MODEL BUSINESS RULES FOR MINI BANKS OPERATING AT THE LEVEL OF PACS OF ASKA COOP. CENTRAL BANK LTD., ASKA.

1. SHORT TITLE & COMMENCEMENT:

These Rules may be called "The Business Rules of Mini Banks" operated through PACS.

2. Objectives

Pursuant to the recommendations of ACRC, 1989 (set up by RBI), PACS/LAMPS/FSS have already implemented Mini Bank Schemes to augment resources by accepting various types of deposits and deploy the same in better yielding loan portfolio and business so as to attain financial viability. Main objectives of this scheme is to prescribe uniform guide lines for day-to-day functioning of Mini Banks, maintenance of proper accounts, safety investment of funds and render banking services to customers.

3. Definitions

Under these Rules:

i. PACS means - Service Coop.Societies

ii. Bank means - Aska Coop. Central Bank

iii. Branch Bank - Branch of the C.C.Bank under whose jurisdiction the PACS is located.

iv. Chief Executive - Secretary of concerned PACS.

4. Identification of Societies:

There shall be a Committee consisting of following four members to consider theproposals of the PACS accompained by a resolution of the M.C.for opening a Mini Bank and select suitable cases on the basis of criteria contained hereinafter.

i. President of the C.C.B. - President

ii. Dy.Registrar of C.S. - Member

iii. Asst.Registrar of concerned Circle - Member

iv. Secretary of the C.C.B. - Member Convenor.

1. The PACS should either be a viable or potentially viable unit and implenenting Development Action Plan (DAP)

2. The Society should ~~should~~ have its own/hired fire-proof pucca building.

3. The Head Quarters of the Society should be located in a commercially growth centre having adequate scope for business and should be well connected with all-weather roads to the C.C.B.Branch. Mini Banks cannot be opened at any place other than the Head Quarters of the PACS.

4. Minimum loan business of the PACS should not be less than Rs.5 lacs in the preceeding years.

5. Minimum loan recovery against the demand (PACS Vrs. Members) in the preceeding year or in the current year should not be less than 50%.

6. The audit of the society should have been completed till the preceeding financial year.

7. Adequate scope should be available in the area for mobilising at least deposit of Rs.10 lacs during first year of operation of the "Mini Bank".

8. In case of imbalance in outstanding loan against member Vis-a-vis borrowing from C.C.Banks, the society should have prepared an Action Plan to wipe out the imbalance within a period of three years.

9. The Society should have taken legal/Administrative action to realise the audit recoveries/misappropriation amounts from its employees, members of the committee, past employees/ committee members.

10. The Chief Executive of theSociety should be a staff posted by the C.C.Bank out of the common Cadre Schemes by State Govt. or from Bank's own cadre and shall not have audit recoveries, charges of misappropriation, embezzlement and major misconduct against him. He should have adequate knowledge in Book-keeping, accounts and banking transactions etc. In case the Chief Executive belongs to the own cadre of the Society, he is required to fulfil the above norms and criterias.

On the written proposal of the Society duly supported by a resolution of their Board of Management, the Committee shall consider the suitability of opening Mini-Bank counter on the basis of norms prescribed from time to time.

5. Deposits:

In the "Mini Banks" of the Societies, deposits from its members can be accepted under following categories of deposit schemes.

1. Savings Bank deposit;
2. Term Deposit/Reinvestment plan
3. Recurring Deposit
4. Daily Deposit(Through its paid employees)

Mini Banks are not allowed to open Current Deposit Accounts. However, new innovative Schemes of deposits suitable for the locality may be introduced by the S ociety with the approval of the C.C.Bank. The rules regulating the norms for opening of deposit A/cs., its operation and other norms with regards to maturity and payments etc. shall be strictly followed as per the C.C.Bank Rules and practices. Account opening forms, specimen signature~~s~~ cards, pay-in-slip, ~~xxx~~ withdrawal forms, day-book and general ledger etc. shall be centrally printed and supplied by the C.C.Bank to the Societies on payment of cost. The PACS may also print/procure the required forms and registers with the approval of C.C.Bank.

6. Payment of Interest on Deposits

Mini Bank of the PACS shall pay interest on deposits received under various categories @ 0.50 more than the rate of interest paid by C.C.Bank on similar deposits. The Societies shall not at any time pay interest on deposits over and above the above rates. Restrictions/impositions under R.B.I. directives from time to time on payment or interest/levy or penalty etc. shall be followed by the society without any deviations.

7. Sanction of loan against deposit:

Loans may be granted against pledge of Fixed/ Reinvestment or Recurring deposits to the maximum limits of 85% of the deposit amount. The Chief Executive of the Society shall be competent to sanction such loan against deposits on the following conditions.

1. The loans against deposits will carry interest @ 2% in excess at the rate of interest the deposit carries.
2. Interest will be compounded withthe Principal on quarterly basis, if not paid at quarter ending.
3. The due date of repayment of the loan shall be the maturity date of the deposit.
4. The deposit Receipt/pass book should be properly discharged(undated) by the depositor and surrendered for keeping under pledge.
5. In the event of non-repayment of loan by the date of maturity of deposit, the proceeds of deposit and interest thereof shall be adjusted towards principal & interest due and balance, if any, should be paid back to the depositor.
6. All loans sanctioned against deposits by the Secy. of PACS shall be placed before the Board of Management for ratification in next meeting positively.

8. Maintenance of Records:

The Chief Executive of the Society shall be responsible for maintenance of proper accounts and records, day-to-day transactions. All money paid in counter for credit to deposit A/c. shall be made through prescribed pay-in-slip contained details of dehomination, which will be acknowledged with signature and seal by the Chief Executive/ Authorised employees of the Society. The dpposits received and withdrawn shall be entered in the concerned Deposit Ledger every day and balance thereof shall be struck off and authenticated by the Chief Executives/authorised officer in charge of day's transaction. Account opening ~~xra~~ forms, specimen signature, nomination forms, pass books, term deposit receipts shall be signed by the Chief Executive and in his absence, Addl.Secy./Asst. Secy. who remains in charge of day's transactions. On such occasions, the Chief Executive on return to Head Qrs. shall check up and countersign all the transactions made in his absence.Mini Bank shall adopt double entry system of book keeping and maintuin day-book and general ledger every day.

The detailed guide lines with regards to ~~the~~ Accounting procedure, servicing of Accounts, calculation of interest, monthly balancing of subsidiary ledgers, balancing with general ledger, preparation of monthly financial statements like (1) Receipt & Charges, (2) Trial balance etc. shall be prescribed by the concerned C.C.Banks.

9. <u>Cash Balance</u>:
At the close of day's transaction, the balances in different sections viz. (1) Mini Bank, (2) Fertilizer (3) Consumer business shall be brought forward to generalcash book and closing cash balance shall be arrived at. The cash balance should be recorded in the double lock register with denomination and kept in the double lock iron safe duly signed by both the double lock officers.
The Chief Executive and Addl.Secy./Asst.Secy. shall be the double lock officer. The overnight cash-retention limit of the Society shall be fixed by the concerned C.C.Bank considering the volume of business and cash in-flow, out-flow. Excess cash balance beyond the limit prescribed should be remitted to the

Branch. The Chief Executive shall be made liable for retention of higher balances beyond the prescribed limit for two consecutive working days without having cogent reasons. The duplicate (2nd set) set of keys of iron safe shall be deposited in the concerned Branch of the C.C.B. under sealed cover which may be exchanged at an interval not exceeding two years.

10. Insurance:

The society shall insure the cash in safe and transit up to such limit and in such manner as may be stipulated by the C.C.Bank. For the sake of conveinence and economy, the C.C.Bank may arrange totake up a Banker's indemnity Master Policy covering all the Mini Banks. The premium paid on such policy shall be equally shared by all the Societies operating Mini Banks. The Society shall maintain proper records for cash-in-transit (to & fro) to the Branch Bank, duly signed by the Officer carrying cash and escorts.

The Society shall obtain adequate security deposit and fidelity guarantees from the concerned staff/extend fidelity insurance to such staff as may be determined by the Bank from time to time.

11. Deployment of deposit resources:

The resources raised by way of deposit shall be invested by the society in the manner prescribed below.

1. Not less than 10% of the total deposit, as it stands by end of the preceeding month shall be kept in shape of cash and balance in the savings Bank Account with the concerned Branch of the C.C.Bank to meet the demand of depositors subject to overall cash retention limit fixed by the C.C.B.
2. 25% of the total deposits shall be invested in Fixed deposit with the concerned Branch. The period of investment of term deposit shall be Co-related to the maturity pattern of deposits accepted by the Society.

3. The Balance of 65% may be investedin granting loans mostly non-farm and business loans to members for various productive purposes like (a) Non-Farm activities, (b) Loans to business-men & traders, (c) Service functions, (d) pledge of gold ornaments to ensure yielding higher returns. The loaning policy and procedures shall be approved by the C.C.Bank taking into account the model guidelines issued by R.C.S.(O)/ O.S.C.Bank and NABARD from time to time.

Till the amt. is invested, the PACS may keep the deposit in short terms deposit accounts (Say for 46 -180 days or beyond 180 days) in the Branch of the C.C.B. The Chief Executive of the PACS shall be competent to sanction loan upto Rs.5,000/- and for such prupose the M.C. of the PACS shall deligate power. All loans sanctioned by Chief Executive shallbe placed in the M.C.of the PACS for ratification. For all loans exceeding Rs.5,000/- to an individual, the PACS shall obtain permission of the C.C.B.Documentation, scrutiny,period of repayment and interest rate shall be as stipulated by C.C.B.

12. Sanction of loans

All the applications for loans received from members shall be scrutinised by theChief Executive to ensure feasibility of the project and scheme, bankability, adequacy of security offered and banking safeguards. If it confirms to financing norms, he shall sanction loan upto Rs.5,000/-.If the loan limit exceeds Rs.5,000/- the same shall be considered by the Managing Committee.

13. Deposit Guarantee:

In order to create a sence of security amongst the depositors and enhance creditability in banking operation, the Central Coop.Bank shall guarantee repayment of the deposits mobilised by the Society. Under the deposit guarantee scheme for PACS, deposits amounting to Rs.30,000/- per

Depositor have been guaranted. The society shall contribute the prexcribed guarantee fees within the scheduled period so as to be eligible for guarantee cover.

The C.C.B.shall implement the Deposit Guarantee Scheme as approved by the State Govt.

14. Counter & Iron Safe:

The Society shall creat infrastructure facilities such as Banking counter,iron safe,almirah etc. arranging assistance from concerned CC Bank,OSCBank NABARD, State Govt. for the purpose from time to time. Initiating to start the Mini Bank counter, the society may utilise its general funds after obtaining necessary prior approval from the competent authorities or may borrow funds from the Bank pending sanction of financial assistance by State Govt./NABARD/O.S.C.B./C.C.B.

15. Supervision and control:

The Committee of Management of the Society in its each meeting shall review the progress of Mini Banks and shall inter-alia discuss /review (a) Accounts opened/closed (b) upto date maintenance of accounts (c) Maintenance of liquidity in the manner prescrib (d) proper deployment of deposit resource (e) Recov of loans advanced out of deposit resources (f) Retention of cash balance & (g) Monthly receipt & charge and Trial balance etc.

The Supervisior/Administrative Inspector in charge the Society shall devote one complete day in a mont to check up Mini Bank transactions of each PACS and certify correctness of posting and proper maintenan of books of accounts. He will check in each visit t correctness of new accounts opened/closed, posting of subsidiary registers with the entries of day-boo examine all receipts and payment vouchers, verify the signature in payment vouchers with specimen signature of atleast 5% of the vouchers at rundum (30 cases which ever is less, monthly balancing of

Accounts, correct positing and balancing of general ledgers, propor safe keeping of documents, account opening forms, specimen signature cards etc. The supervisior will have tosubmit report to the secretary of the C.C.Bank with full details of discripencies/short-coming noticed in course of scrutiny of Mini Banks accounts in the prescribed form. The Branch Manager shall also visit each Mini Bank societies at least once in 2 months and check up the functioning of Mini Bank in the light of the supervisior report and take necessary corre-ctive steps at once. ..

Apart from the above, the Bank shall arrange for inspection of Mini Bank PACS by an Officer of Head Office at least once in a year. Allotment of Auditors for Mini Bank Societies should be made on priority basis by the concerned A.O.C.S. so that there shall not be any scope for audit in arrears and lacunas in operation can be corrected early.

16. The C.C.B. shall prescribe montuly return-s to be submitted by the PACS within 7th of the suceeding month. Such returns shall be complied PACS wise and submitted to Head Office within 18th of the sucoeding month. The Branch-wise statements be complied in a register in the Head Office and placed before the Chief Executive of the C.C.B. every month by 25th.

17. Supprise checking of Mini Banks <u>By Branch Managers of C.C.Bs.</u>

The Branch Manager of the C.C.B. shall undertake surprise visit at least to 3 Mini Banks in a month and verify the cash balance and general operation of Mini bank. Such Mini Banks should be selected at randum.

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