



THE BIHAR STATE CO-OPERATIVE BANK LTD.

POLICY ON CMA (Credit Monitoring Arrangement)

Approved by B.O.D on 31.10.2023



THE BIHAR STATE CO-OPERATIVE BANK LTD. **CMA POLICY**

Credit Monitoring Arrangements (CMA) - Revision of Exposure norms and Monitoring & Reporting procedures

Exposure norms and Monitoring & Reporting procedures is to provide flexibility and operational freedom to cooperative banks, based on the financial position and operational competence of the banks, on the basis of CAMELSC rating awarded after statutory inspection by NABARD. The salient features of the policy are indicated in the ensuing paragraphs:

(I) Exposure norms

- i) The exposure norms shall be uniform for both SCBs and DCCBs irrespective of whether the unit financed is within the cooperative fold or outside the cooperative fold.
- ii) The norm shall not apply to the loan sanctioned / outstanding to Primary Agriculture Cooperative Societies (PACS), and other credit societies and agricultural advances.
- iii) The unit-wise exposure norm shall be linked to Capital Fund (CF), while sector-wise exposure norms shall be linked to the Lendable Resources (LR) as on 31 March of the latest audited Balance Sheet of the bank, based on the 'rating' of banks given by NABARD after the inspection of banks conducted under Section 35(6) of B.R. Act, 1949 (AACS).
- iv) Capital Fund (CF) shall comprise paid up capital and free reserves. Reserves created by way of revaluation of Fixed Assets, etc., if any, should not be included for the purpose.
- v) Lendable Resources (LR) shall be computed as the sum of share capital, reserves including provisions and excluding the balance under Agricultural Credit Stabilization Fund (ACSF), deposits and borrowings less sum of optimum liquid assets (35% of DTL), Fixed Assets, accumulated losses and any other commitments except loans and advances.
- vi) The term 'individuals' shall include individual partners, sole proprietors, partnership firms and unincorporated bodies.
- vii) The exposure shall include funded credit limits like working capital limits, short term / temporary loans and block capital facilities like term loans, interim / bridge loans granted by the banks either from out of their own resources or out of the refinance assistance availed of by them from higher financing agencies. It shall also include non-funded financial accommodations like guarantees, letter of credit, etc.
- viii) The sanctioned limit or loan outstanding whichever is higher, shall be reckoned for arriving at the exposure in the case of cash credit limits. In the case of term loan, outstanding amount may be reckoned for the purpose of exposure. However, in the case of non-funded credit limits, only 50% of such limits or the outstanding loan amount whichever is higher, may be taken into account for the purpose.
- ix) Borrowers for whom credit limits are allocated directly by the RBI for the purposes like food credit limits, etc. will be outside the purview of exposure limit.



THE BIHAR STATE CO-OPERATIVE BANK LTD. **CMA POLICY**

x) The exposure limit shall be as under:

Inspection rating	Unit-wise exposure as % to CF	Sector-wise exposure as % to LR
A	60	50
B	50	40
C	45	35
D	40	30

- xi) The ceiling on financing of individuals shall be Rs.60 lakh for banks having 'A' rating, Rs.40 lakh for banks having 'B' rating and Rs.25 lakh for banks having 'C' or 'D' rating as per the latest inspection conducted by NABARD.
- xii) There may be certain circumstances requiring SCBs / DCCBs to extend financial assistance to certain units / sectors in excess of the cut-off limits indicated above. In such cases, the banks may, with relevant details, seek specific relaxations from NABARD. NABARD may, in exceptional cases, permit banks to extend such finance exceeding the exposure limits, based on merits of the individual case.
- xiii) The banks are required to evaluate the credit risks themselves, especially when extending financial assistance to bigger borrowers and take their own credit decisions, based on commercial judgement and market information. For the purpose of containing the credit risk, it is desirable, if the bank restricts its exposure to a single unit within the 'net owned funds' of the unit concerned. Banks may take steps to achieve this norm over a period of 3 to 5 years, especially when financial assistance is extended to units exceeding Rs.20 crore.

(II) Monitoring returns / Reports

As per existing instructions, SCBs and DCCBs are required to furnish to the Regional Offices of NABARD quarterly returns, CMA-I to III so as to reach them within one month from the end of each quarter. In the case of financial assistance provided by SCBs and DCCBs beyond a certain cut-off limit, along with the quarterly returns, banks are required to submit a copy of the latest audited Balance Sheet of the borrower, a copy of the Memorandum / appraisal note put up to the Board/ Competent Authority indicating the assessment of the working capital and the need therefor as also the credit risk analysis. It has been decided to dispense with the above practice and banks need not submit the details / copies of the Memorandum / appraisal note, etc., to NABARD. However, the bank may strictly appraise the loan proposals, based on their risk perceptions, monitoring arrangements in place and commercial judgement. The quarterly returns to be submitted to NABARD have also been revised and w.e.f. the quarter ended 30 June 2008 onwards, banks are required to submit only 2 returns CMA-I and II as per the format enclosed, so as to reach the Regional Offices of NABARD within one month from the end of each quarter.



THE BIHAR STATE CO-OPERATIVE BANK LTD. **CMA POLICY**

(III) Review of large advances by Board

The bank shall continue to review the quality of their lending to non-credit cooperative societies / units outside the cooperative fold and individuals, on a quarterly basis and submit a Memorandum thereon to their Board. Such a review may cover, interalia, details of sectoral / sub-sectoral credit limits / loans sanctioned, comments on operations on the major accounts on adequacy of margin, utilization of the limit, end use of credit, irregularities, if any, in the operations of the unit or any other problems faced by the unit, etc., together with the bank's sectoral exposure and any other relevant issue. A copy of such review notes may be submitted to the Regional Office of NABARD. In the case of the DCCBs, a copy may also be given to the concerned SCB.

(IV) Prior authorization from NABARD

Though the need for obtaining prior authorization from NABARD was dispensed with effect from 24 April 2000, in respect of loans sanctioned to the co-operative marketing societies / consumer stores / societies / State level co-operative federations under purchase / procurement schemes of State Governments outside PDS, beyond certain limits, banks are required to obtain the prior authorisation from NABARD. The policy will continue without any change. The details of the policy where prior authorisation from NABARD is required, are given in Annexure-I.



THE BIHAR STATE CO-OPERATIVE BANK LTD. **CMA POLICY**

CMA - I

Details of loans and advances sanctioned/ outstanding in excess of the unit-wise exposure limit for the Quarter ended _____

Name of the bank: _____

Rating awarded as per the latest inspection conducted by NABARD w.r.t. financial position as on _____

Capital Fund of the bank as per the latest audited Balance Sheet as on _____

Unit-wise exposure - Institutional borrower (amt) : Rs. _____ lakh.

Ceiling on financing of individuals (amt) : Rs. _____ lakh

I Cases where unit-wise exposure exceeded the prescribed level

Sr. No.	Industry/ Sector	Name of the borrower	Details of accommodation provided					Total exposure	Net owned funds of the unit financed	Remarks
			Type of facility	Purpose	Amt. sanctioned	Date of sanction	Amt outstanding			
1	2	3	4	5	6	7	8	9	10	11

II Cases where ceiling on individuals exceeded the prescribed level

Sr. No.	Sector	Name of borrower	Details of accommodation provided					Total exposure	Remarks	
			Type of facility	Purpose	Amt. sanctioned	Date of sanction	Amt outstanding			
1	2	3	4	5	6	7	8	9	10	

Note :

When different facilities are provided to a borrower, each facility has to be reported separately in col. 4 to 8 and the total exposure to be reported in col. 9. In the case of CC limits, exposure shall be sanction or outstanding whichever is higher and in the case of term loans, exposure shall be outstanding and in the case of non-funded facilities 50% of sanction or outstanding, if any, whichever is higher.

The reasons for exceeding the prescribed level may be reported under the remarks Col. 10 or 11. In case, any relaxation granted by NABARD, the same may also be reported under the col. 10 or 11.

- ◆ Net owned funds - capital + Free Reserves - Accumulated losses.
- ◆ Capital Fund of the bank - Share capital + Free Reserves.



THE BIHAR STATE CO-OPERATIVE BANK LTD.
CMA POLICY

CMA II

Sector-wise Exposure to Non Agriculture Loans & Advances as on _____
(Quarterly)

Name of the bank : Rating awarded as per the latest inspection report of NABARD
w.r.t. financial position as on _____

Lendable Resource as per the latest audited Balance Sheet as on _____

(Rs. lakh)

Sr. No.	Sector	No. of unit Refinanced								% to Lendable Resources
		Block Capital		Working Capital		Other type of accommodation		Total		
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	
1	Weaving									
2	Sugar Processing									
3	Cotton Processing									
4	Milk Processing									
5	Tea Processing									
6	Oil seeds Processing									
7	Food grain Processing									
8	Marketing									
9	Housing									
10	Others (Specify)									
11	Miscellaneous									
	Total									

Note :

1. Sector-wise exposure limit is applicable only to NFS.
2. Sector-wise exposure to be reported only in respect of those sectors where bank's involvement is 15% or more of Lendable Resources. Wherever exposure is less than 15%, all such sectors may be clubbed together and given under Miscellaneous.
3. Lendable Resources - Share Capital plus reserves including provisions but excluding ACSF + Deposits + Borrowings less optimum liquid assets (35% of DTL), fixed assets, accumulated losses and any other commitment except loans and advances.



THE BIHAR STATE CO-OPERATIVE BANK LTD.
CMA POLICY

Annexure I

Requirement of Prior Authorisation

- a. Sanction of credit limit by SCBs and DCCBs, either by the banks concerned or in consortium with other banks, to the cooperative marketing societies/ consumer stores/ societies/ State Level Cooperative Federations in respect of purchase/ procurement schemes of the State Govts., UT outside PDS (other than food credit), whether the aggregate amount of sanction is beyond the prescribed cut off points.
- b. Financing State Level Marketing Federations for procurement of food grains at Govt. Support price or on commercial basis outside PDS, where the aggregate amount of sanction is beyond the prescribed cut off points as is given below

(₹ in crore)

Sr. No	Type of financing	SCBs in 3 tier		SCBs in 2 tier/ DCCB	
		With deposits above ₹ 1000 cr	With deposits less than ₹1000 cr	With deposits more than ₹ 300 cr	With deposits less than ₹ 300 cr
1	Pledge/ hypothecation limits against commodities not covered by RBI's directives (other than food grains)	35	20	15	10
2	Pledge/ hypothecation limits against commodities covered by RBI's directives (other than food grains)	7.5	7.5	7.5	5
3	Procurement/ purchase of food grains outside PDS	7.5	7.5	7.5	5

- a. Financing State Government Corporations for power/ infrastructure Development Projects, irrespective of the amount.

----XXXX----