

## SWARNA JYOTHI SCHEME

### 1) Introduction

Gold pledge loan is one of our most attractive loan products as it is having a huge demand among our customers due to the simple and speedy loaning procedures of the scheme. This is also considered as an attractive business among the primary banks as it is the most secured loan product compared to those given on landed security. From 30.09.2020 onwards we were giving gold loans at an interest rate of 7.50% which is highly competitive considering the rate of interest on gold loan by any other banking institutions. This motivated Primary banks to introduce the scheme, who were reluctant to start gold loan previously and the quantum of our gold loan outstanding had improved considerably.

### 2) Objective

Interest rates of various loan products, including short-term loans, were revised by NABARD from 01.06.2022 and subsequently on 24.06.2022. In line with this, we have also revised our gold pledge loan interest rate from 7.50% to 8.75%. In response to this, many customers closed their gold loan accounts and sought loans from other institutions offering gold loans at lower interest rates. Taking all this into consideration a new Gold Loan scheme by name Swarna Jyothi is proposed with a shorter duration and a lower interest rate, in addition to the existing Gold Loan Scheme.

### 3) Activities covered

The scheme can finance all economically feasible and bankable short-term loan requirements in the agricultural and allied sectors as envisaged in the original Gold loan scheme.

### 4) Eligible Borrowers:

All members of the PCARDB who are engaged in agriculture/allied activities and there by earning surplus income to meet the repayment obligation and having sufficient gold to pledge are eligible to avail this loan.

### 5) Eligible PCARD Banks

Those PCARD Banks which are presently implementing Gold Pledge Loan are eligible to implement the scheme. Other PCARDBs after installing the necessary



infrastructural facilities for implementing gold pledge loan can request for loan target to HO after due verification and recommendation by the concerned Regional Manager.

The initial target under this scheme will be limited to the SAP target for Gold Pledge loan approved for the PCARDBs and the requirement over and above the Gold Pledge loan target may be intimated to HO for further allotment.

**6) Individual Maximum Loan Limit**

The maximum loan limit under the scheme is Rs 2,00,000 under 2 slabs with varying interest rate.

**7) Repayment Period**

The maximum repayment period fixed is 3 months (90days), surplus income for repayment of loan should be ensured by the appraising officer.

**8) Mode of repayment:**

The loan will be demanded on **91<sup>st</sup> day** from the date of disbursement.

The PCARD Bank should ensure that at any point of time, the realization value of the Gold pledged should not be less than the outstanding in the loan account. Action for auctioning the Gold pledged should be initiated before the outstanding amount in the loan account exceeds the realizable value of Gold pledged or immediately after the due dates.

- If the account remains overdue after 3 months, the procedure laid down in the gold loan manual for auction and sale can be affected.
- At Regional office level, the currently followed procedure for accounting and collection of gold pledge loan will be followed for this scheme also.
- Share Linking: No share linking But the applicant should be either 'A' class or 'B' class member of the PCARD Bank.
- A passbook in the prescribed form is to be issued at the time of disbursement. For all subsequent operations the borrowers should produce the pass book.. The PCARDB can close the loan account at any time by issuing notice to the borrowers during the currency of the limit.

**9) Rate of interest**

The proposed rate of interest is given below:



Amount & Period	NABARD Refinance Rate	Cost of Fund	KSCARDB Rate to PCARDB	Rate to Borrower
Up to Rs.1 lakh for 3 months	6.75%	7.50%	7.60%	8%
Above Rs. 1 lakh up to Rs. 2lakh for 3 months	6.75%	7.50%	7.65%	8.15%

10) **Source of Fund:** - By availing ST Refinance Facility from NABARD.

11) **Security**

Loan is to be granted on the strength of gold ornaments. The appraisal/ valuation should be done in accordance with the guidelines stipulated in the Gold Loan manual.

All the necessary registers and forms have to be filled and filed as being done in the case of Gold Pledge Loan.

12) **Assessment of credit:**

In addition to the appraisal adopted for Gold Pledge Loan the following procedure also is to be followed:

1) The security for the loan, *i.e.*, Gold should be appraised as per the existing procedure prescribed for sanctioning Gold Pledge Loan and copy of the gold appraisal report has to be attached with the loan appraisal and sanction form.

2) Loans against gold ornaments should be granted only on the basis of the net gold contents. Precious stones, strings, wax etc. should be excluded for arriving at the net weight of the ornaments. PCARD Banks should not accept bullion or non-ornament Gold such as bars, ingots, rods, coins etc.

3) Eligibility of loan amount based on the ornaments pledged:

$$\text{Net weight of gold} \times (\text{Current market value}-100) @90\%$$

The PCARD Bank shall follow all the mandatory procedures stipulated in the Gold Loan Manual like maintenance of gold loan ledger and pledge forms etc., while sanctioning this loan also.

13) **Reporting System**

(a) All the terms and conditions and the guidelines issued under Gold Loan should be strictly adhered to.

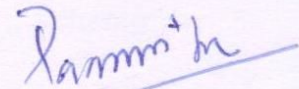


(b) The PCARD Bank as well as Regional Office shall maintain books of accounts and registers strictly as per the standing instructions and should include progress under this scheme separately in the monthly progress statement for gold pledge loan already being submitted to RO.

(c) Separate account and purpose codes will be provided shortly.

(d) In the DCB statement, the DCB for this scheme should be generated separately and necessary modifications in the software for effecting the same will be communicated shortly.

16) The Board of Directors of the Kerala State Co-operative Agricultural and Rural Development Bank Ltd. shall have the power to alter/add/any of these rules as and when necessary.



**MANAGING DIRECTOR**