

LOAN REGULATIONS

(Amended in 95th Meeting of BOD held on
27.9.2000. Amendments effective from 1.11.2000)



BACKFINCO

**PUNJAB BACKWARD CLASSES LAND DEVELOPMENT
AND FINANCE CORPORATION
S.C.O. 60-61, Sector 17-A, Chandigarh**

LOAN REGULATIONS OF PUNJAB BACKWARD CLASSES LAND DEVELOPMENT AND FINANCE CORPORATION

In exercise of the powers conferred by the section 34 of The Punjab Backward Classes Land Development and Finance Corporation Act, 1979 (Punjab Act, No. 27 of 1976), and with the previous sanction of the state Government, the Board hereby makes the following regulations namely:-

1. **Short Title:-** These Regulations may be called "The Punjab Backward Classes Land Development and Finance Corporation (Loan Regulation), 21st February, 1979.
2. **Commencement:-** These Regulations shall come into force with effect from such date as approved by the Board.
3. **Definitions:-** In these Regulations unless there is anything repugnant in the subject or context:-
 - (a) "The Act" means "The Punjab Backward Classes Land Development and Finance Corporation Act, 1976"
 - (b) "Loan Committee" means, the committee, if any constructed by the Board under section 6 (2) of the Act for sanctioning loans under the Act.
 - (c) "Family" in relation to a person means the person, the wife or husband, as the case may be, of such person and in case of a person and in case of a person dependent upon his parents, such parents.
 - (d) Other expressions have the meaning respectively assigned to them in the Act.
4. **Persons Entitled to Loans :-** Any person may apply to grant of loan to the Corporation:-
 - (i) If he belongs to any of the caste, races or tribes, or parts of, or groups within caste, races or tribes, specified by the state Government from time to time as Backward classes, considering the social and economic conditions of the members thereof : and
 - (ii) If the annual income of his family is less than such sum as may be specified by the State Govt./National Corporation i.e. NBCFDC from time to time.
 - (iii) Is a permanent or ordinarily resident of the State.
 - (iv) If he is not less than 18 years old and not more than 65 years from the date of submitting loan application form.
 - (v) Satisfies other conditions, if any, for entitlement of loans as prescribed by the Corporation.
5. **Organisation Entitles to Loans:-** Any Backward Classes Organisation may apply for grant of loans to the Corporation, if it-
 - (i) Is a firm registered under the Partnership Act, 1932, Society Registration Act, 1960 or a Co-operative society registered under the Punjab Co-operative Societies Act, 1961 all the partners or members where of as the case may be, belong to Backward Classes and are permanent or ordinarily residents of the State of Punjab.
 - (ii) Satisfies other conditions for entitlement of loan as prescribed by the Corporation.
6. **Scope of Advance of loans :-** The Corporation will provide loans to the members of the

Backward Classes or Backward Classes Organizations by advancing to them loans including loan under hire purchase system through account payees cheque/draft for any of the activities/ schemes as may be approved by the Board of the Corporation/National Corporation i.e. NBCFDC from time to time.

7. **Competent Authority to sanction Loans :-** Executive Director of the Corporation shall be the Competent Authority to sanction loans to any limit.
8. **Disbursement of Funds :-** Funds shall be disbursed on 'First Come — First Served' basis as and when received from National Corporation i.e. NBCFDC.
9. **Method of Applying for Loans :** The persons or organisations desiring or secure a loan from the Corporation shall apply in the form prescribed by the Corporation appended as Annexure I to these regulations.
10. **Security from the Loanee:-** A loanee will be required to mortgage by executing a mortgage deed in favour of the Corporation in prescribed format either his own or his surety's immovable property free from all the encumbrances of the value double the loan amount. The property to be mortgaged by the loanee or his surety as a security of the loan should be situated in the State of Punjab.

Provided that the following conditions shall be observed for loan cases falling under regulation -10

1. In case the amount of loan is utilised for the purchase of any vehicle it shall be incumbent upon the loanee to get it hypothecated in favour of Backfinco and insured comprehensively against possible damages and in the insurance papers the loanee shall declare interest of the Corporation.
2. The Loanee shall get affixed an engraved metal plate to the machinery with the words "Pledged to the Punjab Backward Classed Land Development and Finance Corporation"

12. Valuation of Property :-

- (i) Valuation of property to be mortgaged shall be done by the Patwari concerned on the basis of last two years average price of the similar situated property in the prescribed application form and the same shall be countersigned by the Naib Tehsildar/ Tehsildar in respect of property falling outside Lal Lakeer. The property falls within the Lal Lakeer shall be valued by the Patwari or Field Officer of the Corporation in consultation with Sarpanch/Numberdar of the village.
- (ii) The valuation of the property in the Municipal limits shall be done by the Sectional Officer/Municipal Engineer and to be countersigned by the Executive Officer/ Administrator/President/Mayor of the Municipal Corporation/Municipal Council.

Provided that if the valuation by the authority mentioned in (i) & (ii) above appears to be excessive Corporation may have it revalued through its own sources.

13. **Limit of loan and mode of repayment :-** The limit of advancement of loan to the loanee under different schemes, commencement for repayment and the period for the repayment shall be such as approved by the BOD of the Corporation/National corporations from time to time.
14. **Admissibility of loan :-** Loan for only one activity shall normally be advanced. However, in

case the loanee want to shift the activity due to some genuine reasons or failure of activity for which loan was advanced, he may start another activity out of the approved activities with the same loan amount and inform the Corporation. However the Corporation may get it verified. Starting of an alternative activity with the same loan will not amount to its misutilisation.

15. Rate of Interest :- The rate of interest on the loans advanced by the Corporation shall be such as decided by the Board from time to time.

16. Procedure for disbursement of loan : (i) The Executive Director of the Corporation shall be Competent Authority of disburse loan either in one installment or two installments depending upon the circumstances of each case.

(ii) **Loan Form :-** Loan payment as prescribed by the Corporation and appended as Annexure VIII to these Regulations shall be filled in and an order of payment from the Executive Director obtained thereon before release of the payment.

(iii) **Payment by Cheque:-** (a) Payment will invariably be made by Account Payee Cheques/ Bank Draft either to the loanee or to the Supplier/Dealer with whom the loanee has bargain for the purchase of machinery or any other material on the basis of Proforma invoice.

(b) Where the payment of loan is to be made in kind or to the supplier/dealer with whom the loanee has bargain for the purchase of machinery or for other materials and whose bill has been produced by the loanee, the payment will be made by Account Payee Cheque/Bank Draft only in favour of the firm from whom the purchase of machinery etc. has been made. The bill(s) of the firm will be in the name of the loanee as purchaser. The Corporation's name shall appear on the bill as financier.

(c) After the issue of the cheque/Bank Draft to the supplier the procurement of machinery etc. will be at the risk and responsibility of loanee himself.

(iv) **Acknowledgment of Payment :** The acknowledgment of loan will also be obtained in the loan payment from as mentioned in sub-rule (ii) above. This acknowledgment shall be duly stamped and include the number and date of the cheque/Bank Draft drawn in favour of the loanee and also the number, date, amount and name of the dealer/supplier in whose favour the cheque/Bank Draft has been issued for the purchase of machinery and other materials etc. which are to be sold to the loanee.

The loanee will also get interest of the Corporation mentioned in the registration documents and insurance policy in case of vehicles.

(v) **Identification of loanee :-** At the time of payment of the loan the signature of thumb impression of the loanee will identified by the Field Officer concerned if he is present or by some other person known to the corporation. The signature of the witnesses to whose presence the loanee has signed the acknowledgment for having received the payment of loan will also be obtained on the loan form.

(vi) **Attested photograph of loanee :** In case where the Field Officer or some person known to the Corporation is not available at the time of making payment and the payment is to be made to the loanee to avoid hardship, the attested copy of photograph submitted by the loanee alongwith the application form will be utilised for this purpose.

- 17. Procedure for Recovery of loan :-** (i) Periodicity and number of installments (a) The loan shall be repaid by the loanee on the terms agreed as stipulated in the mortgage deed surety Bond or some other undertaking, if any, made by loanee.
- (b) Their installments of the principal amount of the loan is to be paid on or before the due date together with the due till the date of payment.
- (c) The loanee has the option to repay the loan at any time before repayment falls due or is lesser number of installment then agreed upon.
- (ii) **Demand notice:-** The terms and conditions of loan including periodicity and number of installments having already been agreed to by the loanee in the Mortgage Deed/Surety Bond or other undertaking, the loanee has to make payment in time without waiting for any demand notice. However, the Corporation may as a matter of courtesy, remind loanee a few days before the due date of repayment by issuing a simple demand notice.
- (iii) **Non-payment of loan instalment on due date:-** In case where the payment of loan installments together with interest due is not received on due date a notice shall be served on the loanee intimating him balance amount due together with the penalty charges as on 31st March and 30th September every year.
- (iv) **Recovery Proceedings for non-payment:-** In case the loanee fails to repay the loan installments of principal and interest including **Penalty Charges** even after issue of a notice at the address mentioned in the loan documents by the dates specified in such notice and the default amount exceeds 50% of the amount advanced to the loanee, the recovery proceedings for realising the entire amount of loan as arrears of land revenue through the Collector of the district concerned will be initiated by the Corporation in accordance with the provisions of Section 24 and Section 25 of the Act. The amount of principal interest due, **Penalty Charges** will be realised as arrears of land Revenue by the Collector of the district concerned and remitted to the Corporation.
- 18. Mode of Repayment:-** (a) The repayment installments of loan can be deposited by the loanee in cash or through Bank Draft either in Field Office or Head Office of the Corporation. The Bank Draft shall be drawn in favour of the Executive Director of the Corporation.
- (b) The receipts in the prescribed form appended as Annexure IX to these Regulations will be issued to the loanee in acknowledgment of the payment so received.
- (c) The Corporation will take no responsibility for any payment made by the loanee to any person other than the cashier at the counter at the Head Office of the Corporation or Field Office/Field Officials of the Corporation at the district level.
- 19. Penalty:-**
- Penalty shall be calculated on the balance total due amount on the last date of every month without counting number of days. Penalty shall be charged @ 1% per month on the loans where rate of interest is upto 7% p.a., @ 1.25% where the rate of interest shall be more than 7% and upto 10% and @ 1.50% where the rate of interest shall be more than 10% and upto 12% p.a.
- (2) Misutilisation of loan:-** The loanee is required to utilise the loan within three months from the date of disbursement. The period can be extended further upto two months by the Executive Director in genuine cases on the request of loanee and report of Field Officer/ Enforcement Officer of the Corporation. In case the loanee does not utilise the

loan within the prescribed period or where the loan was obtained by furnishing false and misleading information the entire loan amount in lumpsum with penalty from the date of disbursement shall be recovered by calculating the penalty at the end of every month. In case the loanee fails to comply with or default in complying any other terms and conditions of loan as prescribed from time to time, he will be liable to pay penalty on the entire amount of loan to be calculated at the end of every month till the default is removed.

19-A. Remission of Penalty charges:

- (i) In case of death of a loanee if such loanee does not have any major earning member in the family the penalty may be remitted by the Board at their discretion either wholly or in part depending upon the circumstances of each case.
- (ii) In case where the loanee suffers from an incurable disease or a natural calamity like floods/drought/fire or spread of epidemic, terrorist action etc. etc. or where the loanee becomes bankrupt to the satisfaction of Board the later may at their discretion waive off all the penalty either wholly or any part as the circumstances of each individual case so warrant.

20. Power of Inspection:- (i) The Executive Director or his nominee shall have the power to supervise/inspect the premises of the projects/undertakings for which the loans are taken by the loanees from the Corporation with a view to protect the interest of the Corporation particularly to ensure continued fair margin of return in such projects/undertakings and to ensure timely repayment of loans and interest thereon by the loanees. The loanees shall afford all facilities to the Executive Director or his nominee for such inspection.

(ii) The loan amount or installments thereon must be utilised within three months from the date of disbursement of the loan. The period can be extended further upto two months by the Executive Director in genuine cases on the request of loanee and report of Field officer/Enforcement Officer of the Corporation. The Executive Director or his nominee may visit and conduct the verification of utilisation of loan after the completion of three months or after the expiry of the extended period. The utilisation of loan shall be accepted on the utilisation report submitted by the Field Officer/Enforcement Officer of the Corporation.

21. Power to amend/Interpret Regulations:- The Board shall have power to amend and interpret these Regulations. In exercise of these powers, the board can make such additions, deletions, alterations, or amendments in these Regulations from time to time, as it may deem necessary.