISED REMITTANCE SCHEME (LRS)

- Applicable only for resident individuals including minors Up to USD 250000 Per Financial year (April – March)
- For any permitted current or capital account transaction or a combination of both.
- Scheme is not available to Corporates, Partnership Firms, HUFs, Trusts, etc.,
- Clubbing by family members is permitted for current account transactions.
- For capital account transactions, clubbing by family members is allowed, **ONLY** if the family members are co-owners / co-partners of the overseas bank account / investment / purchase of property abroad
- **ALL** other transactions which are otherwise not permissible under FEMA are not allowed
- **KYC/AML** guidelines have to be complied in respect of bank accounts before allowing remittance under LRS

- The applicants should have maintained the bank account with the bank for a minimum period of one year prior to the remittances for capital account transactions

CURRENT ACCOUNT TRANSACTIONS UNDER LRS

- Private visits,
- Gifts/donations,
- Going abroad on employment, emigration,
- Maintenance of close relatives abroad,
- Business trip,
- Medical treatment abroad,
- Studies abroad

(Latest FEMA guidelines to be referred)

CAPITAL ACCOUNT TRANSACTIONS UNDER LRS

Some examples of capital account transactions permitted under LRS are as under:

- Opening of foreign currency account abroad
- Purchase of property abroad
- Making investments abroad – acquisition and holding shares of both listed and unlisted overseas company or debt instruments; investment in units of Mutual Funds, Venture Capital Funds, unrated debt securities, promissory notes;
- Setting up wholly owned subsidiaries and joint ventures outside India for bonafide business subject to the terms & conditions
- Extending loans in Indian Rupees to NRIs who are close relatives as per Companies Act 2013.
- (Latest FEMA guidelines to be referred)

TRADE FINANCE-Exports

Trade finance includes:

- Exports
- Imports

Exports include Export bills received on collection and under LC. Governed by FTP.

Export finance includes:

- Pre Shipment- Export Packing Credit in INR and PCFC in foreign currency. It is given against confirmed order/ L/C for FOB value. Concessional Rate of interest up to 360 days. Rate of interest in case of PCFC is linked to LIBOR.
- Post Shipment- Includes FBP/FBD/FBN/Rupee advance against collection Bills. Bills can be sight or usance. For usance bills the due date is as per usance period but for sight bills usual NTP or Normal Transit Period is 25 days. There are some exceptions.

Export bills purchased /discounted/ negotiated and unpaid should be crystallized on 30th day after NTP/Notional due date.

The export proceeds must be realized within 9 months from the date of shipment. For goods exported to warehouse abroad time period is 15 months. (As Covid relief measure the normal period of realization has been increased to 15 months from 9 months for goods exported up to 31.07.2020.

Reporting and Monitoring done through EDPMS-Export Data Processing and Monitoring System.

IMPORTS

- Remittance of import bills to be done within 6 months from date of imports which can be extended up to 3 years (6 months at a time) for delays on account of disputes about quantity or quality or non-fulfillment of terms of contract etc.
- In India, imports are governed by Government of India Foreign Trade Policy
- Evidence of import to be submitted within 3 months from date of import.
- They include Bill of entry, post parcel wrapper, courier wrapper with certificate, custom certificate etc.
- Reporting and Monitoring done through IDPMS-Import Data Processing and Monitoring System.
- Freely Importable goods or Restricted or prohibited.

LETTER OF CREDIT

- Letter of Credit means: the arrangement under which a Bank, on behalf of the Buyer (Importer) undertakes the payment obligation, subject to fulfillment of certain documentary conditions by the seller (Exporter).
- Requirements:-

1. Importer Exporter - Code (IEC) - unless exempted
2. Commodity imported is under permissible or freely importable category
3. Import License - For Restricted Category Goods

4. LC to be opened in terms of UCP (Presently Version 600) provisions.

5. Margin, if any, stipulated – obtained

PARTIES TO LC

1. Applicant / Buyer.
2. Beneficiary / Seller.
3. Opening / Issuing Bank.
4. Advising Bank. – Bank through which LC advised.
5. Confirming Bank. - In case exporter is not confident with LC opening bank he will ask importer to get LC confirmed by a Prime Bank. The liability of the confirming bank is equal to that of opening bank.
6. Negotiating Bank.- The bank which negotiates the bill under LC.
7. Reimbursing Bank- As per terms of LC the bank from whom negotiating bank should claim reimbursement of amount under LC Payment

TYPES OF LC

- REVOCABLE/IRREVOCABLE
- SIGHT AND USANCE
- OPEN AND RESTRICTED
- RED CLAUSE AND GREEN CLAUSE LC
- REVOLVING LC
- TRANSFERABLE LC
- STANDBY LC

NON RESIDENT DEPOSITS-WHO IS NRI?

- Who is a Non-Resident Indian?
 - A. A person resident outside India who is a citizen of India i.e.
 - Indian citizens who proceed abroad for employment or for carrying on any business or vocation or for any other purpose in circumstances indicating indefinite period of stay outside India.
 - Indian citizens working abroad on assignments with Foreign Governments, Government Agencies or International/ Multinational Agencies like United

Nations Organisation(UNO), International Monetary Fund (IMF), World Bank etc

- Officials of Central and State Governments and Public Sector Undertakings deputed abroad on assignments with Foreign Government Agencies/ Organisations or posted to their own offices including Indian Diplomatic Missions abroad

PERSON OF INDIAN ORIGIN-PIO

- B. A person of Indian origin who is a citizen of any other country other than Bangladesh or Pakistan, if
- He, at any time, held an Indian passport or
 - He or either of his parents or any of his grand parents was a citizen of India by virtue of Constitution of India or Citizenship Act 1955 (57 of 1955)
 - The person is a spouse of an Indian Citizen or a person referred to in sub clause B (i) or (ii) above.
- C. Students going abroad for studies are treated as Non-Resident Indians (NRIs) and are eligible for all the facilities available to NRIs under FEMA

NON RESIDENT ACCOUNTS/DEPOSITS-NRE/NRO/FCNR:

Particulars	FCNR (B)	NRE	NRO
Who can open Account	NRI	NRI	Any Non-resident (except Nepal Bhutan)
Joint Account	Two or more non-resident as well as Resident close relatives (As F or S mandate)	Two or more non-resident as well as Resident close relatives (As F or S mandate)	Two or more non-resident as well as Resident close relatives As F or S mandate
Nomination	Permitted	Permitted	Permitted
Currency in which A/c is maintained	USD, GBP, EUR, JPY, AUD, CAD	INR	INR
Repatriability	Freely Repatriable	Freely Repatriable	Up to USD 1 Mn. P.A.
Type of A/c	Term Deposit	SB,CD, TDR Incl. RD	SB,CD, TDR Incl. RD

Particulars	FCNR (B)	NRE	NRO
Period	Min. 12 Months Max. 60 Months	Min. 12 Months Max. 120 Months	Min. 7 Days Max. 120 Months
Minimum Amount	Different minimum amount for different currencies	---	---
Taxation (Indian)	Exempted from Income Wealth Tax	Exempted from Income Wealth Tax	TDS Deductible

RESIDENT FOREIGN CURRENCY ACCOUNTS-RFC/RFC (D)/EEFC:

Particulars	RFC	RFC (D)	EEFC
Who can open	Any person NRI returned to India	Resident Individuals	Any person resident in India
Joint account	Not Permitted	Not Permitted	Not Permitted
Joint account with NRI	Not Permitted	Not Permitted	Not Permitted
Type of account	SB, CD, TDR	Current account	Current account
Period	Like resident accounts. TDR Max 3 years.	NA	NA
Rate of Interest	Bank's discretion	No Interest	No Interest
End Use	NO restriction including investments abroad	Permissible current and capital account transactions	For bona - fide purposes
Loans and OD	Not permitted	Not permitted	Not permitted

CHAPTER 30

KNOW YOUR BANK & BANK PERFORMANCE

Know your Bank

- Bank of India started the journey on 7th September 1906.
- Founder Members are
 - Sir Sassoon David
 - Mr Gordhandas Khattau
 - Mr Ratanjee Dadabhoy Tata
 - Sir Cowasjee Jehangir
 - Sir Lalubhai Samaldas
 - Mr Ramnarain Hurundrai
 - Mr Khetsey Khlasey
 - Mr Jenarayaen Hindoomull Dani
 - Mr Noordin Ebrahim Noordin
 - Mr Shapurji Broacha
- In 1906 – First Corporate Office at Oriental Building, Fort, Mumbai
- In 1950 – Shifted the Corporate office to Mahatma Gandhi Road, Fort, Mumbai
- In 2003 – Launched its state of the Art Corporate office at Bandra Kurla Complex, Mumbai
- The First Indian Bank to open a branch outside the country – London Branch in 1946
- First Indian Bank to open a branch in Japan – Tokyo branch in 1950
- First Foreign Bank in Continental Europe – Paris
- The Father of the Nation maintained an account with our Poona Main branch since January 1944.
- In 1982 – We had started the Health Code system for evaluating our credit portfolio.
- In 1989 – First Nationalised Bank to establish a fully computerised branch with ATM at our Mahalaxmi branch at Mumbai.
- Founder member of SWIFT in India.
- **Mission:** To provide superior, proactive banking services to niche markets globally, while providing cost effective, responsive services to others in our role as a development bank, and in so doing, meet the requirements of our stake holders.
- **Vision:** To become the bank of choice for Corporates, medium businesses and up-market retail customers and to provide cost effective

developmental banking for small business, mass market and rural markets.

- We at BANK OF INDIA, are committed to become the Bank of Choice by providing
 - SUPERIOR
 - PRO – ACTIVE
 - INNOVATIVE
 - STATE OF THE ART

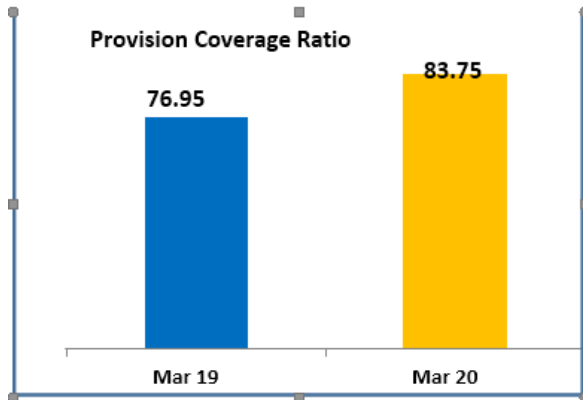
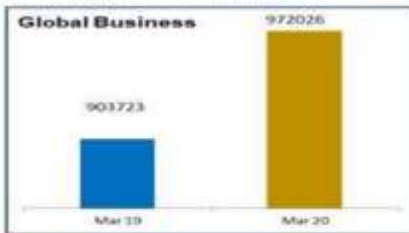
Banking services with an attitude of Care and Concern for the Customers and Patrons

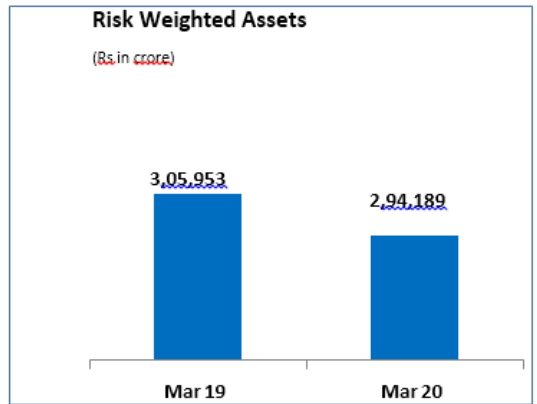
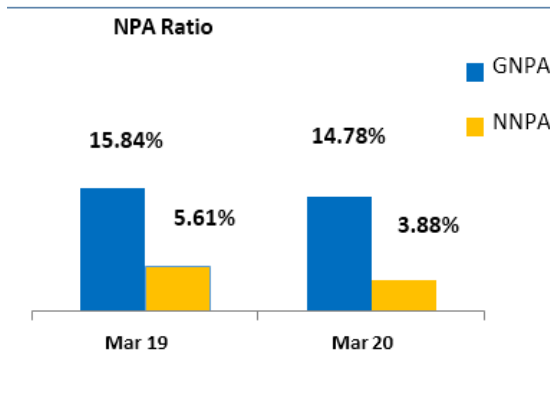
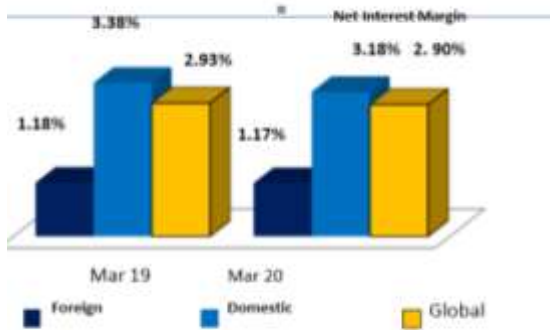
- Mother India signifies Bank`s continuous consciousness of the legacy of Bank`s National past. Star with 5 prongs was added in the year 1962, which represents presence and service in 5 continents. STAR is the guiding star to those in need.
- We at BANK OF INDIA believe in
 - Nation Building
 - Ethics and Integrity
 - Value for our customers
 - Pride for our employees
 - Profitable Growth
 - Contributing to Society
 - One “ Bank of India ”
- 1969– Nationalisation along with 13 other banks our branch network then Indian: 207 and Foreign: 12
- 1989 – Established BoI Shareholding ltd – a JV with Bombay Stock Exchange (BSE) to manage clearing house of BSE
- 1997 – Launched maiden IPO – Government shareholding diluted to 76.53%
- 2003 – Ranked as Most trusted service brand consecutively for 3 years by AC Nielsen ORG-MARG
- 2004 – Ranked 25th among India`s Top 500 companies in India by D & B.
- 2007, 2008, 2009 –Surpassed landmark of Rs.1000,Rs.2000, and Rs.3000 crores in net profits respectively.
- 2020 – In June, surpassed the landmark of Rs.10 lacs crores of Business Mix.

Know your Bank Performance

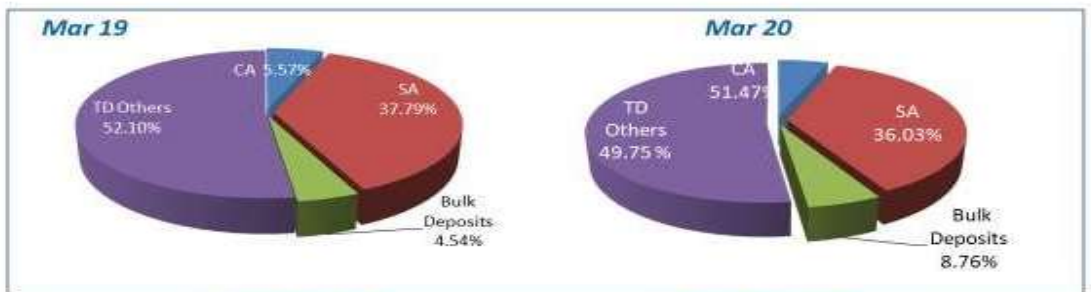
Business Mix (Deposits + Advances)	Mar 19	Dec 19	Mar20	Variation (%) over Mar 19 Dec 19	
				Mar 19	Dec 19
<i>Global Business</i>	<i>903,723</i>	<i>900,824</i>	<i>972,026</i>	<i>7.56</i>	<i>7.90</i>
<i>Domestic</i>	<i>749,920</i>	<i>786,192</i>	<i>840,209</i>	<i>12.04</i>	<i>6.87</i>
<i>Foreign</i>	<i>153,803</i>	<i>114,632</i>	<i>131,817</i>	<i>-14.29</i>	<i>14.99</i>
<i>Global Deposits</i>	<i>520,862</i>	<i>522,138</i>	<i>555,505</i>	<i>6.65</i>	<i>6.39</i>
<i>Domestic</i>	<i>421,783</i>	<i>453,458</i>	<i>482,539</i>	<i>14.40</i>	<i>6.41</i>

Performance Highlights(Q-o-Q)





Domestic Deposits - CASA **BOI**



CASA :43.36 %

CASA :41.50 %

(Rs in Crore)

Type of deposits	Mar 19	Dec 19	Mar 20	Y-O-Y Growth
Current Account	23,354	28,223	26,046	11.53
Saving Account	158,411	163,625	171,704	8.39
CASA	181,765	191,848	197,751	8.79

<i>Industry</i>	<i>Mar 19</i>	<i>Dec 19</i>	<i>Mar 20</i>	<i>Y-O-Y Growth %</i>	<i>% to Domestic credit Mar 20</i>
<i>Agriculture (Excluding RIDF)</i>	<i>50,338</i>	<i>51,546</i>	<i>52,184</i>	<i>3.67</i>	<i>14.59</i>
<i>MSME</i>	<i>54,595</i>	<i>54,261</i>	<i>56,092</i>	<i>2.74</i>	<i>15.68</i>
<i>Retail</i>	<i>56,492</i>	<i>58,848</i>	<i>60,834</i>	<i>7.69</i>	<i>17.01</i>
<i>RAM</i>	<i>161,425</i>	<i>164,655</i>	<i>169,110</i>	<i>4.76</i>	<i>47.28</i>
<i>Corporate & Others</i>	<i>138,797</i>	<i>135,572</i>	<i>153,146</i>	<i>10.34</i>	<i>42.82</i>
<i>Govt & Govt Guaranteed Advance</i>	<i>27,915</i>	<i>32,507</i>	<i>35,414</i>	<i>26.86</i>	<i>9.90</i>
<i>Total</i>	<i>328,137</i>	<i>332,734</i>	<i>357,670</i>	<i>9.00</i>	<i>100.00</i>

<i>Particulars</i>	<i>Mar 19</i>	<i>Dec 19</i>	<i>Mar 20</i>	<i>Y-O-Y Growth %</i>	<i>% to Retail Credit Mar 20</i>
<i>Home</i>	32,417	34,647	35,994	11.03	59.17
<i>Mortgage</i>	6,947	6,662	6,693	(3.66)	11.00
<i>Auto</i>	5,089	5,433	5,599	10.02	9.20
<i>Education</i>	3,257	3,196	3,128	(3.96)	5.14
<i>Personal</i>	1,681	1,703	1,757	4.52	2.89
<i>Others*</i>	7,101	7,207	7,663*	7.91	12.60
<i>Total</i>	56,492	58,848	60,834	7.69	100.00

*Loan/OD against TDR :2029, Staff Loan :4858 , Other Loan:776 .