

# **LOAN POLICIES**

## **of**

### **The Punjab State Cooperative Agri. Development Bank Ltd.**

1. These shall be called the Loan Policies of the Primary Cooperative Agricultural Development Banks and the Punjab State Cooperative Agricultural Development Bank Ltd.

But nothing contained herein shall apply to the loan to be advanced to the Punjab State Electricity Board, Punjab State Tube well Corporation and Punjab Land Development and Reclamation Corporation, directly. Such loans shall be advanced according to the procedure decided by the board of director of the Punjab State Cooperative Agricultural Development Bank from time to time.

And these will apply to all the loans advanced by the Primary Agricultural Development Banks in the State. Para 14 shall apply with such modifications as the Managing Director deemed fit. The Primary Banks shall have a facility of cash credit according to Para 14 as amended from time to time by the Board of Directors with the approval of the Registrar, Cooperative Societies, Punjab.

2. In these Policies unless there is anything repugnant to the subject or context:
  - i) "State Bank" means the Punjab State Cooperative Agricultural Development Bank Limited.
  - ii) "Primary Bank" means the Primary Cooperative Agricultural Development Bank Ltd., for particular area to which its area of jurisdiction extends under its bylaws.
  - iii) "Applicant" means any member of a Primary Bank who has applied for loan to the Primary Banks.
  - iv) "Board" means the Board of Directors of the State Bank.
  - v) "Managing Director means the Managing Director of the State Bank.
  - vi) "Hypotheca" means the land, which is being mortgaged in favour of Primary banks as security.
  - vii) "Manager" means Manager of the Primary Bank.

#### **APPLICATION FOR LOAN:**

3. The application for loan containing latest four (4) photographs of the applicant duly attested by Sarpanch / Namberdar of the concerned village or Manager shall be sent in the form as prescribed to the Manager of the Primary Bank along with the following documents:
  - i) Fard Jamabandi and Khasara Girdawari of fields intended to be mortgage with the Bank.
  - ii) If the loan is for the redemption of mortgage, copy of the mortgage. Deed attested by the Field Officer or Manager of the Bank or by any competent authority.

- iii) If the loan is for the purchase of land, copy of the agreement entered between the applicant and the seller if any.
- iv) In case the applicant is a Cooperative Society and Fard Jamabandi referred at (i) above shall be supplied in relation to all the fields intended to be mortgaged with the Bank and it shall be in addition to the documents mentioned above send following along with the application.
  - a) Attested copy of the Registration Certificate.
  - b) Copy of latest orders of concerned officials fixing maximum credit limit and classification.
  - c) Copy of latest audited balance sheet.
  - d) List of members of the society with percentage and complete address.

**Note:** In the case of Cooperative farming Tube well irrigation societies land owned by its members shall be included in hypotheca and such owner members of the society shall also be required to become A-class members of the primary Bank.

- 4. Along with the loan application, the applicant shall deposit with the Primary Bank a loan application fee of Rs. 1000/- for loans above 5.00 lacs, Rs. 500/- for loans above 3.00 lacs and upto 5.00 lacs and Rs. 100/- for loans upto 3.00 lacs. Provided further that no fee would be deposited by the women applicant (in joint case also).
- 5. On the receipt of the loan application, the Manager of the Primary Bank shall satisfy himself that:
  - i) The applicant is a member of the Primary Bank, and the loan application is accompanied by four (4) latest photographs of the applicant duly attested by the Nambardar/Sarpanch of the concerned village or the Manager.

**Note:** The purpose for which loan is applied is as per the approved lending program prescribed by the Bank. If the purpose of the loan is non-productive i.e. redemption of land, the applicant may complete the work by raising private debt with the permission of the PADB. Then it will be permissible to liquidate such prior debt by the Bank.

- ii) The applicant has deposited the prescribed fees i.e. membership fee, admission fee and the loan fee.
- iii) The application is correctly filled up and is accompanied by the required documents.
- 5. (a) Notwithstanding anything contained in the loan policies where a person is eligible to become the member of the Primary Bank, he must submit the loan application along with his membership application at one and the same time .
- 5. (b) Notwithstanding anything contained in Para 5 and 5(a) above the Manager shall ensure that the applicant fulfill all the conditions required for the membership of PADB according to the bylaws of the PADB.

6. If the Manager is satisfied that above conditions have been fulfilled, he shall register the loan application, give it a loan application number and forward it to the Field Officer for scrutiny of the application, inspection of land and for report in the prescribed form.

While forwarding the loan application to the Field Officer, the Manager of the Primary Bank shall give a certificate on the said application that the requirement mention in Section 5 above has been completed.

#### **ACTION BY FIELD OFFICER**

7. When the loan application is received by the Field officer he shall enter it in the loan case Movement Register and proceed under:

a) The scrutiny of the loan application:

The Field Officer shall also ensure that the loan application correctly filled and all the necessary documents have been attached. He shall also check the purpose of the loan proper whether the documents enclosed with the loan application are correct.

- b) The value of land would be calculated as per the collector's rate amended from time to time for the concerned village.

i) The value of Well /Tube well and pumping set shall also be included in the hypotheca.

- c) The 80% of the value of land fixed by the District Collector/Deputy Commissioner shall be sanctioned as loan against the security of the land offered by the members of the PADB. However, for the purpose of commercial dairy with 10 milch animals and above, 90% of the value of land fixed by District Collector/Deputy Commissioner shall be sanctioned as loan against the security of the land offered by the members of the PADB. Provided further that the minimum value of land would be Rs. 5.00 lacs per Acre or the value fixed by Collector whichever is more. Provided further that the value of land pertaining to mountain/hills/rivers/choes or reserved under Punjab Land Preservation Act or Forest Act would remain Rs. 2.00 lacs per acre or the value fixed by Collector whichever is more. Provided further that minimum one acre of agricultural land should be taken as security of agricultural land in Ferozepur Division (except Moga district). It is further provided that the security of agricultural land should be obtained in proportion to the amount of loan in Jalandhar division, Patiala division and Moga district of Ferozepur division. The concerned Field Officer would also ensure that proper approach/rasta in available to the hypotheca. The due share of Tubewell/well/canal and rasta/approach should also be included in hypotheca. In case parts of different fields are included in hypotheca word "MIN" or "PART" and direction must be written with each of such khasra number. Only following kind of lands be accepted as security provided they are free from water logging.

i) Nehri and Chahi.

- i)(a) Provided further that Banjar and saim land be accepted as security only in those cases of Horticulture and fish farming which are sponsored by the concerned department and the value of such land shall not exceed 25% of the value of the Banjar land fixed by the district collection from time to time.
- ii) Barani and Sailab. The thur or kallar land may be accepted where loan is advanced for reclamation of that very land.
- iii) The security of banjar lands being reclaimed with the Bank loan may be accepted on the condition that the whole land being reclaimed with the loan is mortgaged with the Bank.

**Addition:**

- iv) Provided further that immovable property other than agricultural land would also be accepted as security of loans. It shall be the sole responsibility of the concerned Field Officer and Manager of the PADB to evaluate the collector rate and present market value of immovable property selected as security for such loans.

**Note:** While calculating the value of the land, its kind as actually found on the spot and not one shown in the revenue papers should be taken into consideration by the Field Officer.

**8. (a) INSPECTION OF LAND**

The importance of the land inspection work should not be minimized and the Field Officer should carry out this work in the lines written as under:

The inspection shall be carried out with the help of shajjra and field book. He may also get the assistance of some responsible person of the village such as panch/sarpanch/nambardar and the village revenue patwari to enable him to identify the fields, their quality and market value. During such inspection, he shall take notes of the following facts for each Khasra No. and his findings in his report on the form prescribed by the Bank.

The spot inspection should be made as under:

- i) Nearness of the fields to the village.
- ii) Whether the land is lying fallow or something is sown. In case it is sown the kind and condition of the crops. Field Officer should write the height and colour of the plants to show their condition.
- iii) Whether there is any Tubewell in those fields. If so, ownership portion of the applicant in it. If the Tubewell is in the neighbouring fields, the distance of the Tubewell and the ownership portion of the applicant be stated.
- iv) If any choe and nullah and river passes from its vicinity, then distances of the same hypotheca. If there are doubts about such lands being swept away, then a note to these effects be given in the report.

- v) Local name of the fields.
- vi) Land inspected as classified as under:  
Nehri, Chahi, Sailab, Barani.
- vii) Is the land affected by water logging or saim and thur or kallar? So, how far it has adversely affected the crops in the past year?
- viii) What is the quality of land whether it contains more sand or clay or good proportion of both etc. etc...?
- ix) What crops are and can be generally grown in it?
- x) If any road, railway line, canal passes by the side of field then quote distance?
- xi) If any house is constructed in the field, then quote the description thereof?
- xii) Are there any electric or telephone poles in the field?
- xiii) Whether there is any tree in that field?
- xiv) Quote the mode of irrigation; if such facilities are available; whether Scarce, adequate or excessive water is available.
- xv) In case parts of different fields are included in hypotheca word "MIN" or "PART" and direction must be written with each of such khasra number.

**8. (b) RECOMMENDATION FOR LOAN:**

While making his final recommendation for loan the Field Officer shall satisfy himself that:

- i)(a) The land offered as security is not surplus under any law for the time being in force. An affidavit of the borrower be obtained in these effects.
- (b) The land is one of the kinds mentioned in Para no. 7 (c) above.
- ii) The land included in the hypotheca is under the cultivation of the applicant.
- iii) The amount of loan applied for is permissible as calculated according to the standards laid down in Para No. 7(b) above.
- iv) The system of taking consent of a co-sharer in a joint holding in the execution of mortgage deed and in loan application is hereby discontinued. Where the borrower is in exclusive possession of land being mortgage on the spot as well as according to the khasra/girdawari. The security should be taken up to the share of particular farmer. Where the consent of the co-sharer is not available, the security of agricultural land should be taken into hypotheca by mortgaging the share of the applicant in the khewat and not by taking particular khasra number.

- v) That the title of applicant to the land offered for the security is quiet sound in all respect. The concerned Field Officer would also ensure the proper approach ( rasta ) to the hypotheca and the same would also be mortgaged with the PADB.
- vi) That the loan amount recommended by him can be sanctioned to the applicant according to the loan policies of the Bank.
- vii) It shall be the sole responsibility of the Field Officer to satisfy himself about the above points before he makes his recommendation. In case the Field Officer is not satisfied and he feels that case may be filed, he shall return it to the Manager of the Primary Bank for record with reasons written on the same. The Manager shall immediately inform the concerned applicant about this action with reasons.
- viii) Where an applicant offers the property of third party as security for loans, the title of such third party to the property shall be examined as in the case of property of the applicant. Such third party must become the member of the Primary Bank. But the mortgage deed in such cases will be executed in the form of third party mortgage deed.

**8. (c) THE FIELD OFFICER WOULD ALSO ENSURE AS UNDER:**

- i) The title of each item of property should be traced up to the last twelve years at least. Where minors are involved, it should be examined how far the documents are binding on them. In case of sale deeds it should be ascertained whether the consideration has been paid or not. All the documents having been relied upon in proof of the payment of such consideration may also be examined.
- ii) Where the applicant is the sole owner of the property or is a co-sharer in a joint khata. In case of later, shall further verify the share of the applicant and see that the land offered for security is of his due share in each khewat. He shall also mention the name of the co-share and further comment whether any of them is required to give their consent in the mortgage deed being executed in favour of the Primary Bank due to joint cultivation of hypotheca by all the owners or due to the land included in hypotheca being more than due share in a particular khewat in the latter case it needs to be examined whether the other co-sharers agree to this sort of family settlement in different khewat , do not insist on strict partition of each khewat and are willing to give a such consent in the mortgage deed being executed in favour of Primary Bank or procedures as per para 8 (b) (iv) would be adopted.
- iii) Is the land ancestral or self-acquired? If it is ancestral what is evidence on which he has based his opinion. If the land is self- acquired, the title of the previous owner is also to be checked up and the relevant title deeds should be secured in original. In case the original document are not available, the reasons should be specified and a copy duly attested by the Field Officer or

Manager of Primary Bank or any other competent authority should be secured. In case the previous owner was a woman it is required to be examined if she had any limited interest in the estate or had absolute right. Similarly in case of lands acquired through will or gift or exchange or any other mode, the title of the owner should be examined carefully. In this context the provision of the Hindu succession act 1956 which have effected radical changes in the rights of Hindu women should also be kept in view. Regarding wills and settlements in case the will is not registered its genuineness should be established beyond doubt. Even in case of registered wills objection may be raised on the score that the attestation was not legally competent to device the property under the will. It is the duty of the Bank to examine the person directly affected by the will and the near relation and otherwise to satisfy itself that the applicant has acquired a valid title under the will. In case of doubt the applicant should be called upon to get his right established in the court.

- iv) Cultivation of the hypotheca by whom and in what capacity: To checkup this aspect the statement of concerned persons may be examined.
- v) Whether the purpose of loan is valid under the rules of the Bank. In case of application for the repayment of prior debts, it is to be examined whether the prior debts were genuine and were incurred on same legal necessity. In case prior debts were incurred on purchase of land relevant sale deed and receipts of sellers etc. may be secured to checkup their proper application. Prior debts incurred on trait or purchase of property in the city may not be considered proper debts. In some cases the applicant create fictitious debts by executive a mortgage deed in favour of a person just for the sake a getting a loan from the Agricultural Development Bank. As such legal necessity for the prior debts must be proved beyond doubts so that there may not be any risk of the loan advanced by the Bank being challenged by the heirs of the applicant or any other interested person. To do so, inquiries be made into genuine of prior debts cited in the loan application and reject all applications where there debts sought to be discharged are fictitious.
- vi) To verify, in cases where payment is to be made to third persons on the authority of the applicants, whether the names of the payees as have been written by the field officer in his report are correct.
- vii) Whether the land is encumbered due to any mortgage or charge etc. besides those which are sought to be redeemed.
- viii) Whether any part of hypothecation is a reserve or surplus area as determined under The Punjab Security of Land Tenures Act, 1953 or The PEPSU Tenancy and Agricultural Lands Act, 1955. To examine this point the report of the Field Officer and the statement of the applicant may be examined. The Field Officer should study that point in detail before report. He should also record the statement on the appointment in this respect.
- ix) Any conditions subject to compliance whether of which the loan may be sanctioned should be specified.
- x) In the end he should clearly mentioned whether the loan is fit for sanction according to the loan policy of the bank and as to how much loan can be sanctioned.

**9. SANCTION OF LOAN AT PRIMARY BANK LEVEL**

After the case is received from the Field Officer, the Manager of the Primary Bank shall put up the same before the committee of the said Bank for consideration only if he is fully satisfied that the case is complete and the loan may be sanctioned according to the loan policies of the Bank. Before putting up the case, he shall prepare an office note in the prescribed form giving full details of the case and any condition subject to which the loan may be sanctioned. These conditions shall be in addition on to the general conditions which shall be imposed in each case and which are discussed below under the head " Issues of loan sanction order ". The committee of the Primary Bank may sanction any amount of loan admissible to the member of the PADB under its bylaws. In case the Manager is not satisfied with the completion of the case as referred to above, he may return the same to the Field Officer for removal of certain defects without referring it to the committee or may put up the same before the committee to reject the demand of the applicant.

**10. RECHECKING OF LOAN CASES**

On the receipt of loan case the Manager of Primary Bank before putting the same for sanction before the concerned committee recheck it or get it rechecked through some official of the concerned Bank. After this the Manager may put up the case along with the report of the checking official before the concerned committee for consideration.

In case of loan application files by a cooperative society, apart from the receiving which may be done as above, the Manager of Primary Bank shall get the same rechecked by the concerned Assistant Registrar, Cooperative Society before getting it for sanction. The said official shall either recheck it himself or get it rechecked through an official not below the rank of inspector and shall send his report to the Bank.

**11. ISSUE OF LOAN SANCTION ORDER**

On the receipt of the loan case sanction by the committee of PADB the Manager of the Primary Bank shall issue a letter to the applicant named as loan sanction order in the prescribed form informing him about the sanction of the loan and requiring him to make compliance of the following:

- i) To purchase additional shares in order to comply with the provisions of the bylaws of the Primary Bank, if necessary.
- ii) To mortgage the lands detailed in this letter in favour of Primary Bank. Provided that, for agriculture purposes the self-declaration in triplicate by the borrower/member of the PADB as per SADB letter Legal/SADB/7444 dated 01/09/2014 would be obtained.
- iii) To send the following documents just after the execution and presentation for registration or the mortgage deed referred to above.
  - a) An affidavit by the applicant in prescribed form. All the required statements of the applicant should be incorporated in the single/same affidavit and no separate affidavit should be obtained.

- b) To comply with such other conditions as are laid down by the Primary Bank.

**NOTE:**

- i) In making the compliance of the above conditions imposed in the loan sanction order, the applicant shall be assisted by the Field Officer or the Manager of the Primary Bank.
- ii) In cases where the loan is sanctioned for the purchase of land and the land being purchased is also included in the hypothecation the loan amount shall be disbursed in cash by the Manager of the Primary Bank. In such cases the compliance of all additional conditions should be made on the authority of the applicant to the concerned seller of land in the presence of concerned sub registrar when sale and mortgage deeds are simultaneously presented for registration and after strict compliance of all conditions imposed in the loan sanction order have been secured to the satisfaction of the Manager of Primary Bank. It shall be his sole responsibility to see the interest of the Primary Bank.
- iii) There after he shall return the loan case along with receipts of payees, authority letter of the applicant and other papers secured in compliance of above conditions to the Primary Bank and get the same checked by the office. In case any defects are found in securing this compliance, he shall get them removed.

**12. ENCUMBRANCE CERTIFICATE**

The system of obtaining Non-Encumbrance Certificate regarding the hypotheca is hereby discontinued. However, concerned Field Officer would ensure the confirmation of the entry of the mortgage of the hypotheca in favour of the PADB in the revenue record within one month of the date of disbursement. In the interest of proper verification of the document of loan including security and the recovery thereof each PADB should advance loans only to those persons whose agricultural land which is offered as security is situated in its area of operation of the PADB.

**13. COMPLIANCE OF LOAN SANCTION ORDER AND DISBURSEMENT OF LOAN**

- i) It shall be the sole responsibility of the Manager of Primary Bank to secure the correct compliance of the loan sanction order with the help of the staff of the said Bank and thereafter to disburse the loan. Anyhow he may secure the opinion of the State Bank wherever he thinks it proper to check the genuineness and correctness of the said compliance. The Manager of the Primary Bank shall ensure at the time of the compliance of the loan sanction order that the four photographs submitted by the applicant with the loan application are attached properly one with loan application second with membership form third with passbook of the applicant and fourth with separate register called identification registrar. The compliance of loan sanction order may be done by office/Assistant Manager/Deputy Manager with the help of the photograph of the applicant without waiting the concerned Field Officer to avoid delay in the disbursement of loan to the applicant.

- (a) That original copy of the mortgage deed had been secured from the office of the concerned Sub- Registrar. In case where the said copies are not available, without inordinate delay, a copy of the mortgage deed duly attested by the official in whose presence it was presented for registration may also be considered in the said deed it should be further checked up that all the Blank space in respect of the name of the applicant his address, amount and purpose of loan, rate of interest, extent of land pledged, date of repayment etc. etc. are filled up correctly. The deed should be witnessed by at least two independent witnesses. Where the consent of co-sharer is required, whether they have become B class members before signing the mortgage deed. Whether signatures and thumb impressions are legible. Whether complete address are given in the signatures of all the parties signing the deed , whether the word LTI or RTI have been written with the thumb impression and whether TIS are in pad ink are quite clear.
- (b) If copy of registered mortgage deed is secured from the Sub-Registrar office should be correctly worded and it should bear the proper seal of the concerned office.
- (c) That the documents secured in compliance of loan sanction order do not disclose anything which affects the hypotheca adversely.
- (d) That the affidavit is given in the prescribed form is attested by proper authority and does not disclose any fact which is contrary to the interest of the Bank.
- (e) That the compliance of the other conditions has also been made correctly.
- i) Thereafter if the Manager is satisfied that the loan amount may be disbursed, he shall give a note in this effect in the loan case file and take the following action to disburse the loan without making any reference to the committee of Primary Bank.
  - (a) A letter shall be issued to the applicant to take the payment at a particular place and date to be mentioned therein. In case the loan is sanctioned for the redemption or prior mortgages, the applicant may be asked to bring the prior mortgages along with the mortgage deed to be redeemed with him.
  - (b) The loan amount shall be disbursed to the borrowers as per letter no. SADB/13359 dated 09/03/1999 or as amended by SADB from time to time.
  - (c) If the loan has been sanctioned for the repayment of old debts and the borrower reports to the Primary Bank that despite his efforts , the creditor does not come to get the repayment of his loan , the Primary Bank may issues a notice to the creditor under article 30 of the Punjab Cooperative Agricultural Development Banks Act. 1957.
- iii) Disbursement of loan, in one or more than one installments, shall be made by the PADBs as per the instructions issued by the Managing Director from time to time. Whenever the loan is to be disbursed in more than one installment the Manager Shall ensure that subsequent installment of loans are issued only after securing proper utilization certificate of previous installments .
- iv) The utilization of loans shall be checked by the Field Officer and Assistant Manager within one month of the disbursement. The checking of loan cases and their utilization shall be carried out

by the Manager, District Manager and Regional Officer as per instructions issued by the Managing Director of the Bank from time to time. At present Manager of the PADB is to check 20% of the loan advanced by the PADB during the financial year as per letter no. SADB 5863 dated 03/09/2012; AGM having charge of up to four PADBs under their jurisdiction will check 18% of loan advanced by the PADB during the financial year and AGM having charge of more than four PADBs under their jurisdiction will check 15% of loan advanced by the PADB during the financial year as per letter no. SADB/Inspection/8324 dated 07/11/2012; R.O. must check 10 loan cases or 2% of loan advanced by the PADB, out of these whichever is higher during the financial year as per letter no. SADB/Inspection/3824 dated 01/09/2016. Checking of loan cases and their utilization by Inspector, Cooperative Societies and Registrar, Cooperative Societies shall however, be carried out by them as per instructions of Registrar, Cooperative Societies, Punjab.

- v) The payment of loan amount shall be made only in the form of account payee cheques after execution of borrowers receipts by the applicant and third party payment shall be made on the authority of the borrowers in the prescribed form along with duly discharged original mortgage deed (in case of loan for redemption of land) and other relevant papers. Manager shall ensure that all such receipts and documents are properly attested by the Assistant Manager/ Deputy Manager/Manager.
- vi) In case where the purpose of loan is redemption of mortgage land and the land being redeemed is also included in the hypotheca generally the payment of the loan amount along with other amount which an applicant may have been required to contribute out of his own pocket, shall be made at the same time to all the prior mortgages so as to ensure that no part of the hypotheca remains encumbered due to any mortgage debt. In special circumstances where a part payment of the loan is made to some of the prior mortgage , it should be ascertained before making such payment that the net value of hypotheca after excluding those lands which are mortgaged and are not being redeemed by such a part payment is quite sufficient for the amount of the loan being paid. Loans for redemption of should not be sanctioned before the completion of one and half year from the date of mortgage of land with prior mortgage.
- vii) In case where the mortgage being redeemed was created through a registered deed, the receipt of the prior mortgage shall be secured at the back of the original deed, In case of oral mortgages of registered mortgages whose original deeds not available and in all cases of purchase of land, the payment shall be made in the presence of concerned sub registrar. The receipt of the prior mortgages in such cases shall be got registered. In case of purchase of land when the land is included in the hypotheca, the payment shall be made at the time when sale and mortgage deed are simultaneously presented for registration and after all the conditions imposed in the loan sanction order are complied when land is not included in the hypotheca, the loan amount shall be disbursed after securing compliance of loan sanction order at the time when the sale deed in favour of the applicant is presented for registration.

viii) If during the compliance of the loan sanction order, the committee of the Primary Bank feels that due to certain circumstances there is need to decrease the loan amount, change the Khasra no. selected for hypotheca or to change or impose any other condition then the committee of the Primary Bank shall be competent to accord sanction for such changes.

**14. Drawl of loan from the State Bank:**

As already mention the Primary Bank shall secure the compliance of loan sanction order and use this amount to disburse the loans to concerned borrowers. Besides this, the funds drawn by the PADB under Cash Credit may be used for any other important matter like meeting urgent liability towards SADB or any other Statutory Authority. The primary Bank shall have the facility of cash credit from State bank in the following cases.

- i) Each new Primary Bank may avail cash credit facilities upto Rs.50 lacs. It can be drawn by Primary Bank within one year from the date it starts its landing operations.
- ii) Each Primary Bank shall be entitled to avail cash credit limit of Rs.100.00 lacs from the State Bank and the Primary Bank implementing the consumption loans schemes shall be entitled to avail each credit limit of Rs. 25.00 lacs. provided total facilities under Para 14 (i), (ii) shall not exceed Rs. 100.00 lacs.
- iii) The cash credit shall be available at the interest rate of 1% higher than the higher rate of interest charged by NABARD from State Bank, prevailing at the time of drawal of Cash Credit. While making application for cash credit the primary banks shall supply the following documents to the State Banks.
  1. Copy of resolution of committee of Primary Bank:
  2. Demand promissory note
  3. Agreement deed
  4. Letter of continuity
  5. Trial balance of proceeding month
  6. Any other document or report that may be required by the Managing Director from time to time.

The cash credit shall be sanctioned by the Managing Director. The Managing Director may withhold the sanction and call for any report or document that he considers necessary for his satisfaction and proof of the need of cash credit. The agreement deed shall be signed by the Managing Director/ AMD (B) or any Officer Authorized by the Managing Director for and on behalf of the State Bank. Thus each Primary Bank shall have to disburse loans up to limit without making any reference for loan to the State Bank when that it shall take action to get loan from State Bank.

**15. Mutation/ Rapat Rojnamcha**

It shall be duty of the Field Officer of the Primary Bank to see that the mutation / rapat rojnamcha of mortgages in favor of the Primary Banks are entered in the concerned registers by the revenue Patwaris. He will do this work when he goes to the village of the applicant for the second time after sanction of loan and execution of the mortgage deed for the inspection of revenue record. He shall maintain register showing the mutation/rapat rojnamcha entered and confirmed in the prescribed form it shall be the duty of the Managers of the Primary Banks to arrange their own presence or any member of the committee or Field Officer to represent the Bank at the time of confirmation of the said mutation by the revenue officer if necessary. The Manager of the Primary Bank may arrange to supply the duly attested copies of the mortgage deeds to the Revenue Officer at the time of such confirmation.

## **16. Recoveries**

A Primary Bank shall maintain a Qistbandi register in the prescribed form the Manager of the said Bank shall send demand notice to the concerned borrowers in the manner prescribed as under.

### **i) Rabi recovery period:**

- (a) First notice on 1<sup>st</sup> of March every year (colour-white)**
- (b) Second notice on 15<sup>th</sup> of March every year (colour-yellow)**
- (c) Third notice on 1<sup>st</sup> of April every year (colour-red)**

### **ii) Kharif Recovery:**

- (a) First notice on 1<sup>st</sup> of September every year. (colour-white)**
- (b) Second notice on 15<sup>th</sup> Sept. every year. (colour-yellow)**
- (c) Third notice on 1<sup>st</sup> Oct. every year. (colour-red)**

It shall be the sole responsibility of the Primary Bank to effect the recoveries from its borrowers. It may be done by the field officer, who may be assisted by the Manager, committee member and other staff of the primary bank. The state bank may also assist a primary bank in effecting recoveries in certain cases. The borrowers shall be required to pay their installments one month earlier than 30<sup>th</sup> of June or 31<sup>st</sup> January as the case may be.

## **17. SUBSEQUENT LOANS**

Ordinarily upto two loans may be advanced. Further, loan may be advanced in exceptional cases provided the loanee member is not a defaulter of his earlier advanced loan(s).

## **18. MISC.**

- i) The mortgage deeds and receipts of the borrowers shall be kept in the custody of the trustee i.e. Registrar Cooperative Societies.**
- ii) When a loan has been completely discharged, the Manager of the Primary Bank as per letter no. SADB/Co-ord/11357 dated 29/02/2016 exclusively shall issue a certificate of completely discharge to the applicant for necessary entry in the revenue record for redemption of the hypotheca would be made by the concerned Patwari on the basis of such clearance/discharge certificate issued by the PADB and concerned AGM must certify it in his visit note.**
- iii) The Primary Bank should always remain watchful about and civil suits touching the hypotheca which may arise during the period of loan. For this purpose its Field Officer should continue making enquiries from the people whenever they visit the village of the applicant in connection with the recoveries or for any other work. As soon as the Primary Banks come to know about such a suit they shall inform the state Bank by giving the full particulars of the suit in the form given below.**
  - I. No and year of the suit.**
  - II. Court in which it is filed.**
  - III. Present stage of the suit.**
  - IV. Name of the borrower with address.**

- V. **Loan number and year.**
- VI. **Amount lent.**
- VI. **Amount outstanding with date.**
- VIII. **Field numbers involved in suit (with extent).**
- IX. **Field numbers mortgaged with extent.**
- X. **Steps taken by the Primary Banks to safeguard its interests.**

- iv) The Field Officer shall check the land of every borrower included in the hypotheca and validation of the purposes in the third and sixth year of each loan regarding following points.
  - (a) Whether the land is free from same, thur or kallar?
  - (b) Whether there are any other changes of the land by choe, nala, river etc?
  - (c) Whether land is under the self-cultivation of the borrower or he has created some tenants of the same?
  - (d) Whether the financial condition of the borrower allows the continuity of the loan or not?
  - (e) Whether the utilization of loan is still valid?
  - (f) Any other point which the Field Officer may like to record?
- v) The Manager of the Primary Agricultural Development Bank shall examine such reports and put up before the committee if any action to recall the loan is necessary in his opinion.
- vi) As far as possible all the payments by the concerned persons shall be made in the account of the Primary Bank with the local Central Cooperative Bank/PNB etc.
- vii) All the loan cases files after the disbursement of the loan shall be kept by the Primary Bank for safe custody and record the withdrawal of the unfit loan cases shall also be filled in Primary Bank in such cases the Manager of the Primary Bank may return any documents to the applicant on his written demand.

**PURPOSES FOR WHICH LOAN MAY BE SANCTIONED BY THE PRIMARY BANK AND STATE BANK**

The purposes of loan are divided into three categories as under I. Normal loans.

- II. Schematic loans.
- III. Non-farm sector loans
  - I. Normal loans

The normal loans are divided into two categories as under:

- i) Productive purposes.
- ii) Non-Productive purposes
  - i) Productive Purposes:
    - (a) Development and improvement of land and the method of cultivation.
    - (b) Construction and repair of ordinary wells and tube wells.
    - (c) Installation of pumps and other water lifting appliances.
    - (d) Construction of bunds.
    - (e) Fencing against wild animals (f) Raising of fruit gardens.
    - (g) Reclamation of Banjar lands.

- (h) Purchase or repair of tractor its allied implements and other agricultural implements such as; Chaff cutter, Cane crusher, Winnowing machine, rise husking equipment etc. It would not include implements such as ordinary plough, wooden cart etc.
- (i) Construction of farm building that is godown, cattle shed, tractor shed. It will not include residential accommodation.
- (j) Such other works as the board may determine to be improvements for the purpose of this clause from time to time.
- (k) Leveling and construction of surface underground channels.
- (l) Repayment of deposits of any amount to the PSEB.
- (m) Agricultural implements engine and threshers it is clarify that threshers equipped with diesel engine may be advanced under schematic loaning however the engine to be financed with thresher should be of standard quality ISI marked or state quality marked so that farmers get good quality of machinery which may last up to the repayment period of the loan.

ii) **NON PRODUCTIVE LOANS**

(a) **Redemption of land.**

Loans for this purpose shall be sanctioned subject to the conditions that only such lands be redeemed which are situated in the state of Punjab provided after redemption the total holdings of the member does not exceed the permissible area allowed under the Punjab Security Land Tenure Act 1953 or the PEPSU Tenancy and The Agricultural Lands Act 1955.

**Note:** - Loan for this purpose shall be sanctioned only provided genuineness and proper application of the prior debts established beyond doubts. Loans for redemption of land should not be sanctioned before the completion of one and a half year from the date of mortgage of land with prior mortgagee Liquidation of prior debts. It shall include debts which are due to Cooperative Societies against tangible security.

II. **Schematic loans**

The schematic loans are divided into two parts as under:

- i) **Fundamental schemes.**
- ii) **Diversified schemes.**
  - i) **Fundamental Schemes.**
  - a) **All minor irrigation schemes.**
  - b) **Soil conservation scheme.**

- c) Land level Schemes.
- d) UGC schemes.
- e) Tractor Scheme.
- f) Thresher Schemes.
- ii) Diversified Schemes.
  - a) Dairy Scheme.
  - b) Poultry Scheme.
  - c) Bullock cart scheme.
  - d) Camel cart scheme.
  - e) Jhota cart scheme.
  - f) Farm forestry scheme.
  - g) Fish farm scheme.
  - h) Bee keeping Scheme.
  - i) All Horticultural Scheme.
  - j) Sheep rearing scheme.
  - k) Piggery scheme.
  - l) Rabbit rearing scheme.
  - m) Bio gas scheme.
  - n) Mushroom scheme.
  - o) Popular scheme.
  - p) Goat rearing scheme.
  - q) K.C.C. (Agri. Allied)
  - r) K.C. C. (N.F.S)
- s) All other schemes approved by NABARD from time to time.

#### **NON FARM SECTOR LOANS**

The Non-Farm Sector loans are divided into two categories as under:

- i) Manufacturing, processing, assembling and service activities.
- ii) Small Road Transport Operator under the following conditions as per SADB letter no. 6401 dated 16/09/1998.
  - a) The transport vehicle for carriage of goods of farm sector and non-farm sector and passenger transport vehicle including light motor vehicle and auto-rickshaw.
  - b) The vehicle should not be having more than 16.2tonnes gross vehicle weight and the borrower should be given the loaning facility for acquisition of maximum two vehicles.
  - c) Margin money will be 15% and maximum loan will be Rs 10 lacs.
  - d) It must be registered as public goods/passenger carrier with the RTA and its hypothecation should be with the Bank with full insurance coverage etc.

e) Only new vehicles can be financed.

**NOTE:- No activity of trading under non-farm sector is allowed to be financed by the PADBs**

**IMPORTANT INSTRUCTIONS ISSUED UPON TIME TO TIME BY THE SADB REGARDING LOAN POLICIES OF THE BANK**

1. Where the farmer does not have sufficient agricultural land as security of loans the following kind of securities may be accepted.
  - a) In case of poultry development scheme (Poultry Shed).
  - b) In case if fish culture scheme (Excavation of Ponds).
  - c) In case of popular cultivation and horticultural schemes i.e. (growing trees). But 60% of the loan amount must be covered by the security of the land under normal schematic and non-farm sector loans irrespective of the purpose. Even tractor diesel engine electric motor should not be taken into security more than 40% or the loan amount.
2. Loans can be advanced against the security of lands already mortgage with the PADBs subject to the following conditions.
  - a) That the land, in question has not been mortgage with any third party between the period of 1st mortgage in favour of PADB and 2<sup>nd</sup> mortgage.
  - b) That the loan is sufficient to cover the outstanding part of the 1<sup>st</sup> loan and the 2<sup>nd</sup> loan being advanced to the borrowers.
3. The maximum amount of loan admissible to the member of PADBs under normal loaning is as under:

PURPOSE	AMOUNT OF LOAN	RATE OF INTEREST
Redemption of land	Rs. 1, 00,000/-	15 %

4. The latest classification of the marginal, small and big/other farmers approved by NABARD as under:

Category of farmer	As per Norms Prescribed by NABARD
Marginal farmer	up to 2.5 Acres
Small farmer	2.5 Acres to 5.00 Acres
Big/Other farmer	Above 5.00 Acres

5. The disbursement of the loan case must be made within 15 days from the date of receipt of the loan case in PADB. Provided further that in order to ensure quick sanction of loans to the women beneficiaries, it has been decided to dispose off the loan applications of women within 7 days from the date of its receipt in the PADBs.
6. The cost of tractor diesel engine and electric motor can also be taken into security of loan upto 40%.
7. No borrower should be given subsequent loan by the PADB if he is defaulter at the time of submitting a loan application for fresh loan.
8. When a tractor loan is raised by more than one person through separate cases, the tractor cannot be pledged as security. The reason is that in such cases more than one mortgage deed is executed. Each execution has only a part of the share in the tractor. So, he can only pledge that part of share. That is not feasible. In case such kind of borrower becomes a defaulter we cannot realize the loan by sale of only a share of tractor. The other partner can stand in the way as the tractor is indivisible.
9. The joint case by two different persons holding land in two khewats should not be entertained. Because in such cases the mortgage deed would become illegal and would not be enforceable in court of law. Such farmers may be advised to apply loan through separate loan cases.
10. (a) The various schemes and their repayment periods/grace period shall be in accordance with letter no. SADB/9386 dated 14/09/2006. Further the repayment period under the various schemes would be as approved by NABARD from time to time.

- (b) The rate of interest on the amount of Loan, from the ultimate borrower is as under:

Loan Amount	Rate (%)
Upto Rs. 50,000/-	Rate of interest is charged from the borrowers as decided by State Bank / H.O from time to time.
Above Rs. 50,001/-	
Commercial Dairy (10 or more milch animals)	
Penal Interest	2%
Rebate of 0.5% interest is given to women borrowers	

11. Under normal Loaning only loan for redemption of land is advanced by the PADB.
12. 60% of the loan amount in all the purposes must be covered by the security of lands.
13. In the non-farm sector, the repayment period is linked with the amount of loan i.e. upto Rs 50000/- the repayment period is five years and above Rs 50000/- but upto Rs 200000/- the repayment period is seven years. The repayment period above Rs 200000/- is ten years. But the repayment period in case of SRTTO scheme would be five years irrespective of the amount of

loan raised by the loanees. In SRTTO scheme the Margin money would be 15% irrespective of loan amount. The share money shall be considered towards down-payment.

14. In order to minimize the harassment to the loanee at the hands of the firms/dealer the cheques in the favour of the firms/dealers shall be delivered to the firm /dealer through the loanee concerned himself.
15. The farmers are at liberty to purchase the agricultural machinery and agricultural implements from source of their own choice, with credit facilities of the PADBs. However the machinery implements should be of ISI quality mark. The payment should be made to the supplier identified by the farmers.
16. The disbursement of loan should be made only through account payees cheques.
17. The system of approval of the firm by the committee / administrator / supervisory officer of the PADB has been abolished. However the manager shall ensure the utilization of loans.
18. At the time of recovery of last installment of loan the share money deposited by the farmer at the time of raising the loan, should be adjusted out of the "Share transfer fund".
19. We should not permit the applications for membership for grant of loan to be made through agents holding power of attorney if even such power of attorney specifically grants such power. We should not accept affidavits given through agents. We should not make disbursement to our members through agents. We should recognize the right of an agent to execute the mortgage deed in favour of primary bank only if the power of attorney held by him specifically authorizes him to execute the mortgage deed.
20. The PADB must issue pass books to the farmers and all entries pertaining to the advancement of loan and recovery of loan should be made there in.
21. The loan for tractor implements any kind of agricultural machinery shall be disbursed unless a letter from the supplier/ dealer/ firm is secured and attached to the case to the fact that the supplier/dealer/firm is ready, willing and in the position to deliver the tractor etc. immediately on disbursement, so as to make prompt and assured delivery to the farmers.
22. In the event of bifurcation of the PADB, loan to member of the bifurcation bank should be continued to be given by the parent bank till the completion of the bifurcation work.
23. Comprehensively insurance in respect of loan for tractor / agricultural machinery / all cattle and animals / birds be made continuously year by year till the recovery of the total sums disbursed for the said purposes.

24. The down payment for the tractor is 15% of the cost of the tractor and down payment for the agricultural implements shall be 10% of the cost of the agricultural implements in both the cases share money is also to be considered towards the down payment.
25. The tractor should be registered in the name of the borrower and the name of the bank advancing the loan must be included in the Registration Certificate as "hypotheca to the bank" and with full insurance coverage etc.
26. The loan for cattle shed and godown is to be disbursed in two installments. The first installment would be 60% of the loan sanctioned and the second installment should be 40% of the loan sanctioned.
27. Loan installment for tractor loan be recovered half yearly instead of yearly.
28. However the farmer be considered defaulter only if he does not repay the loan installment during the year per the provision of mortgage deed.
29. The liability of the applicant in a single loan application applied by more than one person shall be joint and several as in the case of cooperative society.
30. In case the farmer does not have unencumbered agricultural land to offer as security of loan then he can offer the security of third party, but the agricultural land offered as security must fall within the area of operation of the PADB.
31. The Manager & concerned Assistant General Manager would fix the unit cost in accordance with the purpose of loan, in view of the scope for its utilization, incremental income, the repayment period, recovery of loan as well as marketing avenues available in the area of the operation of the concerned PADBs as per letter no. SADB/Dev./2064, Dated 21 May, 2011.
32. The Manager of the bank would ensure the checking of the entry of the Rapat/ Mutation regarding the hypotheca in the revenue record at least once after every two years and such report should be attached in the concerned loan case as per letter no. SADB/33-G/Loan/5513 dated 29/06/2009.
33. Minimum one acre of agricultural land should be taken as security of loan in the PADB of Ferozpur division except Moga district.
34. As per SADB letter no. 110/Deb/2324 dated 11-05-2006, the bond cases/pronote should contain the certificate indicating that the mortgage deeds claimed in the bonds are fresh loans and also certified regarding asset creation in respect of fresh loans/mortgage deeds the mortgage deeds included in the bond case.
35. All bond cases/pronotes would be sent to SADB for reimbursement by the PADBs through the Assistant General Manager. The concerned Assistant General Manager would furnish certificate indicating that the mortgage deeds/ loan cases are in accordance with the loan policy of the bank and proper appraisal regarding sufficient security to recover the loan has been examined by him.
36. Finally, all Bond Cases/Pronotes sent to SADB for reimbursement by the PADBs should have following documents attached.

- a) **Forwarding Letter.**
- b) **AGM Certificate.**
- c) **Instalment Bond.**
- d) **Asset Creation Certificate by Manager.**
- e) **Copy of Resolution to raise loan from SADB as per SADB letter no. 18702 dated 21/02/2002.**
- f) **Computer Statement.**
- g) **Borrower Receipts.**
- h) **Mortgage Deeds.**
- i) **Common seal of PADB should be affixed on all the documents.**