

## ANNEXURE - 7.61

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| <p><b>“<u>RINN MUKTHI</u>” - A Scheme for Swapping of Debts of Distressed Individuals from Non Institutional Sources</b></p> |
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### **1) Purpose:**

To provide relief and to remove the debt burden of any identified acutely distressed individuals who are under burden of debt from non-institutional sources (eg. money lenders, pawn brokers) by providing them loan for debt redemption so that they become free from the debt burden with usurious interest rate.

Since the distress arising from debts availed from Non- institutional sources and financial exclusion is closely interlinked, the scheme also aims to facilitate greater financial inclusion.

**2) Eligibility:** For the limited purpose of this scheme, to facilitate proper implementation and to ensure equitable participation by all banks, **Service Area approach** shall be adhered to

- a) Individuals who have raised loans from non-institutional sources.
- b) The individual should not be defaulter to any Bank.
- c) Should be a resident of a Service area of the bank branch.
- d) Should have enough capacity to repay.

LDMs to allot Service area for all newly opened bank branches in respective Districts.

### **3) Identification of the Individual:**

- a) The eligible individual should give a declaration indicating the source of Debt (name and address), amount of debt, date of creation of debt, terms/conditions, securities held, if any and other relevant details and an undertaking that no borrowing would be made from Non institutional sources during the pendency of loan, in case loan is permitted.
- b) Declaration given by the individual is to be certified by Gram Panchayat Secretary or any other official authorized by him in rural areas and by Municipal Secretary/Corporation Secretary or any other officials authorized by them in municipalities and corporations. Government of Kerala would be giving proper directives in this regard to Panchayat/Municipal/Corporation authorities.
- c) If the source of debt is from close relatives, the same would not be considered under the scheme.
- d) Only one member from a family as per ration card, would be considered eligible under the scheme. Alternatively, if ration card is not there, then this need to be certified by Panchayat/Municipal Secretary or any other official authorized by him.

#### **4) Loan Quantum:**

- a) Term Loan up to the extent of indebtedness of the individual to non-institutional sources can be considered provided it is within 150% of the gross annual income of the farmer/urban poor from all sources, subject to a maximum of Rs.50,000/-.
- b) Loan limit will be fixed at **the actual amount of non-institutional debt** to be repaid or 150% of the gross annual income of the individual, whichever is lower subject to maximum ceiling of Rs.50000/.
- c) Loan would be sanctioned only if it is sufficient to clear the entire dues outstanding from non-institutional sources.
- d) If the liability is exceeding the eligible loan amount, then the individual has to bring the differential amount.

#### **5) Security:**

The loan will be given as a Clean Advance.

#### **6) Co-obligation:**

Co-obligation of the spouse /adult children of the borrower / any other relative or third party is to be obtained to ensure family pressure in not reverting to non-institutional borrowings again.

#### **7) Documents to be produced by borrower:**

- a) Copies of self attested land records/ house tax paid receipt/title deeds/ ration card regarding land /house owned by the individual.
- b) **Income certificate from revenue authorities** is to be produced to enable banks to arrive at the eligible loan quantum. Government of Kerala would be issuing appropriate directions to the revenue authorities to issue income certificates to the identified individuals by adhering to definite time lines as applicable under Right to Service Act.

#### **8) Applications, enclosures and Documents to be executed**

- a) Common loan application approved by SLBC.
- b) Declaration by the applicant as detailed under Para 3, above.
- c) Demand Promissory note or other basic documentation stipulated by individual banks.

#### **9) Rate of Interest & Other Bank charges:**

Base rate applicable for individual bank.

Banks shall not charge any processing fee /similar charges under the scheme, at the time of sanction.

## 10) Disbursement:

- a) Based on the declaration, loan is to be disbursed directly to the non-institutional lenders by way of DD or directly to the bank account of the lender by way of NEFT.
- b) Proper receipts / discharge / cancelled loan documents is to be obtained as evidence of redemption of non-institutional debt and the same are to be kept along with loan paper.

## 11) Repayment:

Loan is to be repaid within 5 years in monthly/quarterly / half yearly / yearly installments based on income generation pattern of the individual.

## 12) Classification of loans and reporting:

Loans to **Farmers** are to be treated under Priority Sector Advances under **Direct Agriculture**

Loans granted to **urban poor** up to an amount of Rs.50, 000/- (Rupees Fifty Thousand Only) under the scheme are eligible for classification under Priority Sector Advances under **Other Priority**. Loan is also to be reported under Weaker Section Advances.

(As per RBI master Circular on Priority sector Advances RBI/2013-14/107 RPCD.CO. Plan. BC 9 /04.09.01/2013-14 Dated July 01, 2013)

## 13) Norms for Asset Classification:

In the case of farmers as per the income generation cycle (Crop Cycle), an account will be classified as NPA if interest and/or installment of principal remains overdue for two crop seasons (in case of short duration crops) and for one crop season (in case of long duration crops).

In the case of non farmers, if the interest and / or installment of principal remain overdue for a period of more than 90 days, then the account is to be treated as Non Performing.

## 14) Other Conditions:

- a) Existing borrowers of the Bank who are willful defaulters will not be eligible under the scheme.
- c) *The borrower should undertake not to resort to non-institutional borrowings during pendency of the loan availed under this scheme.*
- d) Future credit requirements for developments / investments / working capital needs can be considered as per extant guidelines applicable for individual banks based on merits.
- d) The farmers are eligible for availing further finance for crop cultivation under KCC. Financing for other term loan requirements should be based on the need, income generation and capacity to service the existing and proposed limits.