

## **The Nagaur Central Co-operative Bank Ltd.**

### **ELIGIBILITY OF BANKS OF CASH CREDIT ADVANCES:--**

1- Bank shall be eligible for cash credit advances to Private Traders/ Firms. It has not defaulted in any of the following disciplines:--

- a) Maintenance of prescribed cash reserve and liquid assets.
- b) Maintenance of Minimum Involvement prescribed by NABARD for SAO advances.
- c) Repayment of borrowings to NABARD.

### **2- TYPE OF CASH CREDIT LIMITS-**

The Bank shall provide financial assistance in the form of cash credit limit to Private Traders/ Firms etc. for their working capital requirements of the business in which they are engaged. The bank will provide one of the following type of cash credit limits:--

#### **a) HYPOTHECATION CASH CREDIT LIMIT**

This type of financial facility in the form of cash credit limit while sanctioned against merchandise goods. when it is difficult to obtain effective possession of the goods. Under hypothecation cash credit advances, the properties/ merchandise goods remain in the effective possession of the borrower, who is free to deal with them in any manner he chooses but the bank has a general charge on the goods hypothecated.

#### **b) PLEDGE CASH CREDIT LIMIT-**

Pledge cash credit limit shall be sanctioned by the bank against effective custody of the goods under lock and key of the Bank.

### **ELIGIBLE BORROWERS-**

The cash credit limits under the scheme shall be sanctioned to small traders or partnership firms residing/established within the area of operation of the branch. The Individual Traders/ Firms will be entertained by the bank only if the Trader/Borrower is engaged in the business at least for last one year. The applicant has to be the nominal member of the bank before sanction of cash credit limit.

### **ELIGIBILITY FOR LIMIT-**

The bank will sanction a maximum limit upto 20% of average of the total yearly business turnover of the individual Traders/ Firms during previous three years or Rs. 25,00,000/- whichever is less, in case of hypothecation or pledge cash credit limit.

### **MARGIN-**

While allowing operation on the sanctioned limit, the bank will ensure a margin of 40% of the value of goods hypothecated to the bank and 75% of the value of goods in case of pledge cash credit limit i.e. the outstanding against the sanction limit should not exceed 60% of the value of goods hypothecated to the bank and 25% of the value of the goods pledged with the bank. The value of the goods will be taken as purchase price of the goods or the selling price, whichever is less. The borrower should have exclusive ownership of the goods pledged/hypothecated to bank.

### **PERIOD OF CASH CRDIT LIMIT-**

The cash credit limits under the scheme shall be sanctioned by the bank for a maximum period of 1 year. All the sanctioned credit limit will expire on next 30th June i.e. no drawls shall be allowed on the limit after 30th June. The outstanding against the sanctioned credit limit shall be treated as overdue on 30th June every year, if the sanctioned credit limit is not renewed by the bank.

## **RATE OF INTEREST-**

The rate of interest on such type of cash credit advances will be charged by the bank as decided by the Board of Directors of the Bank from time to time under the instructions of Reserve Bank of India/ NABARD. At present, the bank will charge a minimum interest @ 15.5% per annum. The interest on outstanding amount shall be calculated on quarterly rests i.e. 30th September, 31st December, 31st March and 30th June and shall be debited to the principal amount in the account of the borrower. The bank shall charge penal interest in addition to the normal rate of interest prescribed @ 3% per annum on the overdue amount.

## **SECURITY-**

The cash credit advances shall be granted by the bank against following securities:-

- a) Against the personal sureties of two guarantors acceptable to the bank.
- b) equitable mortgage of the property of the borrower to the minimum extent of 1.5 times (150%) the limit sanctioned. If the principal borrower is not in position to offer such property for equitable mortgage, the bank may accept the equitable mortgage/ collateral securities of the sureties. The title of the property shall be examined by an advocate recognized by the bank. Also the value of the property shall be assessed by an assessor authorized by the bank. Charges for such examinations shall be borne by the borrower.

## **INSURANCE**

The merchandise goods or property pledge/hypothecated/mortgaged to the bank should be fully insured against the risk of fire and / or riot and whenever necessary against burglary. Insurance to the full value of the goods/ property is considered necessary because, if the value of goods or property is in excess of the insurance cover, the insurance company will pay for any loss on pro-rate basis. In order to minimize the insurance cost, a declaration in the policy might be taken to pay the premium only in proportion to the actual value of goods lodged as security. The cost of insurance is to be borne by the borrower. The policy shall be taken in the joint names of the bank and the borrower with the usual banker's clause. The bank should also obtain details regarding godowns of the borrowers where the goods are to be pledged.

## **POWER OF SANCTION AND COMMUNICATION**

The powers of sanction of hypothecation/ pledge cash credit limit shall vest with the Branch Manager of the concerned branch. The operation on the sanctioned credit limit shall be allowed by the Branch Manager of the concerned branch. Responsibility of recovery will be of the Branch Manager. The Branch concern shall issue a sanction letter in the name of the borrower giving details of the terms and conditions of the sanction and before allowing draws on the sanctioned cash credit limit, the Branch should obtain from the borrower his acceptance of the terms and conditions set out in the sanction letter in addition to the documents prescribed.

## **FOLLOW-UP AND MONITORING**

The Branch while the sanctioned limit is being operated, shall be responsible for regulating the operations on the sanctioned limit and also follow-up. In case of pledge limit, the goods against which pledge limit is operated shall be in the effective custody of the Branch. In case of hypothecation cash credit limit the Branch will obtain periodical statement (Fortnightly) giving all details of the goods hypothecated, goods purchased during the fortnight and also the goods sold out during the fortnight. The branch shall also maintain upto date borrowing power register. Periodical visits of the establishment for verification of goods hypothecated to the Branch shall be done by Branch Manager/ other staff member/ and shall submit the visit-note to the Managing Director/ Head of Accounts and Finance Department.

## **INVESTMENT OF BANK'S FUNDS**

Under this scheme, the bank should not sanction credit limit more than 3% of its deposits i.e. the total sum of cash credit limit sanctioned should not exceed 3% of the deposits of the Bank.  
**REPAYMENT IN CASH CREDIT LIMIT**

As the limits sanctioned under this scheme are of the nature of cash credit, therefore, draws upto the extent of borrowing power and sanctioned limit and repayment shall be of the nature of current account. But the borrower has to deposit a minimum 50% of its sale proceeds in this account otherwise the branch should stop further drawl under the sanctioned limit.

**4 RESTRICTIONS--**

No funds shall be made available by the branch to the borrower against the goods of sensitive nature such as oil etc. and goods which are of perishable nature also no operations on the sanctioned shall be allowed by the Branch to the borrower, if any of the condition of sanction letter is violated by the borrower. The bank shall not accept the goods under hypothecation or pledge which have no market demand and such goods having bad physical position.

**OTHERS**

- a) The bank shall levy service charge/ incidental charge @ Rs. 100/- per half year from the borrowers and such amounts shall be debited to the account of the borrower.
- b)The bank shall charge conveyance charge of the staff of the bank going for taking possession of the goods/ delivery of the goods from the godown. The conveyance charge shall be in accordance with the rules of the bank and shall be debited to the account of the borrower.
- c)Any other incidental charges shall be levied by the bank in the manner prescribed by the bank.

d)The bank shall charge processing fee at the following rates:- <b>Loan Amount</b>	<b>In case of New applicants</b>
(i) Upto Rs.2.5 Lacs	1.00%
(ii)Above Rs.2.5 Lacs upto 5.00 lacs	0.75%
(iii)Above Rs.5.00 Lacs	0.50% (Maximum Rs.10000/-