

**ONE TIME SETTLEMENT SCHEME**  
**FOR CHRONIC NPAs (NON-PERFORMING ASSETS) of**  
**THE GOA STATE CO-OPERATIVE BANK LTD. Panjim Goa**

**Introduction :**

With a view to reduce the chronic NPAs which are in the books of the Bank for the past more than five years, it has been decided to formulate one Time Settlement scheme (herein referred to as OTS scheme or scheme). This scheme will provide opportunity to the defaulting borrowers who could not pay their loan dues for one reason or the other. Considering the disruptions due to Covid19 pandemic and its cascading effect on the economy & need to support the businesses to survive the tough financial crisis, it is necessary to provide relief to borrowers as one time measure. The scheme while giving relief to the defaulters will also enable the Bank to plough back the funds so realized from the said scheme for lending.

As at the close of 2nd quarter ended 30.09.2023, the Gross NPAs of the bank stood at ₹ 131.40 crore forming 10.85% of gross advances and whereas Net NPAs still stood at 3.78% which is on a higher side as compared to the figures as at the quarter ended 30th June 2023 where Gross NPAs of the Bank stood at 10.43% and Net NPAs at 3.41%. This position is certainly not at all satisfactory and necessary steps are required to be taken immediately to bring down the percentage of Gross NPAs.

Further, NABARD & RBI has directed the Bank to bring down the level of Gross NPAs to below 5% and Net NPAs to 0%. They have also advised the bank to submit the plan of action for bringing down the Gross NPAs within tolerable limit i.e. below 5%. The OTS scheme 2020 floated by the Bank did not evoke satisfactory response due to many factors, major being covid-19 pandemic. Even for the bank, to get the permission from the Reserve Bank of India for digital banking, Net banking, Mobile banking, UPI payment & to get own IFSC code for the bank, the Gross NPAs of the bank should be brought down to below 5%. Therefore, it is the need of the hour to reduce the level of NPAs by floating the OTS scheme to the borrowers so that Gross NPAs can be reduced.

The Bank has already taken coercive recovery action through process of Arbitration, law suits, action under the SARFAESI Act etc. involving an amount of ₹ 123.63 crores. Though most of these cases are under legal action for recovery, there is no progress in recovery considering the inordinate delay in the process. In order to avoid prolonged legal process and expenses, it is felt necessary to formulate the OTS scheme in order to settle long pending chronic default cases.

In the roadmap submitted by the Bank to the RBI, NABARD & RCS, the Bank has made a mention of the implementation of OTS scheme for speedy recovery of the chronic NPAs of the Bank.

The Registrar of Co-operative Societies, Govt. of Goa has recently (02/11/2023) formulated model OTS scheme for Co-operative credit societies. The present OTS scheme is in line with the model guideline on OTS framed by office of RCS.

The salient features of the OTS scheme shall be as under:

## **1. Title & Commencement**

The Scheme shall be known as "The Goa State Co-op. Bank Limited One Time Settlement Scheme for chronic NPA accounts-2023".

The Scheme shall come into force immediately after the approval of the Registrar of Co-operative Societies, Govt. of Goa.

## **2. Coverage.**

- a) The scheme will cover all Borrowal loan accounts including loan/ credit facilities availed by all types of Societies irrespective of the nature of their business activity/ purpose of advance, which have become NPA,s as on 31.03.2018 and continue to be NPA,s as on date of application of the scheme.
- b) The OTS scheme will cover all the borrowers even if suit filed cases on which the Bank has initiated action under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002, cases pending before the Courts , Arbitrators, Execution, DRT & also suit filed under section 138 of Negotiable instrument Act 1881.
- c) Legal heirs/ Guarantors of the deceased borrower will also be covered under the scheme.
- d) The following categories of loans will not be covered under the scheme.
  - i) Loan availed by the sitting Members of the Board of Directors, Ex- Directors & their family members as defined under the Act, without any prejudice and discrimination..
  - ii) Loans Guaranteed by the Government (including cases where Govt. guarantee has been invoked but not honored by the Government.
  - iii) Loans due from Govt. Departments / Undertakings.
  - iv) Loans under Govt. directed programmes.
  - v) Cases of willful default, fraud and malfeasance.

## **3. Eligibility.**

- 1) All the loans which are classified as NPAs as on 31-03-2018 and continue to be classified as NPAs on the date of application of the scheme.

- 2) NPAs Cases as per criteria (1) above & where the Bank has made adequate NPA provision as per guidelines issued by RBI, shall only be considered.

**4. The following items or heads shall be waived / exempted under this Scheme.**

- a) Recovery expenses of the Bank excluding Legal Fees, Service Charges, Service tax & Insurance premium paid by the Bank.
- b) Penal Interest charges.
- c) Postage Expenses.

**5. Operative period:**

- a) Last date of applications to avail the OTS shall be within one month from the date of the effectiveness of the scheme.

**6. Non Discretionary treatment.**

The OTS scheme shall be non discriminatory and non discretionary.

**7. Scrutiny of OTS proposals at HO.**

OTS proposals received from the eligible borrowers shall be scrutinized by the scrutiny committee consisting of General Manager (Recovery), General Manager (Loans & Advances), General Manager (Accounts) and General Manager (I&A).

Such proposals on Scrutiny shall be put up before the settlement Advisory Committee ( SAC ) consisting of Chairman, Vice Chairman any two Directors of the Bank along with the Managing Director which shall meet more often as required to recommend the proposal to the Board for decision.

The applications approved by the settlement advisory committee shall be placed before the Board for final approval.

The Board shall scrutinize the applications received from the Applicant Borrower and take the decision. Thereafter, the decision taken by the BOD under this OTS Scheme shall be communicated to the concerned applicant within 8 days from the date of such decision. In case the Bank refuses any such applications, the refusals shall also be communicated to the concerned applicant and 10% amount of loans received along with application from the concerned applicant member shall be credited to the principal loan amount of that borrower. In no case, amount shall be adjusted towards the interest.

## **8 . Sanctioning Authority.**

The decision for sanction of waiver shall be taken by the Board of Directors.

## **9. Mode of Application**

a) The eligible borrowers, intending to avail the benefit under OTS shall submit their application to the concerned Branch Manager with 10% deposit of the loan amount outstanding as on date, who shall after confirming the eligibility of the loan account as per the OTS guidelines, shall submit the proposal to HO with full details of the loan account indicating its status regarding NPA , provision made by the Bank, along with his/her remarks/recommendations or otherwise.

## **10. Settlement formula**

A. On or before cutoff date the day on which the loan has been classified as NPA, (Sub –Std & above) the outstanding balance appearing in the Books of the Bank shall be taken as the base amount and the simple interest @ 8% P.A shall be calculated on the base amount till the OTS application date, the settlement amount will be base amount plus interest @ 8% p.a. Simple interest, on the base amount plus charges viz. Legal fees, Service Charges, Service Tax and Insurance premium paid by the Bank, till the closure of loan by the borrower.

B. In case of applicant Borrower has paid certain amount after base amount, such amount shall be deducted for calculating the settlement amount.

C. The applicant borrower shall deposit at least 25% of above OTS amount within 30 days from the date of the consent letter from the Bank. (This 25% proportion may include 10% of the amount deposited at the time of application for OTS).

D. Remaining 75% of the amount shall be paid within next 30 days.

E. The total amount that has been agreed to be settled under this scheme shall be paid within 60 days from the date of communication from the Bank to applicant borrower.

F. In case the Applicant Borrower fails to pay the entire amount within 60 days and if the balance remains outstanding after 60 days, the Applicant Borrowers shall be liable to pay simple interest @ 12% p.a. till date of final payment, which should be within period of 12 months from the expiry of 60 days under the scheme.

G. In case the entire amount arrived after settlement has not been deposited within 12 months from the date of expiry of 60 days as calculated, the Bank will have right to revoke the facility of One Time Settlement Scheme extended to the applicant borrower and in such circumstances the Bank shall consider that the applicant borrower does not fall in the scheme and the loan account shall be treated as normal loan account as other loan accounts of the Bank.

**11. General Points to be considered under OTS:**

1. This scheme cannot be considered/ combined with any other scheme floated by the Bank or by the Govt. of Goa.
2. Obligations to be adhered by the principal loanee and sureties after availing the OTS Scheme. The beneficiaries who are availing the benefits under the OTS scheme shall not be entitled for any type of loan facilities and to stand surety in the Bank for the next 6 years.

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