

**Maximum Limit on Advances - Limits on Unsecured Advances to Single Borrower/Connected Group**

BPD.PCB.CIR.51/13.05.00/2002-03

April 29, 2003

The Chief Executive Officers of  
All Primary (Urban) Co-operative Banks

Dear Sir/Madam,

**Maximum Limit on Advances - Limits on Unsecured Advances to Single Borrower/Connected Group**

Please refer to our directive UBD. No (PCB).DIR.5/13.05.00/1993-94 dated May 26, 1994, prescribing, among other things, the maximum limits on unsecured advances by UCBs to any single borrower/connected group or to relatives of directors, as amended from time to time.

2. As announced in the Monetary and Credit Policy for the year 2003-04 (copy of the paragraph 112 enclosed), it has been decided to enhance the ceiling on unsecured advances granted by UCBs to any single borrower/connected group as under :

Category of advances	Non-Scheduled UCBs whose DTL are		Scheduled UCBs
	Less than Rs. 10 crore	Rs.10 crore and above	
All types of unsecured advances including clean bills/multani hundis purchased/ discounted and drawals allowed against cheques sent for collection.	Rs.50,000/-	Rs.1,00,000/-	Rs.2,00,000/-

3. The enhanced ceiling as above, will not be applicable to UCBs classified as Grade II or III or IV, for which the existing ceiling as under, will continue to apply.

<u>Type of UCB</u>	<u>Ceiling on unsecured advances</u>
Bank with DTL of less than Rs.10 crore and Bank with DTL of Rs.10 crore and above	Rs.25,000/-  Rs.50,000/-

4. The total unsecured advances granted by a bank to its members should not exceed 33 <sup>1</sup>/<sub>3</sub>% of the demand and time liabilities of the bank.

5. An amending directive UBD.No.DS.PCB.DIR.6/13.05.00/96-97 dated April 29, 2003, issued in this regard is enclosed. This, read with our Directive DS.PCB.DIR.5/13.05.00/2002-03 dated April 29, 2003, supersedes our Directive UBD.No (PCB).DIR.5/13.05.00/93-94 dated May 26, 1994.

6. Please acknowledge receipt of this circular to the concerned Regional Offices of the Urban Banks Department.

**(K.V. Rajan)**  
**Chief General Manager**

**Extract of Para 112 of the Statement on Monetary and Credit Policy for the year 2003-04**

***(c) Enhancement of Limit in the Ceiling on Unsecured Advances***

112. At present, a ceiling of Rs.25,000 for UCBs with demand and time liabilities (DTL) of less than Rs.10 crore and Rs.50,000 for UCBs with DTL of Rs.10 crore and above has been prescribed for granting unsecured advances to a single borrower/connected group. In order to provide greater flexibility, it is proposed to revise the ceiling on the unsecured advances by the UCBs as under :

Type of UCB	Ceiling on unsecured advances
(a) Non-scheduled UCBs with DTL of less than Rs.10 crore	Rs.50,000
(b) Non-scheduled UCBs with DTL of more than Rs.10 crore	Rs.1 lakh
(c) Scheduled UCBs	Rs. 2 lakh

The enhanced ceiling would not be applicable to weak/sick UCBs.

BPD.PCB.DIR. 6 /13.05.00/2002-03

April 29, 2003

All Primary (Urban) Co-operative Banks

**Maximum Limit on Advances - Limits on unsecured advances to single borrower/connected group**

In exercise of the powers conferred under Section 21 read with Section 56 of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest and in the interest of depositors to do so, hereby directs, in supersession of its directive UBD.No. (PCB) DIR.5/13.05.00/93-94 dated May 26, 1994, as amended by Directives issued from time to time that :

- The unsecured advances made by a primary co-operative bank (PCB) classified as Grade I to a single borrower/connected group shall not exceed the limits indicated below :

Category of advances	Non-Scheduled UCBs whose DTL are		Scheduled UCBs
	Less than Rs. 10 crore	Rs.10 crore and above	

All types of unsecured advances including clean bills/multani hundis purchased/ discounted and drawals allowed against cheques sent for collection.	Rs.50,000/-	Rs.1,00,000/-	Rs.2,00,000/-
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Unsecured advances to a single borrower/connected group by Primary co-operative bank (PCB) classified as Grade II or III or IV, will be governed by the ceiling indicated below :

**Type of UCB**

**Ceiling on unsecured advances**

Bank with DTL less than Rs.10 crore and

Rs.25,000/-

Bank with DTL Rs.10 crore and above.

Rs.50,000/-

Provided, however, that all unsecured advances, except those which are made for amounts not exceeding Rs 5000/- and for a temporary period up to 30 days in emergent cases, shall be against the personal security of another member, who is not a director of the bank.

2. The total of unsecured advances granted by a primary co-operative bank shall not, at any time, exceed the overall ceiling of 33<sup>1</sup>/<sub>3</sub>% of the bank's demand and time liabilities (DTL).

3. Computation of maximum limits on advances

In the case of funded credit limits, the sanctioned limits or outstandings, whichever are higher, shall be reckoned for computing the maximum limits on advances. In the case of nonfunded credit limits, only fifty per cent of such limits or outstandings, whichever is higher, shall be reckoned for the purpose of computing the maximum limit on advances.

4. Notwithstanding anything contained in paragraph 1 of this directive, the Reserve Bank may, on an application in this behalf, made to it in writing, exempt a primary co-operative bank from any or all the requirements in that paragraph, subject to such conditions as may be specified by the Reserve Bank in this behalf.

5. Explanations

(i) For the purpose of this directive, the total of the demand and time liabilities shall be the same as defined in Section 18 read with Section 56 of the Banking Regulation Act, 1949, subject to the modification that 75% of the paid-up capital and reserves of a primary co-operative bank may be added to its demand and time liabilities.

(ii) All bills of exchange not accompanied by the official receipts of the Indian Railways or Indian Airlines or Road and Water Transport operators as approved by the Board of Directors of the primary co-operative bank, shall be deemed to be clean bills.

(iii) For the purpose of this directive, the different firms with one or more common partners engaged in the same line of business, viz. manufacturing, processing, trading activity, etc. shall be deemed to be connected group and units coming under common ownership shall be deemed to be a single party.

(iv) For the purpose of this directive, unsecured advances shall include clean overdrafts, loans against personal security, clean bills or Multani hundies purchased or discounted, cheques purchased and drawals allowed against cheques sent for collection but shall exclude :

- (1) advances backed by guarantee of the Central or State Governments, public sector financial institutions, banks and Deposit Insurance & Credit Guarantee Corporation;
- (2) advances against supply bills drawn on the Central or State Governments or State owned undertakings which are accompanied by duly authorised inspection notes or receipted challans;
- (3) advances against trust receipts;
- (4) advances against inland D/A bills drawn under letters of credit;
- (5) advances against inland D/A bills (even where such bills are not drawn under letters of credit) having a usance of not exceeding 90 days;
- (6) advances granted to salaried employees against personal security, provided that the Co-operative Societies Act of the State concerned contains an obligatory provision for deduction of periodical loan instalments by the employer out of the employee's salary/wages to meet the bank's claims and provided further that the bank has taken advantages of this provision in respect of each of such advances;
- (7) advances against supply bills drawn on private parties of repute and receipted challans of public limited companies and concerns of repute and not outstanding for more than 90 days;
- (8) advances against book debts which are not outstanding for more than 90 days;
- (9) cheques issued by Governments, public corporations and local self-governing institutions;
- (10) advances in the form of packing credit for exports;
- (11) demand drafts purchased;
- (12) the secured portion of partly secured advances, and
- (13) advances against legal assignment of contract moneys due or to become due.

## 6. Prohibitions

No primary co-operative bank shall finance a borrower who is already enjoying credit facilities with another primary co-operative bank without obtaining a 'No objection Certificate' from such financing bank and where the aggregate of the credit facilities enjoyed by the borrower exceeds the ceiling stipulated in the directive for a single party, the prior approval of the Reserve Bank of India shall be obtained.

7. The supersession of the previous directive referred to in this directive shall not in any manner whatsoever effect any action taken by the Reserve Bank under the previous directive and shall not absolve any primary co-operative bank from its liability in respect of any contravention of or any non-compliance with the provisions of the said directive.

8. In the event of any dispute relating to interpretation of any of the provisions of this directive, the Reserve Bank's decision thereon shall be final.

**(N. Sadasivan)**  
**Executive Director**