LOAN POLICY OF THE QUILON COOPERATIVE URBAN BANK IN KOLLAM DISTRICT, KERALA

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ABSTRACT The present paper presents the loan policy of The Quilon Cooperative Urban Bank in Kollam District, Kerala. Firstly, to discuss briefly the eligibility for granting loan facilities. Secondly, to list out the type of advances such as short term loan, medium term loan and long term loan. Thirdly, to discuss briefly period of loan, security, valuation process, margin of loan policy and sanctioning authority. Fourthly, to suggested key documents for loan application. Fifthly, to describe briefly the interview with loanees, safe custody of documents, end use of funds. Sixthly, to discusses about the assessment of working capital finance of economic activity. Finally, The Quilon Cooperative Urban Bank should maintain register. The present study is helpful to the account holders, loan officers as well as to the employees in the bank.

Keywords: Loan Policy, Eligibility, Advances, Security, Rate of Interest, Documents, Working Capital Finance.

INTRODUCTION

The Quilon Cooperative Urban Bank is a leading Financial Cooperative Institution. It was established nearly 80 years ago, under the Co-operative Societies Law. Now it is functioning strictly under the provision of Banking Regulation Act. Reserve Bank of India has given Banking License to the Bank. Customer service in The Quilon Cooperative Urban Bank and its branches is being talked about everywhere. In various forums, in the press and in conversations, customer service is in the news. Thus it can be pointed out that this paper provides insight regarding the loan policy of The Quilon Co-operative Urban Bank and is helpful to the account holders, loan officers as well as to the employees.

HISTORY

In 1975, The Quilon Cooperative Urban Bank has come under the control of Reserve Bank of India under the Banking Companies Regulation Act of 1965. Advocate C.V. Padmarajan guides this bank for the last forty years as president of The Quilon Cooperative Urban Bank. He acts as guide, philosopher and friend to the members for the customers of the bank. It is now of the 5th largest Cooperative Urban Banks in Kerala with 15 branches within the Kollam Taluk. The field of operation of The Quilon Cooperative Urban Bank for following branch wise manner;

1. The Quilon Cooperative Urban Bank – Main Branch.
2. The Quilon Cooperative Urban Bank – Mulankadakom Branch.
3. The Quilon Cooperative Urban Bank – Asramam Branch.
5. The Quilon Cooperative Urban Bank – Evening Branch.
6. The Quilon Cooperative Urban Bank – Vaddy Branch.
8. The Quilon Cooperative Urban Bank – Ayathil Branch.
10. The Quilon Cooperative Urban Bank – Chandanathoppu Branch.
15. The Quilon Cooperative Urban Bank – Kundara Branch.

It provides finance to housing, business, commerce, maintenance of building, marriage, gold loan, vehicle loan, cash credit etc., to its members who are living in and around Kollam Corporation area. Thus while granting loans to the members of The Quilon Cooperative Urban Bank has to ensure the safety,
security and profitability of such investment even while catering to the best needs of the borrowers. The Reserve Bank of India has from time to time issues guidelines to be followed in regard to sanction of loans, post-sanction monitoring and the recovery specification in regard to this matter. The Quilon Cooperative Urban Bank formulates the following Loan Policy based on the above to safeguard the loans issued to the members.

Now this bank is celebrating its Platinum Jubilee in a befitting manner. It had started core banking and SMS banking to get in terms with the changing needs of the customers. The ATM counters will be started soon across the city. The present Board of Directors of the Bank is very socially committed persons. It has a best team of efficient and effectively working staffs in the Head Office and branches. Their whole-hearted cooperation could reduce the rate of NPA from 10% to 8 %. It is a benchmark activity of The Quilon Cooperative Urban Bank in the matter of reducing Non-Performing Assets at a lower rate. Over all, the loan policy and procedures will be very helpful in the good working performance in The Quilon Cooperative Urban Bank and its branches.

**SCOPE OF THE STUDY**

The following Loan Policy Document adopted by The Quilon Cooperative Urban Bank Ltd. No. 960.

- The Bank covers all the aspects such as the various types of loans and advances.
- The Bank grants, the purpose for which they are granted, the various types of security on which they are granted, credit appraisal & exposure, sanction, disbursement, post sanction credit monitoring, recovery and classification & income recognition of loans granted by the bank.
- It also includes the roles & responsibilities of the various officials, the norms, rules, procedures and other aspects which are to be followed.

**ELIGIBILITY**

All members of The Quilon Cooperative Urban Bank are eligible for being granted loan facility. Members include nominal members who have no voting rights as specified in the Bye-Laws. These nominal members will be granted such loans as loans against gold ornaments & against their own deposits with the Bank and also can stand as surety for other loans in specific cases. However the Bank should not extend credit facilities to any of the directors, their relatives or the Firms or Concerns in which they are interested except against their own deposits in the Bank and Life Insurance Policies.

**TYPES OF LOANS**

The following are the different types of loans that are granted by The Quilon Urban Bank Ltd. No. 960.

- **Short Term Loan**
  1. Current Account Over Draft - C a/c OD
  2. Gold Loan - GL
  3. Deposit Loan - DL
  4. Cash Credit (Members) - CC (M)

- **Medium Term Loan**
  1. Daily Collection Loan - DCL
  2. Agricultural & Allied Activity Loan - AAL
  3. Cottage & Small Scale Industries Loan - CSL
  4. Road & Transport Loan - RTL
  5. Private Retail Trade Loan - PRTL
  6. Small Business Loan - SBL
  7. Professional & Self Employment Loan - PSL
  8. Education Loan - ENL
  9. Consumption Loan - COL
  10. Bank Ordinary Loan (US) - BOL (US)
  11. Bank Ordinary Loan (Secured) - BOL (S)
  12. Scheduled Caste Loan (Secured) - SCL (S)
  13. Scheduled Caste Loan (Unsecured) - SCL (US)
  14. DBOL
  15. Medium Term Loan - MTL
  16. Over Draft - OD
  17. Staff Provident Fund Loan - SPFL
  18. Hire Purchase Loan - HPL
19. Housing Loan (Members) - HL (M)
20. Vehicle Loan - VL

- Long Term Loan
  1. Consumer Loan - CL
  2. Housing Scheme (Members) - HS (M)
  3. Housing Loan (Staff) - HL (S)
  4. Cash Credit Staff - CC (S)

PERIOD OF LOAN
1. Term Loan
   - Consumption Loan (Rs. 5 lakh to Rs. 10 lakh) - 5 years
   - Other Loans - 7 years
2. Housing Scheme
   - Up to Rs. 25 lakh - 12 years
   - Above Rs. 35 lakh - 15 years
3. Surety Loans - 3 years
4. Gold Loan - 6 months

SECURITY
- Hypothecation or mortgage of immovable properties (land & building) pledge of gold ornaments, personal surety, bank Fixed Deposit Receipts, Government securities, etc. They are generally accepted as security.
- Advances against land & building are extended as registered deed or by creating a valid equitable mortgage by deposit by little deeds.
- In personal surety loans, the salary certificate produced by the applicant & sureties should be verified and should collect the confirmation regarding issuance of the certificate from the issuing authority.
- With regard to gold loans & deposit loans, branch managers of The Quilon Co-operative Urban Bank should verify the Ornaments/FD Receipts before sanctioning the advance. The Ornaments/FD Receipts should remain in the effective joint custody of two responsible officials.
- With regard to vehicle loan proof of purchase of vehicle should be obtained. In case of cash credit account stock statement should be obtained.
- In case of housing scheme loan plan, estimate, permission, etc., should be obtained and in case of housing loan members’ estimate should be obtained.

VALUATION
Valuation of the property to access the present market value of the property offered as security should be specific with separate value for land, building, amenities and services. It is also required to show the marketability of the property and the value that can be fetched in case of distress/forced sale. President may at his discretion, insist for a supplementary valuation whether found necessary. The valuation of the properties pledged with the bank should be done by the General Manager of The Quilon Co-operative Urban Bank up to 3 lakhs and above 3 lakhs, it should be done by the board approved valuator.

MARGIN
Advance against:
1. Gold Loan - 70% of the average of closing price of 22 carat gold for the preceding 30 days as quote by Indian Bullion and Jewelers Association Ltd.
2. Land & Building - 50% to 70% of valuation certificate
3. Housing Scheme Loan - 75% of the estimate value
   Area of land below 3 cents shall not be accepted as security. Shop rooms can be exempted from the minimum area clause.

SANCTIONING AUTHORITY
General Manager of The Quilon Co-operative Urban Bank shall sanction loan upto 5 lakhs and Branch Manager of The Quilon Co-operative Urban Bank shall sanction loans upto 3 lakhs and above 5 lakhs, power to sanction loan and advances should be vested in the Board of Directors. But the Board may authorize the President to sanction loan in urgent or other appropriate cases. But it shall be placed before the next Board for ratification. General Manager should recommend the loan proposal with specific critical comments to Board of Directors has the liberty to insist, personal surety wherever necessary.
MAXIMUM LIMIT

In The Quilon Co-operative Urban Bank and its branches, the individual maximum limit of advances is fixed as Rs. 150 lakhs as per BR. No. 75 dated on 17th April, 2014.

LOAN PROCESSING

Loan will be granted to ‘A’ Class members of The Quilon Co-operative Urban Bank and the ratio of share linking with advances will be 5% and 2.5% for unsecured loans and secured borrowings.

Loan application shall be submitted in prescribed form with the following documents:

- Original title deed, prior deed.
- Land Revenue Tax Receipt from village office.
- Building Tax Receipt from corporation.
- Valuation Certificate of approved valuer of the bank.
- Possession Certificate of the property from village office.
- Revenue Recovery Certificate (If loan amount exceeds 10 lakhs).
- Salary Certificate and Salary Deduction Agreement.
- Certificate to prove income.
- Documents to prove the utility of loan amount.
- Copy of sales tax and income tax assessment (Copy of IT return for 2 years, if loan amount ₹10 lakhs and above).
- Copy of Aadhaar, copy of Election Identity Card, copy of PAN Card and copy of Identification documents to prove identity & address of the customer.
- Attested copy of passport size photo.
- Loan Sanction Intimation Letter.
- Equitable Mortgage Confirmation Letter.
- Continuing Security Letter.

In respect of loans sanctioned for business purposes, the details of business financial statement, Sales Tax Registration details, etc. should be called for, wherever necessary. Stock statement should be called for in the case of sanction and renewal of overdraft facility.

PROCESSING FEES

Expense of legal fees, valuation fee and processing charge, etc. should be recovered from the borrower as per the rate fixed by the Board of Directors from time to time in The Quilon Co-operative Urban Bank.

INTERVIEW

In The Quilon Co-operative Urban Bank, the President/General Manager/Branch Manager should conduct a detailed interview with loanees and sureties separately and should assess the repayment capacity of the applicant. Past unsatisfactory conduct of the loan account by the borrower to be assessed effectively in scrutinizing loan proposals. A scrutiny note at the section level regarding the liability and past performance of the customer should be prepared.

LEGAL

Legal scrutiny report tendered by the panel advocate should be thoroughly analysed in The Quilon Co-operative Urban Bank and its branches before the sanctioning of advances and the reports should be clear regarding the validity of the title deed and legal competence of the borrower to create a mortgage.

RATE OF INTEREST

In The Quilon Co-operative Urban Bank, interest rates will be charged as per interest rate decided by the Board of Directors from time to time.

SAFE CUSTODY OF DOCUMENTS

No document/title deeds should, on any account, be handed over to the customer till the advance is closed in full. The documents executed for availing loan and title deeds in the case of equitable mortgage should be kept in the safe custody of Branch Manager of The Quilon Co-operative Urban Bank. In the case of registered documents, wherever release deeds required by the party after closing the loan amount, release should be executed at the cost of borrower.
END USE OF FUNDS

The Quilon Co-operative Urban Bank should ensure proper end use of bank funds by monitoring the funds flow for the purpose for which the credit limits sanctioned and periodical visit to business units and stock verification.

The Branch Manager of The Quilon Co-operative Urban Banks should ensure that the party is complying with the following requirements.

- Renewal of insurance policy – for fire and earthquake.
- Payment of land revenue tax, corporation tax, etc.
- Submission of yearly encumbrance certificate.
- Any other conditions stipulated by the sanctioning authority.

If the borrower fails to comply with the requirements ordinary notice followed by registered notice should be sent.

WORKING CAPITAL FINANCE

The Quilon Co-operative Urban Bank should ensure the assessment of working capital finance in respect of each category of economic activity, method of computation, minimum norms with regard to inventory holding level and any deviation permitted as stated in RBI Master Circular on Management of advance dated July 1, 2014.

MAINTENANCE OF REGISTER

The following registers:

- Equitable Mortgage Register
- Stock Register
- Register for priority and weaker section
- Document register

This should be maintained in the branches of The Quilon Co-operative Urban Bank in Kollam district, Kerala.

REVIEW OF ACCOUNTS

In The Quilon Co-operative Urban Bank, large borrowers account should be reviewed constantly and periodical inspection of stocks.

Cash Credit / Over Draft Renewal

- Call financial/stock statements and verification of such statement vis-à-vis physical stock by the authorised officials.
- Review of the operations of account on a regular basis.
- Review of turnover in account.
- Never allow withdrawals without renewal.
- Withdrawal limit fixed to 95% of loan account.
- Ensure proper end use of funds.

CONCLUSION

In The Quilon Co-operative Urban Bank, certain features of loan policy and procedures loan are changed at regular intervals by the Director Board. Further some changes in future, it will make in the Directives of RBI from time to time. The present paper concludes the detailed discussion for the loan policy of the bank, on the basis of the types, period, valuation, margin, sanctioning authority of loan. Finally, In The Quilon Co-operative Urban Bank should appoint Chief Accountant of the bank as a principal officer at the Head Office and he/she will be responsible for monitoring all types of loan policies and procedures. Thus it can be concluded that this paper provides insight regarding the loan policy and procedures of The Quilon Co-operative Urban Bank and is helpful as it offers indicative guidelines to the loan officers, employees as well as to the account holders.

REFERENCES


**Circulars**


**Websites**

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