CHAPTER-IV

LOANING POLICIES

A bank borrows money from others in the form of deposits for purpose of lending and investment. The lending and investment operations have therefore, to be carried on in such a manner so that it is able to pay to its depositors as and when they demand their money together with interest and earn sufficient margin to carry on efficiently its normal banking business.

Sanction of loans and advances is an important function of a branch manager. The proposals received from the customers for loans and advances for various purposes have, therefore, to be carefully examined and appraised to determine whether the loans should be sanctioned or not. While appraising the proposal from small borrowers the main focus would be on the viability of the proposal from banker’s point of view.

"Lending is an art and not a science". It is difficult to lay down definite rules for sanction of loan for small borrowers in rural areas because of the lack of proper record of transactions in their trades. Those who pursue rural trades suffer from greater handicaps like illiteracy,
lack of enthusiasm for growth, lack of personal savings and small size of operations.

Indian agriculture is the gamble of monsoon, droughts, floods and other natural calamities. Lending in rural areas would not, therefore, be a risk free situation. In allocation of credit for rural activities a management can think of the following options:-

a) Take no risk

b) Take full risk

c) Take a calculated risk.

A bank should not adopt the approaches (a) and (b). It can not deny credit for the fear of risk and at the same time it can not gamble with the money which belongs to others and the bank has acquired it at some cost. Bank's option, therefore, is to opt for calculated risk which means that the credit decision should be based on sound judgement of bank management made after a careful analysis of relevant data.

Types of Credit Needs

1. Production Credit

Credit needs depend largely upon the type of economic activities carried on in a particular area and the
stage of development. All farmers including small and marginal farmers, artisans and persons engaged in other trades would need cash for buying inputs for agricultural operations like seeds, fertilizer, pesticides etc. raw material for artisan activities and other trades. Generally a farmer, artisan and trader will have surplus cash when they market their produce. The production process provides scope to a banker for lending when farmers and others need funds for buying inputs. Through loans and advances he gives them scope to enlarge their production/operation. The shortage of funds on the other hand can reduce the use of inputs and lead to lower production. A large portion of credit is required in rural areas for meeting the production needs of agriculture. Since the produce is ready for marketing within a few months, only short term credit will be needed for such activities.

In villages, there are numerous small traders and artisans who carry on their activities at a very low level for want of funds. A bank can help them raise the level of their operation by granting short term loans. Some activities are seasonal in nature and related to marriage season, fairs etc. A bank can also extend assistance for such activities by granting short term loans.
2. Investment Credit

The farmers could also take measures for increasing their incomes by developing means of assured irrigation for their farms by digging wells, putting up shallow tubewells, land development like bunding, develop tanks and undertake fishery, growth horticultural crops, acquire farm machinery like tractors, harvesters etc. buy animals for agricultural purposes or milk cattle, set up a poultry unit, undertake sericulture by growing mulberry, rearing of silk thread from cocoons. Artisans may buy tools and raw material. All such activities need spending of larger money at one time which can not be realised within one year. Such activities generate income over a long period generally the life time of asset acquired e.g. a pumpset will generate income over a 9 to 10 years period, a cow or buffalo for 5 to 6 years. The expenditure incurred on acquiring/ developing such productive assets is called investment. All investment can not be made everywhere one likes. A careful study is required to find out what type of investment can be made in any area e.g. if an area does not have adequate ground water resources, shallow tubewells can not be installed.

A bank can grant long/medium term loans to the farmers and others for productive investments. The loans so provided can be recovered in reasonable instalments
spread over the life of the asset acquired. Some investments start generating income after passage of definite period e.g. if one sets up a poultry unit for egg production, income generation would start from seventh month. In horticultural fruit crops the produce comes after lapse of some period after planting. This is an important factor which every banker will keep in mind in fixing instalments. No recovery should be made during the gestation period.

The small/marginal farmers, agricultural labourer and other poorer sections of society do not have their own savings and could hardly meet any part of investment cost. The policy measures require that the margin money in cases of investment by them through loans should be only 5% and cost of self and family labour may be reckoned as their share (margin money). With a view to promoting investment by poorer sections of society the Government grants subsidy under special programmes.

The credit needs of rural economic activities can, thus, be:-

a) **Short term needs:**

i) Loans for raising crops repayable after harvesting of crops;
ii) Produce loans of farmers against pledge of produce to avoid distress sale;

iii) Loans for purchase of raw materials, to meet production expenses like fuel, electricity, wages, etc. Storage of finished products till sale and recovery of sale proceeds by village industries;

iv) Requirement of funds by small business for seasonal stocking of stock in trade.

b) Medium and long term needs:

i) Loan for acquiring productive assets like pumpsets, tools, plough animals and land development works;

ii) Loans for allied activities like dairy, fishery, piggery, poultry unit etc.;

iii) Loans to artisans for setting up etc. of cottage and village industries;

iv) Loans for starting small business, tea shops etc.

v) Loans for acquiring rural transport.

Area of Operation:

The area of for the branch would be normally within 8 km radius of the branch within the respective districts of each RRB.
Selection of Borrowers:

The type of persons eligible to borrow from the banks are economically weaker sections of the society, who live from hand to mouth and hardly possess any valuable assets. Therefore, the major criteria before deciding as to whether credit is to be extended will be guided by the honesty and integrity of the person and the purpose for which credit is to be extended. It should be ascertained how the borrower meets his credit requirement as present, whether he has borrowed from other financial institutions such as Co-operatives, LDB, Commercial Bank, Tehsils etc.

After satisfying that the person is bonafide one and his needs are genuine and has capacity to repay, a decision for extending loan should be taken. Whatever may be the type and nature of loan applied for, the following factors have to be looked into meticulously:

1. Character of borrower
2. Purpose of Loan
3. Amount
4. Viability of the Project
5. Repaying capacity
6. Security
Execution of the Documents:

The documents viz, Demand-promote (DPN) covering letter, loan agreement, letter of undertaking etc. should be obtained only on the date of disbursement and not before in any case as it leads to certain operational problems as later stages.

However, in the purchase of cattle under IRDP, the documents may be obtained earlier but not more than 7 days prior to the date of disbursement but there should be certain reasons for the same.

Inclusion of Pre-Investment Cost:

The farmers are required to incur various expenditures for obtaining land records encumbrance certificate stamp duty registration fees etc. and they are raising the funds for meeting such expenses mostly by taking temporary loans from non-institutional sources at prohibitive cost. This sort of borrowing has also come in the way of prompt repayment of the institutional credit.

To prevent the farmers from raising loans from non-institutional sources for meeting pre-investment costs and also to meet the entire cost of the project including pre-investment expenses incurred, it is advisable to take into account the expenditure incurred on the following items as a part of project cost, provided it does not exceed 10%
to 15% of the total cost of the project. The item are as follows:

1. The amount to be paid as fees stamp duty to government for obtaining land records, encumbrance certificate, evaluation fees, creating mortgage registration etc.; legal scrutiny charges, reasonable fees for obtaining estimates/valuation certificates.

2. Expenditure involved in transporting the assets financed from the place of purchase to the place of borrower.

Therefore, the branches of RRBs in the region may work out the unit cost of the development by taking the account all the above mentioned pre-investment expenditure to be incurred by the borrowers and provide loan assistance for the same after taking on account prescribed down payment/margin.
**RATE OF INTEREST:**

The rate of interest charged by the banks for various lending is as follows:-

Interest rates effective since 01.01.2000 are as under:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Loan Limit</th>
<th>Interest rate per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Upto Rs.2,500/-</td>
<td>13%</td>
</tr>
<tr>
<td>2</td>
<td>Rs.2,500/- to 2,00,000/-</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>Rs.2,00,000/- to 5,00,000/-</td>
<td>16%</td>
</tr>
<tr>
<td>4</td>
<td>More than Rs.5,00,000/-</td>
<td>17%</td>
</tr>
<tr>
<td>5</td>
<td>To SHG</td>
<td>12%</td>
</tr>
</tbody>
</table>

On NSC/KVP Security

- A. Public 18%
- B. Staff 12%

Consumer Loan

- A. Public 17.5%
- B. Staff 12%

For Bank Premises 18%

Clean over draft (including penal interest) 20%

Note: Old interest rates are applicable on Loan/Advances sanctioned before 01.01.2000 and staff housing loan.

Source: Annul report of Chhatrasal Gramin Bank, Orai 1999-2000
1. **Crop Loan:**

These loans form the bulk of the advance profit of the branch. They are in the nature of short term loans and earn more profits than other term loans.

**Eligible Farmers/others:**

Crop loan can be granted to small farmers and marginal farmers, residing within the command areas of the branch of the RRBs.

Eligibility of the borrower in case of landless agricultural labourers whose annual income from all sources is not to exceed Rs.11000/- in rural areas as norms adopted the eligibility of IRDP (Integrated Rural Development Programme) in case of SCP annual income from all sources does not exceed Rs.11000/- in rural area and Rs.11850/- in urban area. IRDP does finance only Rural Area and SCP for all (Rural + Town + Municipal) areas.

**Purpose:**

For meeting the cost of seasonal operations to raise crop, such as cost of seeds, fertilizers, pesticides, irrigation and labour charges etc.

Main crops of Rabi season are Wheat, Barley, Gram, Mustard, Peas etc. and Kharif crops are Paddy, Bajra,
Maize and other millets. Annual crops like Sugarcane may also be financed.

**Pre-Sanction Visit:**

1. Check up the financial institutes from where the farmers were availing the loan earlier and obtain no-dues certificate from the institution. If manager or the farmers have to take clearing certificate from all bank of the areas satisfied about indebtedness of applicant, an affidavit may be obtained in lieu of no-dues certificate.

2. Manager/Field Officer (Supervisor) should conduct a pre-sanction visit to study the technical feasibility and economic viability of the project in relation to the:
   
   (a) Extent of area to be actually cultivated
   
   (b) Availability of water
   
   (c) Fertility of soil
   
   (d) Suitability of the cropping pattern
   
   (e) Availability of processing and marketing arrangements.

3. To confirm that the farmer is small/marginal farmer, verify the land records, paper issued by the Tehsildar. The papers are called ‘Khasara’ and ‘Khatauni’. Verify that the revenue has been paid upto date, ensure that
Khatauni and Khasara are not old more than six months from the date of issue.

**Scale of Finance by RRBs:**

On the basis of the application received, assess the amount of loan that can be granted with the help of Scale of Finance fixed by the banks.

Branches should not exceed the limit so fixed by the banks from time to time.

**Marginal Requirement:**

On crop loans, margin is not recommended as the Scale of Finance stipulated covers that aspect.

**Security:**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs.1000/-</td>
<td>Personal Security of the borrower (Clear crop loan)</td>
</tr>
<tr>
<td>Upto Rs.25000/-</td>
<td>Hypothecation of crop, a part from personal security of borrower</td>
</tr>
<tr>
<td>Above Rs.25000/-</td>
<td>Hypothecation of crops, Mortgage of land co-obligation of third party, or simple mortgage in case of crop loan</td>
</tr>
<tr>
<td>Rs.45000/-</td>
<td></td>
</tr>
</tbody>
</table>
**Amount to be sanctioned:**

Loan amount should not exceed 50% of the value of produce to be harvested or actual cost of cultivation or Scale of Finance whichever is less.

**Disbursement of Crop Loan:**

The loan should be provided to the farmers in the proportion as follows:

1. 60% of the loan as kind component: for purchase of fertilizer, seeds, pesticides, irrigation charges etc.
2. 40% of the loan as cash component after receipt of vouchers in respect of kind component.
3. Payment should be made through pay orders against stamped receipt directly to the supplier/dealer.
4. Payment may also be made directly to the borrowers after confirmation of proper utilisation or getting bills of fertilizers, seeds etc.
5. Preference should be given to Government seeds/Fertilizers stores for the purchase of kind component.
6. In case of non-availability of stocks in Government stores, seeds/fertilizers may be produced from
vendors/suppliers/dealers approved by the bank from time to time.

**Repayment of Crop Loan:**

Loan amount is to be repaid in lump sum after harvesting and marketing the farm produce. Sufficient margin of time shall be allowed for repayment of loan so that the cultivator may be able to store the produce till the marketing conditions are favourable.

In case of Rabi loans, repayment period is to be fixed by 15th July and in case of Kharif loan it should be fixed by 15th January of the calendar year. In case of sugarcane crop, it is only for 15th months from the date of disbursement.

The total agriculture crop loan granted to the farmers shall be classified as:

New applicants for Kharif or Rabi upto Rs.2500/-.  

**Renewals:**

For Kharif or Rabi upto Rs.3000/-. All crop loans granted below and upto the above limit shall be classified under SCL (Simplified Crop Loan).
2. **Simplified Crop Loan Scheme:**

Financing for the cultivation of crops is a seasonal activity. It is expected from the Gramin Banks to cater to the needs of target groups who are mainly small and marginal farmers having negligible land holdings, agricultural operations.

In order to extend timely assistance and speedy dispersal/flow of credit, the banks have evolved the simplified crop loan scheme which reduce time in documentation system and procedure.

**Eligibility:**

All the agriculturists from the target groups such as Bhumidhar/Sirdhar are eligible to take loan from the banks under Simplified Loan Scheme.

**Purpose:**

Loan will be granted to meet the cultivation expenses of crop such as purchase of seeds, fertilizers, other inputs, labour cost etc.

**Over-all Ceiling:**

Loans will be granted to farmers according to their requirements depending upon land cultivated and Scale of Finance subject of following maximum limits:

For New borrowers for Rabi or Kharif upt to Rs.2500/-
For Old borrowers for Rabi or Kharif upto Rs.3000/-

**Margin Required:**

Margin is not recommended as the Scale of Finance stipulated covers that aspect.

**Pre-Sanction Visit:**

Pre-sanction visit for new borrowers can be done in order to check the genuineness of their requirements. In case of old borrowers/ renewals per-sanction visit is not necessary.

No-dues certificate/affidavit from other banks are not insisted, if the manager is satisfied that the borrower has not availed any finance from other institutions.

**Security:**

Branches of RRBs need not take third party guarantee/co-obligation, hypothecation and mortgage of land. Only personal security of the borrower will suffice.

**Disbursement:**

The loan should be disbursed in case in two installments of 50% of amount sanctioned. The 2nd installment is released only when the borrower submit the receipts/purchase vouchers etc.
Repayment:

The loan amount to be repaid on harvesting/marketing of the crop, subject to Kharif crop by 15th January, for Rabi crop upto 15th July.

Insurance:

Insurance of crop should be done under comprehensive Crop insurance Scheme as advised by Head Office from time to time.

3. Milch Cattle:

Under this scheme the loan is provided to the borrowers for the purchase of cow or she-buffalo of improved breed. Animals proposed to be purchased should yield minimum six litres milk in a day. It is also provided to meet the cost of feed and fodder of the animal for initial period of one month.

Eligible Borrowers:

i) Small/marginal Farmers

ii) Agricultural Labourers

iii) Other/Agricultural labourers whose annual income from all sources does not exceed Rs.11000/- p.a.
Pre-sanction Visit:

Manager/Field Supervisor should visit the place of borrower to assess the technical feasibility and economic viability of proposal.

Security:

i) upto Rs. 1000/- personal security of borrower.

ii) Rs.1000/- to 25000/- Hypothecation of milch animals, apart from borrowers personal security.

iii) Rs.25000/- and above:
   a) Hypothecation of milch animal and personal security of borrower.
   b) Mortgage of land if any, or
   c) Co-obligation of the party acceptable to the bank.

Insurance:

Insurance of both milch cattle is compulsory if the loan amount is Rs.1000/- or above.

Sanctioning and Disbursement:

To make the project viable, loan has to be sanctioned for minimum two milch animals upto the loan of Rs.20400/-. Loan papers for the whole amount of loan should be obtained at the first instance. The disbursement
should be made in stages. Initial disbursement is to be made for purchase of one animal.

The amount for purchasing second animal will be disbursed after six months, after the purchase of first animal, so that the time the first animal gets dry, the second animal is purchase. This enables the borrowers to get continuous income as there will be regular milk supply.

In case the applicant is already having one milch animal, his proposal for second animal may be considered in the light of that, by combining the two animals the diary project may attain viability.

**Purchase of Animal:**

Purchase should be effected from the approved cattle fair/panth/market within the district or as advised by Head Office of RRBs from time to time.

Payment should be made through pay orders against stamped receipt directly to the supplier or vendor after ensuring that the borrower has purchased the animals.

4. **Goat Rearing:**

This type of loan is granted for the purchase of at least four goats and one ram of Barbari variety to small and marginal farmers and agricultural labourers.
**Pre-Sanction Visit:**

The Manager/Officer/Field Supervisor should conduct the visit to assess the viability and feasibility of the proposal and the following detail should be noted:

a) availability of fodder  
b) availability of veterinary aid  
c) marketing arrangements.

**Disbursement:**

The loan should be released directly to the supplier or vendor through pay orders against stamped receipt.

**Repayment:**

The entire loan should be repaid during the period of four to five years in quarter/half yearly installments. First installment commences after six months.

**Security:**

- Upto Rs. 5000/- goats/ram: Hypothecation of goats/ram
- Above Rs. 5000/-  
  i) Hypothecation of goats/ram  
  ii) Co-obligation  
  iii) Mortgage of land, if owned by borrower.
Insurance:

Insurance is compulsory, if the loan amount is Rs.5000/- or above.

5. Piggery (breeding scheme):

Pig rearing can be encouraged in the region, mainly at aligarh, as pigs of improved variety are available at central dairy farm and marketing is also not difficult due to the existence of becon factory. Loan under this scheme is to be given to small and marginal farmers and agricultural labourers. The purchase of loan should be for purchase of sows and boar (cross bread).

Pre-Santion Visit:

The Manager/Officer/Field Supervisor should conduct the visits and the following facts should be noted during the visit:

(a) Applicant’s knowledge/experience in piggery farming.

(b) Ensure that the applicant possesses a shed (pigsty) for pig farming. The existence of shed is very important because the piglets, when young, require shelter very badly.

(c) The applicant should also know about the balanced diet to be given to the pigs for their rapid growth.
(d) Demands for piggery products in the area, whether the applicant would be able to get good price and have enough surplus after meeting all expenses.

(e) Marketing arrangements.

(f) Availability of feeds at all times and at reasonable costs.

**Disbursement:**

The loan should be released directly to the supplier or vendor through pay order against stamped receipts.

**Security:**

- Upto Rs. 5000/-: Hypothecation of animals
- Above Rs. 5000/-:
  - i) Hypothecation of goats/ram
  - ii) Co-obligation
  - iii) Mortgage of land, if owned by borrower.

**Repayment:**

The loan is repayable by the borrowers within four to five years in quarter/half yearly installments depending upon income generation.

**Insurance:**

Insurance is compulsory, if the loan amount is Rs.5000/- or above.
6. Fisheries:

The bank provides loan for fisheries to Inland Fisheries (Culture Fisheries) only which is practiced in small ponds and main species found are Cattler, Rahu and Maigal.

For cultural purposes fish seen is produced from rivers or tanks or produced through Induced Breading Method and hatched in hatching pits before being transferred to nursery ponds for rearing into fry and later on into fingerling stage in the rearing ponds, fish are expected to grow about one kg. Weight in about 12 months.

Pre-Sanction visit and Appraisal of Proposals:

The visit should be conducted by Manager/Officer/Field Supervisor and following points should be noted:

a) Eligible borrowers are those who have adequate technical knowledge and necessary infrastructure and are eligible to borrow from the bank.

b) The applicant should own/have taken one lease land/water tanks/ponds suitable for fish rearing.

c) There should be adequate marketing arrangements. State Fisheries Department Authority should certify
that the project is technically feasible and financially viable.

**Purpose:**

Loan under this scheme is given for the following purposes:

1. Digging of new ponds/for improving, renovating existing ponds.
2. Purchase of nets, spawns, fry and fingerlings.
3. Feeding material boxes and baskets etc.

**Sanctioning of Loan:**

Proposal of fisheries is to be forwarded to Head Office irrespective of loan amount.

**Security:**

- **Upto Rs. 5000/-**
  - (i) Hypothecation of fish, nets, boxes/baskets.

- **Above Rs. 5000/-**
  - (a) As above i.e. (i)
  - (b) Mortgage of land/pond,
  - (c) Co-obligation.
**Unit cost and Repayment:**

**Fisheries**

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Unit Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ha</td>
<td>Rs.89,000/-</td>
</tr>
<tr>
<td></td>
<td>(with STW and Pumpset)</td>
</tr>
<tr>
<td>1 Ha</td>
<td>Rs.61,500/-</td>
</tr>
<tr>
<td></td>
<td>(without STW and Pumpset)</td>
</tr>
<tr>
<td>1 Ha</td>
<td>Rs.1,65,000/-</td>
</tr>
<tr>
<td></td>
<td>(with STW and Pumpset)</td>
</tr>
<tr>
<td>1 Ha</td>
<td>Rs.22,300/-</td>
</tr>
<tr>
<td></td>
<td>(village ponds)</td>
</tr>
</tbody>
</table>

i) Development of existing pond

ii) Development of existing pond

iii) Development of new pond

iv) Seasonal fish culture in village ponds.

7. **Sheep Rearing:**

Sheep give two types of produce every year namely wool and lamb which contribute to the income of the borrowers. A loan of Rs.13,100/- is provided for the purchase of twenty ewes and one ram.

**Eligible Borrowers:**

i) Small and Marginal Farmers

ii) Agricultural Labourers

**Pre-Sanction Visit and Appraisal of the Proposal:**

The manager/Field Supervisor should conduct the visits to assess the economic viability and technical
feasibility of the proposal, during the visit the following details should be noted:

i) Suitability and availability of bread of sheep.

ii) Grazing facilities and water supply.

iii) Veterinary facilities.

iv) Availability of the sheds.

v) Whether the location is ideal from the point of view and marketing the produce.

vi) Whether the party is having sufficient experience in the line, and

vii) Whether the actual surplus available after meeting the household expenses is sufficient to repay the loan.

**Disbursement:**

The help of Animal Husbandry Department should be obtained for the purchase of good quality sheep. The payment should be made against stamped receipt directly to the supplier or vendor after ensuring that the borrower has purchased the animals.

**Security Stipulation:**

- Upto Rs.1000/- Personal security of the borrower.
- Upto Rs.5000/- Hypothecation of animal.
Above Rs.5000/- Hypothecation of animal, Mortgage of land/shed (if any) and co-obligation.

**Repayment:**

The loan should be repaid within five years of yearly/half yearly installments.

**Insurance:**

Insurance is compulsory, if the loan amount is Rs.5000/- or above.

8. **Agricultural Equipment Loan:**

Under this scheme loans for acquiring the following may be granted by the branches of the bank.

**To small and Marginal Farmers:**

- Bullocks, Bullock-Carts, He-Buffaloes, He-Buffalo-Carts, Mules, Asses and Donkeys, Plough and Threshers etc.

**To Agricultural Labourers:**

- Bullock Carts, He-Buffalo-Carts, Mules, Asses and Donkeys.
**Pre-Sanction Visit:**

The manager/Officer/Field Supervisor should carry out a pre-sanction visit in order to assess the genuineness of the requirements of the applicant and the following points should be observed:

i) The present crops grown, yield, net income etc.,

ii) Scope for hiring the equipments (Bullock-Cart etc.),

iii) Utility of the equipment to the applicant,

iv) Availability of sheds to house the cart etc., and

v) The applicant should be able to meet the expenditure on maintenance and repairs.

**Repayment:**

As advised by the Head Office from time to time.

**Disbursement:**

The loan amount should be released directly to the seller/dealer/vendor/supplier through pay orders against stamped receipt/invoices.

**Security:**

Upto Rs.5,000/- Hypothecation of loan assets
Above Rs.5,000/- Hypothecation of loan assets, Co-obligation and mortgage of land if any.

**Insurance:**

Insurance is compulsory in case of Bullock-Carts, He-Buffaloes, He-Buffalo-Carts, Mules, Asses and Donkeys if the loan amount is Rs.5000/- and above.

**Other Conditions:**

In addition to the hypothecation of the assets acquired with the loan amount, hypothecation boards must be displayed on the cart etc. or otherwise be got conspicuously painted in words “HYPOTHECATION TO”, (Name of the Bank).

**Repayment:**

The loan for Tanga, Ekka and Kharkhara should be repaid in 5 years or quarterly/half yearly instalments. In cases of the He-Buffaloes, Donkeys and Asses, it should be repaid within 4 to 5 years of quarterly instalments too. The loan for conventional bullock-carts and A.D.V. or pneumatic-carts should be repaid within 5 to 7 years of quarterly or half yearly instalments. The loan for work bullocks and threshers (with ISI or other standard making), should be repaid within 4 years of half yearly or yearly instalments. The loan for Camel sheds is granted
for the period upto 5 years of half yearly and yearly instalments and for storage bins it should be repaid within 3 to 5 years of half yearly and yearly instalments.

**Margin Money:**

In all the cases i.e. milch cattle, goat rearing, piggery, fisheries, sheep-rearing and agricultural equipment loan, the margin money may be as under:

i) Where subsidy is available - no margin

ii) Where subsidy is not available:

   a) Upto Rs.1000/-
      No Margin Money

   b) From Rs.1000/- to Rs.25000/-
      15% to 25%

   c) Above Rs.25000/-
      25%

This amount and percentage of margin money is changeable from time to time.

**9. BIO-GAS PLANT:**

BIO-Gas Plant is a device whereby cow or buffalo dung is used for productive purposes by fermentation. The resultant gas is used as source of energy and the enriched manure is beneficial to soil. The gas can be used for cooking and lighting the houses.

The khadi and Village Industries Commission (KVIC) is implementing a scheme to help the farmers to
construct bio-gas plant. The KVIC scrutinises the proposals, surveys the sites and supervises the construction of plants. The application should be accompanied by technical feasibility, report from KVIC Board. The applicant should possess adequate cattle to run the plant smoothly.

**Purpose:**

To construct Bio-Gas Plant upto 4 cubic meters.

**Subsidy:**

Quantum of subsidy will depend upon the capacity of Bio-Gas Plant as advised by implementing agency.

**Scrutiny of Applications:**

While processing applications it should be ensured that model and capacity of plant of subsidy etc. are clearly mentioned in the loan proposal in addition to other general details.¹

Manager/Field Supervisor should conduct pre-sanction visits to assess the technical feasibility of the proposal. During the visit following aspects among others should be taken into consideration:

(i) Number of live, stock, owned by the borrower and the quantity of dung available for feeding the Bio-

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Gas Plant. While assessing the availability of dung, the feeding method small fodder free grazing followed by the applicant, should be taken into consideration, if the animals are sent out for grazing the quantity of dung available would be less.

(ii) The size of plant with regard to quantity of dung available.

(iii) For bio-gas upto capacity of 2 cubic meter, the applicant should have at least 3 to 4 animals, for bio-gas upto 3 cubic meter capacity, he should have 4 to 5 animals and upto 4 cubic meter capacity he should have at least 6 to 7 animals.

(iv) For smooth functioning of the plant the following quantity of dung is required:

(a) for 2 cubic meter bio-gas 50 kg. dung.
(b) for 3 cubic meter bio-gas 80 kg. dung.

Disbursement:

Loan amount has to be disbursed in three stages as 50%, 30% and 20% respectively.

1. The first instalment should be released only after getting confirmation on from BDO that digging of pit is complete and first instalment may be released.
2. After releasing first instalment, BDO should be informed and be taken to certify within 15 days that proper utilisation of the instalment is ensured.

3. Similarly while releasing 2\textsuperscript{nd} or 3\textsuperscript{rd} instalment, it should be ensured that previous instalment have been properly utilised and to this effect a certificate from concerned BDO should be obtained and kept with loan papers. After releasing all the instalments, BDO should be asked to issue completion report in respect of the project.

4. It should be ensured that the borrower will dig pit for the bio-gas plant from his own sources.

5. The cost of labour etc. should be released in stages thereafter depending upon the progress.

**Margin:**

No margin as subsidy is received from Government.

**Repayment:**

The loan should be repaid within seven year or yearly instalments.

**Security:**

i) Hypothecation of gas holder and appliances

ii) Hypothecation of cattle.
10. **DIGGING OF WELL/REPAIR OF WELLS/ HORTICULTURE/SCRECULTURE:**

It is felt that in Kanpur Region applications for digging of well/repair of well/soil conservation/horticulture are seldom received from small farmer.

**LAND DEVELOPMENT:**

Under this scheme, loan is granted for bunding, landcparing, reclamation, laying of field channels for irrigation and formation of open irrigation channels.

Loan should be granted to those farmers only who have not less than 3 acres of land holding in case of IRDP, 2 acres of land holding.

If the branches are satisfied with the character of the borrower, project viability and repayment capacity, the following papers should be obtained:

i) Opinion of the legal adviser.

ii) Estimates for expenses at various stages.

**PRE-SANCTION VISIT:**

During the farm inspection the following points should be mainly noted:

i) necessity of the development proposed,

ii) the crops now cultivated and suitability of the crops proposed after development,
iii) confirm that the plot in which the developments are proposed is available as security, iv) technical feasibility of the proposal.

Margin:

Where subsidy is not available:

Upto Rs.1000/-  
No margin money

From Rs.1000/- to Rs.25000/-  
15% to 25%

Above Rs.25000/-  
25%

This amount of loan percentage of margin money is changeable time to time.

Security:

In such loan, mortgage of land is compulsory irrespective of the amount of loan, as movable assets are not created out of loan.

Disbursement:

Disbursement should be made in stages and after ensuring proper utilisation of the instalment already released. Before making each disbursement the Manager/Field Supervisor should visit the farm and satisfy themselves regarding the progress of work done.
Repayment

Repayment of loan shall be within 9 years in half yearly instalments. The repayment can start after six months of granting the loan but the first instalment should be due within one year. The repayment period should link with the harvesting/marketing period. The repayment period should be stipulated basing on the incremental income derived by the borrower after the proposed development.

MINOR IRRIGATION (M.I.)

Under this scheme the loan is granted for the purposes of pumpsets (electric or diesel), tube wells and single boring. The loan for electric pumpsets can be considered only after satisfying that electricity arrangement is available in the field.

Loan should be granted to small farmers owning at least 3 acres of land. Pumpsets should be of good trade mark and ISI mark acceptable to the borrower. The dealer should be in a position of offer “after sales service”. The branches are advised to return 10% of the cost of the pumpsets during the guarantee period.

Pre-Sanction Visit:

The manager/Field Supervisor should carry out the visit in order to assess the technical feasibility and
economic viability of the proposal and the following details should be gathered:

i) whether power connection will be easily available for electric engine,

ii) source of water and its adequacy,

iii) recouping capacity of the well,

iv) whether the horse-power of the pump set to be purchased in sufficient to fit the water,

v) whether the applicant has sufficient land to utilise the water resourcefully,

vi) provision for housing the pumpsets,

vii) the anticipated income from the proposed activity,

viii) suitability of pumpsets and its type,

ix) whether the net surplus available is sufficient to repay the loan after meeting the household expenses.

The applicant should be asked to bring estimates and quotations for the project which include cost of the material, labour charges, installation expenses, cost of water tank, pump house, cost of digging etc.

**Repayment:**

Repayment of loan shall be within 9 years in yearly instalments.
Disbursement as follows:

1. In the case of electric pump sets, 75% of the cost of pump sets and accessories including the margin collected from the borrower should be disbursed directly to the dealer through account payee pay orders after obtaining loan papers and satisfying that the pump sets and accessories have been supplied to the farmer are in good condition and duly acknowledged by the farmer. Bills and quotations should be obtained separately.

2. The balance 25% of the cost should be disbursed to the dealer only after energisation and after satisfying that the pump set is in good working condition.

3. In case of diesel pumpsets, the cost of the pump set and accessories is to be disbursed in full after ensuring that the engine and accessories have been supplied to the borrower and obtaining an acknowledged and authorisation letter from the farmer as indicated in (1) above.

4. Before making the final payment separate acknowledgement should be obtained from the borrower that pump set has been installed and is in working condition.
Insurance:

If the loan amount is Rs.10,000/- or above insurance of pump set/tube-well/accessories etc. is compulsory.

Security:

Upto Rs.5,000/-

i) Personal security of borrower

ii) Hypothecation of pump set/boring.

Above Rs.5,000/-

i), ii) Mortgage of land and Co-obligation of third party

Other condition:

i) Installation of electrical pump set should be done within one month from the date of disbursement of loan.

ii) Bank’s line should be got conspicuously painted on the body of pump set with the word ‘HYPOTHECATED TO (Name of the Bank)’.

Minor Irrigation (MI) cases under Government Sponsored Scheme:

In cases, branches receive M.I. applications under IRDP/SCP/Free Boring the following should be insured:
i) Insurance of pump set/tube-well is compulsory irrespective of loan amount.

ii) Mortgage of land is compulsory irrespective of loan amount.

iii) In IRDP/SCP cases, the applicant should have minimum 2 acres of land and increase o free boring scheme; the minimum land holding should be one acre.

FREE BORING (SPECIAL M.I. SCHEME):

This scheme was launched by U.P. Government during 1985 with a view to extend financial assistance to small and marginal farmers for the purpose of boring; pump sets/ tube-well. The scheme is conducted by the Department of Irrigation, U.P. and subsidy is made available through DRDA.

Eligible Borrowers:

i) Cultivators owning land between 1 acre to 2.5 acres acre eligible for free boring and 50% subsidy on pump set/ tube-well or as determined by the development department from time to time.

ii) Cultivators owning land between 2.5 acres to 5 acres are eligible for force boring with 33.3% subsidy on pump set/tubewell.
iii) 50% subsidy on joint project of pump set/tubewell is also admissible in cases, where more than one cultivators, whose total land holding comes to one acre after having joined.

**SUBSIDY:**

i) Subsidy will be admissible on the cost of pump set/engine and subsidy will not be available on the accessories of the pump set.

ii) Amount of subsidy (if any) released to the beneficiary under IRDP, (1st and IInd dose) shall not be taken into account while allowing subsidy under the scheme.

**IMPLEMENTING AGENCY:**

All the applications under the scheme shall be forwarded by the BDO. The manager should ensure that the application is specially marked/stamped with the name of scheme and identification member of beneficiary is mentioned there in.

**OTHER TERMS AND CONDITIONS:**

1. The boring expenses are to be borne by the State Government. Therefore, branches should disburse the loan only for the cost of pump set/engine.
2. After receiving the boring certificate from BDO, the branch should ask the borrower to bring estimates or quotation for pump set/engine.

3. On installation of pump set/engine, final testing report from ADO, MI has to be obtained which should bear the signature of BDO and beneficiary.

4. Subsidy cheques received and adjustment thereof, shall be made through a separate account of DRDA (Special M.I.) maintained with the branch.

5. No loan is to be disbursed until the receipt of advance subsidy.

6. 10 copies are to be prepared and submitted under the scheme.

11. LOAN TO RETAILERS SMALL BUSINESSMEN, ARTISANS, PROFESSIONALS AND SELF EMPLOYED:

These people provide infrastructural facilities to the villagers and encouragement to them is essential for the rural development. The persons whose annual income from all sources, before availing the loan, does not exceed Rs. 11,000/-, are eligible to take loan under this scheme. The persons who are unemployed, also may be granted loans for starting a new venture.
PURPOSE OF THE LOAN:

1) To develop the existing business by purchasing more stock.

2) To improve the business by purchasing furniture implements, horse cart, dunlop-cart, vehicle etc. and

3) To start new business.

SECURITY:

Upto Rs.1,000/- Personal security of the borrower

Rs.1,000/- to 25,000/- Personal security of the borrower,

the existing stock and implements, movable assets as well as those purchased with the loan amount should be hypothecated.

Above Rs.25,000/- Personal security of the borrower, the existing stocks and implements, movable assets as well as those purchased with the loan amount should be
HYPOTHECATED and co-obligant.

MARGIN:

i) Upto Rs.1,000/-

ii) If subsidy is available

iii) Above Rs.1,000/- upto Rs.25,000/- 15% to 25%

(iv) Above Rs.25,000/- 25%

(v) if the loan amount is above Rs.1,000/- and the existing stock only is adequate to cover the margin requirement and upto Rs.3,000/-, at 25% no margin may be stipulated.

PRE-SANCTION VISIT:

The Manager/Field Supervisor should conduct the visit to assess the feasibility and viability of the proposed activity with the following consideration:

a) whether the applicant has got experience/knowledge in the line of the business proposed,

b) whether there is sufficient scope for expanding the existing business/venture of undertaking a new enterprise,

c) whether sufficient infrastructural facilities such as transport, raw material and easy access to the market are available or not,
d) whether the business output and service proposed to be offered would be fully utilised or not,
e) whether income granted will be sufficient to repay the loan after meeting the household expenses.

**DISBURSEMENT:**

The loan amount should be directly released to the vendor/supplier through pay order against stamped receipts/invoices.

**REPAYMENT:**

If the loan is given for working capital only, it is for the expenditure on developing the existing business, it would be repaid within two years. If the loan is granted to establish a new business or for procuring composite/fixed assets, instalment should be fixed within four years depending upon the type of business and income generated from the business.

**HYPOTHECATION BOARD:**

It is to be displayed whenever the stock/assets are hypothecated. The line of the bank should be mentioned conspicuously painted on the body of cycle, machineries etc. in the word “HYPOTHECATED TO (Name of the Bank)”. 
INSURANCE:

If the loan amount is more than Rs.1,000/- the stock implements etc. are to be fully insured.

12. RURAL, COTTAGE, SMALL SCALE INDUSTRIES:

The development of rural, cottage and small scale industries are of crucial importance to the economy of rural areas as they generate employment opportunities with low capital investment. They are able to utilise the locally available skilled man power and available raw materials to meet local demands.

PURCHASE AND NATURE OF THE LOAN:

i) TERM LOAN: It is granted for the purchase of tools, machinery, implements and equipments for the industry.

ii) WORKING CAPITAL: It is granted for the purchase of raw material and for payments to workers.

iii) COMPOSITE LOAN: Single loan granted for purchase of machinery tools as well as for raw materials.

PRE-SANCTION VISIT:

A pre-sanction visit should be carried out by the Manager/Officer/Field Supervisor, while deciding
whether the loan can be granted or not, the following factors should be considered:

i) The entrepreneurs should be honest, efficient and has the ability to operate the industry,

ii) Whether the infrastructural facilities like power, transportation, raw materials, easy access to the market are available or not,

iii) Whether the industry will be able to make sufficient sales to cover the cost of operation, repayment schedule of the bank and expenses of the entrepreneurs.

DISBURSEMENT:

The disbursement should be made in stages in the case of machinery and tools and should be paid directly to the suppliers or dealer.

SECURITY:

1. Upto Rs.1,000/-  i) Personal security of the borrower.

2. Rs.1,000/- to 25,000/- ii) Personal security of the borrower.

iii) Hypothecation of machinery, tools, raw material, semi-finished goods and finished
3. Rs.25,000/- and above  Points No. i, ii, iii, co-obligation of third party.

Repayment as follow:

i) In case of working limit the entire loan should be cleared two years in monthly instalments.

ii) In the case of term loans the entire loan should be cleared within five years in quarterly instalments with a repayment holiday of six months.

iii) In the case of composite loan the entire loan should be repaid within seven years with a moratorium period of twelve months.

MARGIN:

Upto Rs.1,000/-  No Margin
Rs.1,000/- to Rs.25,000/-  15% to 25%
Above Rs.25,000/-  25%

HYPOTHECATION BOARD:

If any machinery is purchased for Rs.1,000/- or more, Bank’s line should be got conspicuously painted on the body or the machinery with the word “HYPOTHECATED TO (Bank’s name)”, with the security of borrower and co-obligation of third party.
INSURANCE:

If the loan amount is more than Rs.10,000/- the machinery, tools, stock are to be insured against fire.

INTEGRATED RURAL DEVELOPMENT PROGRAMME (IRDP):

The main objectives of IRDP is to raise families in the identified, "Target Groups" consists of small and marginal farmers, agricultural and non-agricultural labourers, Rural Artisans, Craftsmen, Scheduled Caste and Scheduled Tribes.

The success of this programme depends on a number of factors. The beneficiaries are identified in such a way that only the deserve families are brought within the ambit of this programme.

AREA COVERED:

Only rural areas are covered under this scheme.

INCOME LIMIT:

Recently the Government has fixed the poverty line at Rs.6,400/- instead of Rs.3,500/- but presently persons whose total income from all sources including agriculture does not exceed Rs.4,800/- p.a. are only to be benefited under the programme.
COMMON LENDING ACTIVITIES COVERED
UNDER IRDP:

1) **Agricultural:**

   Under this scheme the loan is granted for agricultural purpose e.g. for the purchase of implements, bullock-carts, dunlop-carts, mules or asses, pair of bullocks, land reclamation, grain-bins etc.

2) **Animal Husbandry:**

   Under this the loan is granted for the purchase of milk cattle, goat and sheep rearing, piggery, poultry, fisheries etc.

3) **Irrigation:**

   For the purposes of boring, masonry wells, pump sets, tube well, pucka channels etc.

4) **Rural Industries:**

   Include leather works, carpentry, blacksmithy, cycle repair, soap-making, telghani, khandasari etc.

5) **Service and Trade:**

   Loans to rickshaw-pullers, tailors, horse-carts, provision stores, petty shops etc.

**SUBSIDY:**

1. Small Farmers 25% of project cost
2. Marginal Farmers, Agricultural 33.3% of project cost.
Labourers, Landless and Rural Artisans

3. Scheduled Caste Beneficiary \( 50\% \) of project cost.

A beneficiary of any of the above category shall not be given subsidy amount of more than 3,000/- in any case.

**QUANTUM OF LOAN:**

Amount of loan will be project cost minus subsidy and only for this amount (project cost minus subsidy) the loan papers are required to be obtained.

**MODE OF PAYMENT:**

Cash should be carried to effect purchase instead pay order should be issued for purchasing of assets. The same should be issued directly to vendor or supplier against stamped receipt and acknowledgement made by the beneficiaries.

**SECURITY STIPULATION:**

1) upto Rs,10,000/- Hypothecation of assets purchased and no need to take co-obligation, collateral security for the same amount.

2) In all the cases such as pump set, tube well, boring mortgage of land is compulsory irrespective of loan amount.
INSURANCE:

All the cattle should be insured under master policy taken out by DRDA. If insurance is done for three years or more, 25% discount will be allowed by Insurance company. The insurance may be made from 3 years to 5 years.

A) LENDING UNDER SPECIAL COMPONENT PLAN:

Assistance to SC/ST under Margin Money loan and subsidy scheme of U.P. Scheduled Caste Finance and Development Corporation:

OBJECTIVE:

This scheme is intended to facilitate scheduled caste persons undertaking various economic activities in respect of small scale and cottage industries including dairy, animal husbandry, piggery, goat rearing, transport agricultural development, land development, small business as well as all schemes covered under special programme like IRDP etc. in which financial assistance is provided to scheduled castes for running their various schemes.

ELEIGIBILITY:

i) Persons identified by the A.D.D.O. (H.O.) will be eligible for bank finance under the scheme.
ii) In urban area maximum eligibility limit is Rs.11,850/- and

iii) In rural area is Rs.11,000/-.  

A. Nature and Limit of Assistance (Subsidiary and Margin) for Scheme Costing Between Rs.12000/- to Rs.25000/-

i) Bank Loan Component  50% of the project cost

ii) Subsidy Amount  50% of the project cost OR Rs.6,000/- whichever is less

iii) Margin Money  Unit cost – (Net Bank Loan + Subsidy).

B. FOR SCHEME COSTING BETWEEN Rs.25,000/- & ABOVE:

i) Subsidy Amount  50% of the project cost OR Rs.6,000/- whichever is less

ii) Margin Money  25% of the project cost OR Rs.6,000/- whichever is less

iii) Bank Loan Component  Project Cost (Subsidy + Margin Money).

IMPLEMENTING AGENCIES:

All the applications for the subject scheme will be sponsored or forwarded by A.D.D.O. (H.O.) of the respective rural banks through Blocks. A list of such
identified beneficiaries shall be supplied to each branch by the concerned Block.

**POWER TO SANCTION LOAN:**

Branch Manager shall sanction the loans as per the power delegated to them. In case if they are not having powers of sanctioning, the applications should be forwarded to H.O. with their recommendations after completing Pre-sanction survey.

**MARGIN MONEY:**

The beneficiary would not be required to furnish any margin money directly. The subsidy amount however be considered as margin.

**SECURITY (Guarantee):**

Branches should not insist any co-obligation upto loan amount of Rs.5,000/- if loan amount exceed Rs.5,000/- co-obligation and registered mortgage wherever necessary should be taken.

**DISBURSEMENT:**

In case of the beneficiary who has not availed subsidy till date under any Government sponsored scheme.

i) Cost of the project Rs.8,000/-
ii) 50% of the unit cost Rs.4,000/- (bank loan net of subsidy margin money).

iii) As he has not availed any subsidy, he is eligible to a maximum amount of Rs.3,000/- as subsidy.

iv) Accordingly Rs.3,000/- as subsidy and remaining amount i.e. Rs.1,000/- as margin money will be released by the corporation.

v) Loans papers to be taken for Rs.4,000/- (Net Bank Loan only) Bank Loan Rs.4,000/- + subsidy Rs.3,000/- in case of case of town are a branches).

UNIT COST AND REPAYMENT:

In agricultural cases, unit cost as stipulated by NABARD shall be followed for non-agricultural case, project cost or fixed in IRDP cases shall be followed.

Whatever margin money given to beneficiary by way of loan by Corporation which will be a portion of project cost will be recovered by Corporation only and the maintenance of accounts will be done by the Corporation. But branches should mention the quantum of margin money on the top of the ledger sheet of the account and the branch manager should make the beneficiary understand that whatever margin money given by the corporation should be repaid directly to the Corporation
in monthly installments with an interest of four percent p.a.

B. ADVANCE UNDER DIR SCHEME:

The following categories of people enumerated below will be eligible to get the benefit of the scheme:

1) Scheduled Castes and other engaged on a very modest scale in agricultural or allied agricultural activities or farmers or labourers.

2) People physically engaged on a modest scale in the fields of cottage and rural industries and vocations, e.g. cutting cloths and sewing garments, making reasonable cheap eatables home delivery service of articles and commodities of daily use, running wayside tea stalls, plying owned manual rickshaws and cycle rickshaw, repairing of shoes/ sandals mainly by hand, basket making by hand, etc.

3) Physically handicapped persons pursuing a gainful occupation.

They are able to get the benefits of the scheme even they have no tangible security of any worth to offer or cannot produce security/guaranteed of a well to do party, provided they satisfy the criteria laid down as follows:
i) Family income of the borrower from all the sources does not exceed Rs.6,400/- p.a. in rural areas, and Rs.11,850/- in urban and semi urban areas.

ii) Education should be up to 8th class, unemployed youth may get loan 50% of project or Rs.7,500/- whichever is less.

iii) He does not own any land or the size of his land holding does not exceed one acre in the case of irrigated land and 2.5 acres of un-irrigated land.

iv) Members of scheduled caste and scheduled tribes are eligible for the loan irrespective of their land holdings, provided they satisfy the other criteria.

v) He can be helped to raise his present income above economic level through productive endeavour with assistance from banks, the productive endeavour being such as would become economically viable within a period of say three years.

vi) Financial assistance may be extended by the bank under DIR scheme to physically handicapped persons for purchase of artificial limbs, hearing aids, wheeled chairs etc., subject to maximum of Rs.2,500/- per borrower, provided that such assistance is given along with advances for productive activities and self-employed ventures and
all other requirement under DIR scheme are fulfilled.

vii) He does not incur liability to two sources of finance at the same time.

viii) He works largely on his own and with such help as other members of his family or some joint partners may give him and does not employ paid employees on a regular basis. Benefit of this scheme will be available only to the borrower within prescribed eligibility criteria, who are not assisted under any subsidy linked scheme.

It is not intended that a borrower should be required to produce documentary evidence to establish his eligibility under the scheme. It is expected that the officials of the bank at branches level would be conversant with the economic and other circumstances of the borrower.

**TERMS AND CONDITIONS OF THE SCHEME:**

i) For Working Capital Rs. 1,500/-

ii) For Fixed Assets Rs. 5,000/-

a) In both the cases i.e. the working capital and fixed assets; loan will be admissible in accordance with the specific requirements of borrower.
b) Requirement of margin money may not be insisted upon as the category of borrowers belong to the weakest section of the society and may not always be in a position to furnish margin money.

c) Rate of interest will be uniformly fixed at 4% p.a.

**Security:**

Apart from the personal security of the borrower the assets purchased with the loan may be hypothecated to the bank. A co-obligation may also be taken in case where loan amount is above Rs.5,000/-

**Repayment:**

In agricultural cases repayment shall be fixed as per NABARD stipulation. In non-agricultural cases repayment shall be fixed keeping in with nature of activity and generation of income. And in such cases repayment period should be fixed within five years.

**(d) VEHICLE LOAN SCHEME FOR STAFF:**

The banks provide loan to its staff members also for the following purposes under this scheme:

1) **PURCHASE OF BICYCLE:**

**Eligibility:**

All the staff of the bank including probationary/
AMOUNT OF LOAN:

Two months basic pay or Rs.750/- or actual cost of bicycle whichever is less.

Repayment:

Maximum twelve months in equal instalments which shall be deducted from monthly salary, simple rate of interest will be 7.5% p.a.

2) PURCHASE OF MOPED:

Elegibility:

All staff of the bank with one year service and should be confirmed employee. Amount of Loan: Rs.30,000/- or 90% of the cost of vehicle whichever is less.

Repayment:

Maximum seven years in equal monthly instalments which shall be deducted from monthly salary.

3) PURCHASE OF MOTOR CYCLE/SCOOTER:

Elegibility:

officers and clerks with one year service and confirmed.
Amount of Loan:

Rs.30,000/- or 90% of the cost of vehicle whichever is less.

Repayment:

Maximum seven years in equal monthly instalments which shall be deducted from monthly salary.

4) CAR LOAN:

Eligibility:

The loan is given only to officers whose basic salary is Rs.8000/-.

Amount of Loan:

Rs.1,60,000/- or 90% of the cost of vehicle whichever is less.

Rate of Interest:

Upto Rs.80,000/- 7.5% p.a.

Above Rs.80,000/- 11% p.a.

Repayment:

Maximum seven years in equal monthly instalments which shall be deducted from monthly salary.

5) DUAL LOAN:

This loan may be given to all confirmed members of staff upto 90% of Durable Articles for social work and
Rs.15,000/- whichever is less. The rate of interest will be 15% p.a. and repayment will be made within three and half years.

6) TANGIBLE LOAN:

Loan against tangible security (N.S.C., K.V.P., I.V.P, L.I.C. Policy etc.) will be given upto 90% of the face value.

A. Advances of Deposits:

The banks provide loan or over-drafts to their depositors against the security of their following deposits:

i) Fixed Deposit;

ii) As you like;

iii) Recurring Deposit;

iv) Nitya Nidhi Deposit;

v) Term Deposit.

Limit of Advance:

Advance can be granted upto 75% of the face value of deposit may be excluded upto 85% on the descritation of Branch Manager. In the case of IRDP and RD the face value of deposit means the amount of deposit Plus (+) interest. Interest will be calculated as the rate applicable to the period which the deposit account has run till the date of grant of advance. In FDR the face value to deposit
shall mean the original amount of deposit. In NND account outstanding balance will be taken as face value of deposit.

**RATE OF INTEREST:**

i) 2% above the deposit rate,

ii) Minimum 15 days interest will be collected even when loan amount is closed before the above period.

iii) Service charges @ Rs.2/- per quarter are to be collected in addition to interest.

**CONSUMPTION LOAN:**

The purpose of granting this loan to the borrowers is that they should not avail loans for their personal needs from money lenders. The eligible borrowers of this loan are small/marginal farmers, landless labourers, weavers and other rural artisans. They should avail the loan for productive activities.

The amount of loan will be need based and in no case it should be upto Rs.15,000/- for following:

i) Medical Expenses

ii) Educational Needs

iii) Marriage Ceremonies

iv) Funeral, Birth etc.

v) Religious Ceremonies

vi) General Consumption
The total credit for two or more purposes enumerated above should not exceed Rs.500/- per family, per year after repayment of the previous loan.

**DISBURSEMENT:**

It can be made by crediting to the account of the borrower.

**REPAYMENT:**

Repayment of the loan shall be in monthly instalment to be repaid within one year.

**OVERDRAFTS AND CASH CREDITS:**

**Overdraft:**

Overdraft account is just like a running current account and credit balance is permitted in overdraft account. The cheques are to be passed basing on the limit fixed and thus current account cheque book may be issued to that party. Interest is to be calculated on daily product basis.

**Cash Credit:**

When advance is granted to primary credit society or farmers service society or a small scale industry with sizeable loan, it is always by way of cash credit. It is also just like overdraft or current account. In open cash credit, the goods are hypothecated. The maximum limit is the
amount facility sanctioned by H.O. and the drawing limit, is the eligible limit of the party.

(C) COMPREHENSIVE CROP INSURANCE SCHEME:

The India Government has introduced a Comprehensive Crop Insurance Scheme for Rabi as well as Kharif crops. The main objective of the scheme is to provide financial assistance to farmers in the event of crop failure and also to encourage production of food crops.

General Insurance Corporation (GIC) will act as the leading insurer for the scheme by establishing 'Crop Insurance Cell' at Lucknow. The following crops may be insured under the Rabi Crop (1st October to 31st March) e.g. wheat, gram, pulse, maser and mustard (lahi and sarson). The Kharif crop consists the paddy, maize and bajra.

(D) ELIGIBILITY:

All farmers who avail loans for cultivation or above stated crop should be covered under the scheme.

SUBSIDY ON INSURANCE CHARGES:

50% subsidy is available on Insurance premium for small and marginal farmers.
(E) INSURANCE UNDER MASTER POLICY:

The banks of the Region have taken master policy with United India Insurance Corporation Ltd., and only cattle can be insured under the policy. All the cattle whether financed under general line of credit (direct lending) or under Government sponsored schemes may be insured under the policy. The main advantage of this policy is that under one policy all cattle purchased, out of loans advanced by the banks can be insured at branch level. The premium to be charged for the policy is lesser in comparison to individual insurance and risk will be covered from the day and time of purchase of cattle from any place.

PREMIUM RATES:

As per tariff advised by Insurance Co. from time to time, the rates are as follow:

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<thead>
<tr>
<th>Type of Animal</th>
<th>Rate under Government Financing</th>
<th>Rate under General Financing</th>
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<tr>
<td></td>
<td>1</td>
<td>2</td>
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<tr>
<td>Cow, She-Buffaloes,</td>
<td>2.25% p.a.</td>
<td>5%</td>
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<tr>
<td>Bullocks, He-Buffaloes</td>
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<tr>
<td>Sheep, Goat and Pig,</td>
<td>2.75% p.a.</td>
<td>5%</td>
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<tr>
<td>Horse/Mule &amp; Donkey</td>
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HOUSING LOAN SCHEME TO STAFF:

The banks have involved a housing loan scheme to the staff members.

ELIGIBILITY:

All permanent officers, employees.

PURPOSES:

i) For construction of house on the land already owned by the applicant.

ii) For purchase of land and for construction of house in the plot.

iii) For purchase of a completed house/flat.

AMOUNT OF LOAN:

The maximum permissible loan amount for construction or purchase of house will be Rs.1,50,000/- for employee and Rs.2,00,000/- for officers or pay of 50 months or actual cost/expenses on construction of house whichever is less.

RATE OF INTEREST (As follows):

1) Loan amount upto Rs.1,00,000/- may be sanctioned to employees (excluding officers) at the rate of interest 5% p.a.
2) Loan amount above one lakh will be sanctioned at the rate of 11% p.a.

3) Loan for officers upto Rs.1.1 lakh may be sanctioned at the rate of interest 5% p.a.

4) More than 1.1 lakh, may be sanctioned at the rate of 11% p.a.

**CAPACITY OF REPAYMENT:**

The following criteria will be adopted for assessing capacity of repayment of applicant employees:

i) Employees who will retire after 50% of salary 20 years.

ii) Employees who will retire in 60% of salary between 10 to 20 years.

iii) Employees who will retire 66.67% of salary within 10 years.

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