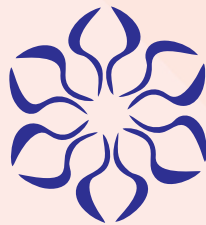


# LENDING POLICY

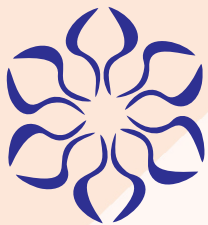


NMDFC

**NATIONAL MINORITIES DEVELOPMENT  
&  
FINANCE CORPORATION**

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**NMDFC**

Lending Policy with systematized  
and updated information is published  
to mark 25th Anniversary of NMDFC.

Published in October, 2019

**National Minorities Development & Finance Corporation**

Core-1, First Floor, SCOPE Minar,

Laxmi Nagar, Delhi-110092

# Prologue

National Minorities Development & Finance Corporation (NMDFC) is an Apex Corporation which is implementing its mandated work of Credit financing through State Channelising Agencies (SCAs). Lending Policy plays a pivotal role in smooth and proper application as well as operation of the schemes. The Corporation framed its Lending Policy at the time of its inception but with the passage of time, additions and deletions have taken place. Moreover in its eventful and successful journey of Twenty Five years, NMDFC introduced several products also.

My unquenchable thirst, to collect and collate orders issued in this regard from time to time, has resulted into compilation of this booklet. The idea behind this was also to carry out a review and remove inconsistencies and inapplicable clauses.

All efforts have been made to compile this book as systematic and as exhaustive as possible. I am sure this will help in ease of doing business. Suggestions to plug gaps, if noticed any, are welcome.



**(Md. Shahbaz Ali)**  
CMD, NMDFC



# LENDING POLICY

## I. AIMS AND OBJECTIVES

- a) The National Minorities Development and Finance Corporation (NMDFC) was incorporated as a Govt. Company on 30th Sept., 1994 under Section 25 of the Companies Act, 1956. (Now Section 8 of the Companies Act 2013).
- b) The Corporation has been set up to promote economic and developmental activities for the benefit of "Backward Sections" amongst the Minorities. The "Muslims", "Christians", "Sikhs", "Buddhists" and "Parsis" have been notified as Minorities by the Central Government under the National Minorities Commission Act, 1992. "Jain" community was also added in the list of notified Minority Communities in January, 2014.
- c) As per the Memorandum of Association, the following are the main objectives of the Corporation:
  - i) To promote economic and developmental activities for the benefit of "Backward Section" amongst the Minorities, preference being given to the occupational groups and women.
  - ii) To assist, subject to such income and/or economic criteria as may be prescribed by the Government from time to time, individuals or groups of individuals belonging to the Minority communities by way of loans and advances for economically and financially viable schemes and projects. Under micro financing scheme, group of individuals belonging to the Minorities will include such groups in which predominantly (75% and above) members belong to Minority community. In very exceptional cases this may include those groups also where up to 60% members belong to Minority community provided other members belong to weaker sections including scheduled castes/scheduled tribes, other backward classes and disabled.
  - iii) To promote self-employment and other ventures for the benefit of Minority communities.
  - iv) To grant loans and advances at such rates of interest as may be determined from time to time in accordance with the guidelines or schemes prescribed by the Central Government or by the Reserve Bank of India.
  - v) To extend loans and advances to the eligible members belonging to the Minorities for pursuing general/professional/technical education for training at graduate and higher levels.
  - vi) To assist the up-gradation of technical and entrepreneurial skills of Minorities for proper and efficient management of production units.
  - vii) To assist the State level organisations dealing with the development of the Minorities by way of providing financial assistance or equity contribution and in obtaining commercial funding or by way of refinancing.

- viii) To work as an Apex institution for coordination and monitoring the work of all corporations/boards/other bodies set up by the State Government/ Union Territory Administrations for, or given the responsibility of assisting the Minorities for their economic development.
- ix) To help in furthering the Government policies and programs for the development of Minorities.

## **II. EQUITY STRUCTURE**

NMDFC was incorporated with an Authorized Share Capital of Rs.500.00 Cr. Subsequently, the Authorized Share Capital has been enhanced in several steps & now it is Rs.3000.00 Cr. NMDFC was promoted by the Central Government & respective State Govts./UT Administration & thus its equity is contributed by Government of India, State Govts./UT administrations and also institutions/organizations interested in the up-liftment of the Minority communities.

## **III. STATE CHANNELISING AGENCIES**

- a) The main channel available to NMDFC to reach the ultimate beneficiaries is through the State Channelising Agencies (SCAs) nominated by respective State Government/UT Administration.
- b) Presently, there are 45 SCAs of NMDFC in 27 States & 8 Union Territories.
- c) Government of Telangana is yet to nominate SCA for implementation of NMDFC schemes in Telangana.
- d) States of Kerala, Haryana, Mizoram, Nagaland and U.T. of J&K have more than one Channelising Agency.
- e) There are 16 exclusive State Minorities Finance Corporations which have been nominated by their respective State Governments as the Channelising Agencies of NMDFC.
- f) Besides, 5 State SC/ST Corporations, 7 State Backward Classes Development Corporations, 2 State Women's Development Corporations, 1 Handicrafts & Handloom Development Corporation and 8 other agencies have been given additional charge of working for development of Minority communities by nominating them as SCAs of NMDFC by State Governments.

## **IV. FINANCIAL ASSISTANCE SCHEMES**

- a) The mandate of the Corporation is to provide concessional credit for self employment activities to the backward sections amongst the Minorities comprising of Muslims, Christians, Sikhs, Buddhists, Parsis & Jains.

- b) The benefits under the scheme are available for persons having annual family income of upto Rs.98,000/- in Rural areas and upto Rs.1.20 lakhs in Urban areas.
- c) As part of new initiative of NMDFC, additional household income eligibility criterion of upto Rs.8.00 lacs per annum has been introduced to expand the coverage under its schemes.
- d) Financing Schemes of NMDFC have been segregated into following two categories with differential quantum of loan & interest rates for beneficiaries from different income groups:-

**Credit Line 1:-** It is the existing stream of concessional credit available for beneficiaries with annual family income of Rs.1.20 lacs in Urban areas & Rs.98,000/- in Rural areas.

**Credit Line 2:-** Under this credit line, concessional credit is provided to the section of Minority population, defined on the basis of “Creamy Layer” criterion of OBC, i.e., with household income of Rs.8.00 lacs p.a. This group will get concessional credit at a higher rate of interest than available under Credit Line - 1.

- e) The detail of the financing schemes of NMDFC with quantum of loan & rates of interest is as given below:-

## 1. Term Loan Scheme

This scheme is for individual beneficiaries and is implemented through SCAs. Projects costing upto Rs.30.00 lacs are considered for financing with NMDFC providing 90% of the loan amounting to Rs. 27.00 lacs. Remaining cost is to be borne by SCA & beneficiary. Assistance is available for any commercially viable & technically feasible venture, which for the purpose of convenience, are classified into following sectors:-

- (a) Agriculture & Allied
- (b) Technical Trades
- (c) Small business
- (d) Artisan & traditional occupations
- (e) Transport & Service Sector

**Following is the detail of the Term Loan scheme:-**

S. No.	Parameters	Scheme Details	
		Credit Line-1	Credit Line-2
1.	Loan Amount	Up to Rs. 20.00 Lakhs	Up to Rs.30.00 Lakhs
2.	Rate of Interest for beneficiaries	6% p.a.	8% p.a. for males 6% p.a. for females

S. No.	Parameters	Scheme Details	
		Credit Line-1	Credit Line-2
3.	Rate of Interest payable by SCAs to NMDFC	3% p.a.	5% p.a. for males 3% p.a. for females
4.	Moratorium period	6 months	6 Months
5.	Repayment period for beneficiaries	5 years	5 years
6.	Repayment period for the SCAs	8 years	8 years
7.	Pattern of Financing; NMDFC: SCA: Benf. contribution	90:5:5	90:5:5
8.	Utilization Period	3 Months	3 Months

## 2. Education Loan Scheme

This scheme is also for individual beneficiaries and is implemented through the SCAs. Education Loan is provided to facilitate professional & job oriented education for the eligible persons from targeted Minority communities. Scheme parameters in brief are given below:-

S. No.	Parameters	Scheme Details	
		Credit Line-1	Credit Line-2
1.	Loan Amount	Maximum Loan amount per beneficiary is:-  - Up to Rs.20.00 Lakhs for 'Professional & Job Oriented Courses' in India with a maximum duration of 5 years @ Rs.4.00 Lacs per annum.  - Up to Rs.30.00 Lakhs for 'Courses Abroad' with a maximum duration of 5 years @ Rs.6.00 Lakhs per annum.	Maximum Loan amount per beneficiary is:-  - Up to Rs.20.00 Lakhs for 'Professional & Job Oriented Courses' in India with a maximum duration of 5 years @ Rs.4.00 Lacs per annum.  - Up to Rs.30.00 Lakhs for 'Courses Abroad' with a maximum duration of 5 years @ Rs.6.00 Lakhs per annum.
2.	Rate of Interest for beneficiaries	3% p.a.	8% p.a. for males 5% p.a. for females
3.	Rate of Interest payable by SCAs to NMDFC	1% p.a.	2% p.a.
4.	Moratorium period	6 months after completion of course or getting job, whichever is earlier.	6 months after completion of course or getting job, whichever is earlier.
5.	Repayment period for beneficiaries	5 years	5 years
6.	Repayment period for the SCA	8 years	8 years
7.	Pattern of Financing; NMDFC: SCA: Benf. contribution	90:5:5	90:5:5



**Note:**

- i. Education loan is part of Term Loan & must not exceed beyond 20% of the Term Loan extended by the SCA during a year. Out of this, 10% should be for fresh Loan cases & balance 10% for old cases.
- ii. Preference should be given for Education Loan to students who have secured admission to Government Institutions. Education Loan should be extended for courses with good employment prospects.
- iii. Preference should be given to short duration courses with high employment potential.
- iv. Foreign courses should not exceed 30% of total cases financed by the SCAs in a financial year.

**3. Micro-Finance Scheme**

Under Micro-finance scheme, micro-credit is extended to the members of Self Help Groups (SHGs), especially the women from Minority communities scattered in remote villages & urban slums, who are not able to take advantage of the formal banking credit. The scheme requires that the beneficiaries are organized into SHGs and get into habit of thrift & credit, however small. The scheme envisages micro-credit to the poorest among the poor mainly through SCAs & also NGOs of proven track record and their network of SHGs. It is a loan scheme with minimal documentation which ensures quick delivery of loan at the door steps of the beneficiaries. Parameters of the scheme in brief are as follows:-

S. No.	Parameters	Scheme Details	
		Credit Line-1	Credit Line-2
1.	Loan Amount	Up to Rs. 1.00 lac per member of SHG and Up to Rs.20.00 lacs for a group of 20 members in one SHG	Up to Rs.1.50 lacs per member of SHG and Up to Rs.30.00 lacs for a group of 20 members in one SHG
2.	Rate of Interest for SHGs by SCAs/NGOs	7% p.a.	10% p.a. for males. 8% p.a. for females.
3.	Rate of Interest payable by SCAs/NGOs to NMDFC	1% p.a.	4% p.a. for males 2% p.a. for females
4.	Rate of Interest charged by SCA from NGO	2% p.a.	5% p.a. for Males 3% p.a. for females
5.	Moratorium period	3 months	3 months

S. No.	Parameters	Scheme Details	
		Credit Line-1	Credit Line-2
6.	Delegated authority to SCA to sanction loan to NGOs/ Federation	Limit of Rs.25.00 Lakhs per NGO/ Federation. This limit is increased to Rs.50.00 lakhs for SCAs with 100% repayment record for last 2 years.	Limit of Rs.30.00 Lakhs per NGO/ Federation. This limit is increased to Rs.50.00 lakhs for SCAs with 100% repayment record for last 2 years.
7.	Repayment period for the Beneficiaries	3 years	3 years
8.	Repayment period for the SCAs/NGOs	4 years/3 years	4 years/3 years
9.	Utilization Period for the SCAs/NGOs	3 months/1 month	3 months/1 month
10.	Pattern of Financing: NMDFC : SCA : Benef. Contribution	90:5:5	90:5:5

#### 4. VIRASAT SCHEME:-

This scheme has been launched with the objective to meet credit requirement of the Artisans, both in terms of Working capital requirement & Fixed capital requirement for purchase of equipment/tools/machineries. Maximum loan of upto Rs.10.00 lacs can be availed under the scheme at simple interest of 5% p.a. for Male Artisans and 1% concession for Female Artisan at simple interest 4% p.a. The detail of the scheme is as follows:-

S. No.	Parameters	Scheme Details
1.	Loan Amount	Up to Rs.10.00 Lakhs
2.	Rate of Interest for Artisans	5% p.a. for males & 4% p.a. for females
3.	Rate of Interest payable by SCAs to NMDFC	3% p.a. for males & 2% p.a. for females
4.	Moratorium period	6 months
5.	Repayment period for Artisans	5 years
6.	Repayment period for the SCAs	8 years
7.	Pattern of Financing; NMDFC: SCA: Benf. contribution	90:5:5
8.	Utilization Period	3 Months

## V. PROMOTIONAL SCHEMES

### 1. Mahila Samridhi Yojana

It is a unique scheme linking micro-credit with the skill training to the women members to be formed into SHGs, in the trades such as tailoring, cutting and embroidery, etc. It is being implemented by NMDFC, through the SCAs of NMDFC. Under the Mahila Samridhi Yojana, training is given to a group of around 20 women in any suitable women friendly craft activity. The group is formed into Self Help Group during the training itself and after the training, micro-credit is provided to the members of the SHG so formed. The maximum duration of the training is of six months with maximum training expenses of Rs.1,500 p.m. per trainee. During the training, a stipend of Rs.1,000 p.m. is also paid to the trainees.

The training cost and stipend are met by NMDFC as grant. After the training, need based micro credit, subject to a maximum of Rs.1.00 lac is made available to each member of SHG, so formed, at an interest rate of 7% p.a.

### 2. Kaushal Se Kushalta Scheme

The Kaushal Se Kushalta Scheme of NMDFC aims at imparting skills to the targeted individual beneficiaries leading to self/wage employment. The scheme is implemented through the SCAs, which organize need based skill development training in their States with the help of agencies empaneled by NSDC/related Sector Skill Council/State Skill Mission/Directorate of Technical Education. The SCAs are required to submit their proposals to NMDFC in the prescribed formats for approval/ release of funds. Further, the SCAs who are already accredited with Directorate of Technical Education / Statutory Bodies / Govt. Bodies can also organise skill development training by themselves, in the trades approved by the body concerned and rating norms would not apply to such SCAs.

#### Brief detail of this scheme is as under:-

S.No.	Parameters	Particulars of the Parameters
1.	Base cost of Training	The present per hour fee (all inclusive) is as given below: Category I - Rs. 49.00 per hour Category II - Rs. 42.00 per hour Category III - Rs. 35.10 per hour Courses between 200 to 250 hours (theory & practical) would be considered under this program. Fee subject to revision by MOSD&E, from time to time.
2.	Duration	200 to 250 hours.
3.	Stipend	Rs.1,000/- per month per trainee, maximum up to 6 months, to be borne by NMDFC.
4.	Means of Financing	100% cost will be borne by the NMDFC including stipend.

S.No.	Parameters	Particulars of the Parameters
5.	Placement	70% of pass out trainees with at least 50% of the total trainees placed in wage employment.
6.	Implementing Agency	State Channelizing Agencies (SCAs) of NMDFC.

### 3. Marketing Assistance Scheme

The Marketing Assistance Scheme is meant for individual crafts persons, beneficiaries of NMDFC as well as SHGs & is implemented through SCAs. With a view to support the crafts-persons to promote marketing & sale of their products at remunerative prices, NMDFC assists the SCAs in organizing State/District level exhibitions at selected locations. In these exhibitions, handloom/ handicraft products of craft-persons belonging to Minority communities are exhibited and sold. Such exhibitions also serve the purpose of organizing “buyer seller meet”, which is considered very useful for product development and market promotion, for domestic market as well as for exports. NMDFC provides grants for organizing exhibitions, as per the specific guidelines of the scheme, after due appraisal of the proposals as detailed below:-

S. No.	Parameters	Details
1.	Indicative Stall Rates	For A Class cities Rs.22,000/- per stall For B Class cities Rs.18,000/- per stall For C Class cities Rs.14,000/- per stall Metros are A class cities, State Capitals other than Metros are B Class cities, District headquarters/ other cities are C Class cities.
2.	Travelling Allowance	2nd class sleeper/ordinary bus fare by shortest route.
3.	Fixed Dearness Allowance to One Artisan/SHG member only	For A Class cities Rs.700/- For B Class cities Rs.600/- For C Class cities Rs.500/-
4.	Participants	60 local artisans/beneficiaries and 20 artisans/beneficiaries from outside the State.
5.	No. of Stalls in each Exhibition	40 Stalls. If lesser number of stalls are put up, then the expenditure would be reduced proportionately.
6.	Duration of exhibition	15 days. If exhibition is organized for lesser number of days, expenditure would be reduced proportionately.
7.	Sharing of Cost	90% of total cost by NMDFC & 10% by SCAs

## VI. LENDING POLICY GUIDELINES

### 1. Sanction & Disbursement of Loan Through Implementing Agencies

#### A. Through State Channeling Agencies (SCAs)

##### a) Sanction of Loan

In the month of February every year, the SCAs will submit a detailed sector-wise, need based and if possible district-wise physical and financial targets (ACTION PLAN) bifurcated into quarterly targets for the forthcoming financial year. The SCAs must bring out the logical basis for arriving at the projected physical & financial targets worked out in the action plan. Based on this action plan and also based on past performance of the SCAs and anticipated availability of funds, NMDFC shall make notional annual allocation to each SCA. The sanction of funds will be communicated to each SCA by the NMDFC, at the beginning of the year by way of Letter of Intent (LOI). It will be one time sanction during the year which if not availed by the end of financial year, would lapse automatically.

##### b) Disbursement of Loan

On the basis of Notional Annual Allocation, SCAs can draw required amount of funds as advance preferably on quarterly basis. Subsequent drawls will be in the form of replenishment of advance after it is converted into loan, in full or in part, on the basis of utilisation details submitted by the SCAs. NMDFC will make disbursements to SCAs on the basis of notional annual allocations subject to actual availability of funds. On case to case basis, NMDFC may consider request of the SCAs for drawl of higher amount of advance beyond allocation with justification. Financing beyond Annual Allocation would however be considered in case of those SCAs whose recovery level from the beneficiaries is more than 60%.

##### c) Criterion for Disbursement of Loan to SCAs:-

- Utilisation of funds disbursed earlier.
- Submission of utilisation certificate & List of beneficiaries in hard & soft format. Placing of list of beneficiaries on website of SCA & hyperlink the same with website of NMDFC.
- Timely repayment of dues communicated by NMDFC, from time to time.
- Availability of State Government Guarantee cover in favor of SCA.

##### d) Conversion of Advance to Loan on Utilization

The advance is converted into loan once the SCA extends loan to the eligible beneficiaries under the Schemes of Term Loan, Educational Loan, Virasat and

Micro Financing. The advance will be provided to the SCAs at interest rate of 3.5% p.a (rebate of 0.5 on timely repayments under term loan scheme only) and from the date of its utilization, the interest rate of the respective scheme, for which fund has been utilized, will become applicable.

#### **e) Utilisation of Funds**

- (i) The funds obtained from NMDFC is to be utilized by the SCA by disbursing it further to the identified beneficiaries within the utilization period of 3 months. The un-utilised fund beyond utilization period would attract penal interest. The SCAs should therefore approach NMDFC for drawl of funds at a stage when they feel prepared to utilize funds within a period of three months.
- (ii) The SCA must submit the utilization certificate in hard & soft copy in prescribed format, indicating whether the loan has been disbursed to male/female beneficiary & under Credit Line-1/Credit Line-2. This is required for accounting purposes as the interest rate is different & the demand for repayment will be generated accordingly.
- (iii) The list of beneficiaries financed by the SCA should be up-loaded on the website of the SCA and NMDFC portal in prescribed format.

#### **f) Moratorium Period**

A grace period (Moratorium) is offered to the beneficiary for stabilizing the business activity financed under NMDFC loaning program. During this period, it is expected that the turnover of the business would gradually increase to a sustainable level when the business is able to generate sufficient surplus, for repayment of the loan. During the moratorium period, the beneficiary is required to repay only the interest on the credit availed and the recovery of principal alongwith the interest begins after the expiry of moratorium period. The moratorium period depends on the nature of the scheme and varies from scheme to scheme in the range of 3-6 months. As far as repayments by SCAs to NMDFC are concerned, NMDFC allows a standard moratorium of six months after the utilization period of three months. If the utilization period increases, correspondingly, the moratorium period gets reduced.

#### **g) Repayment Period**

The loan availed under Term Loan & Education Loan schemes shall have to be repaid by the beneficiaries over a maximum period of five years after the expiry of moratorium period. The repayments by the beneficiary may be on quarterly or on monthly basis as decided by the SCA. The SCAs are required to make quarterly repayments to NMDFC over a period of 8 years (Term Loan and Virasat Scheme),

after nine months of drawl of funds (3 months utilization period and 6 months moratorium period) or after the utilization of funds which ever is later. In case of Education Loan, repayment to NMDFC by the SCA will be made in quarterly installment over a period of 8 years after 4 years of the utilisation of loan. The Moratorium in repayment of principal as well as interest would extend upto 6 month from the date of completion of the course or till the beneficiary start earning whichever is earlier. In case of Micro-Finance Scheme, the repayment period is 4 years after moratorium period & utilization period of 3 months each.

## **h) Security for Beneficiaries to Avail Loan Under the Scheme**

- i. NMDFC seeks revolving Government Guarantee from the concerned State Govt. and Govt. Guarantee / Letter of Comfort from UT Administration, as security, for the loan disbursed to the State Channelising Agency.
- ii. SCAs may also seek security from the beneficiaries for the loans disbursed to them. The type of security to be taken from the beneficiaries is to be decided by the SCAs. The norms of security should be such that the poor beneficiaries are able to meet them while necessary leverage for recovery of loan is also available to the lender. In general, following security provisions are advised:-

a)	For loans upto Rs.1,00,000/-	Self-Guarantee & Post Dated Cheques
b)	For loans exceeding Rs.1,00,000/-and upto Rs.5,00,000/-	Guarantee of one employee of PSU/Govt./Bank or one income tax payee/ Public Representative & Post Dated Cheques.
c)	For loans exceeding Rs.5,00,000/-	Guarantee of two employees of Govt./PSU/Bank or two income tax payee/ Public Representative OR Collateral by way of Mortgage of landed property/Immovable Property of not less than the same value & Post Dated Cheques.

- iii. The SCA may also become member of the Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) for beneficiaries who are not able to provide collateral security for the loan availed under NMDFC scheme. In such a case, the interest rate charged from the beneficiary would increase for payment of commission to the CGTMSE.
- iv. The NGOs desirous of availing funds directly from NMDFC are required to furnish concrete security by way of Bank Guarantee or pledging Fixed Deposits with NMDFC of an equal value, as that of proposed loan amount.

## **i) Penal Interest**

Fund to SCAs is released at interest rate of 3.5% p.a. Fund remaining unutilized after three months, attracts interest rate of 6.5% p.a. The portion of fund remaining unutilized even after six months, attracts interest rate of 8.5% p.a. till the funds are

utilized/refunded. After utilization of fund, the interest rate of the scheme for which the fund have been utilized, shall prevail. Applicable rate (i.e. 3.5, 5.5, 6.5, 8.5) will be reduced by 0.5 on timely repayment as rebate under Term Loan scheme only. The penal interest is charged on accrual basis.

**j) Recall of Unutilised Funds**

The unutilized funds after six months of disbursements are required to be refunded by SCAs to NMDFC. NMDFC issues Red Card Notice to SCAs with a copy to the State Govt. for immediate refund of unutilized funds to NMDFC.

**k) Compound Interest**

In case of default in repayment of dues to NMDFC, the SCA shall be liable to pay compound interest on overdue amount for delayed period at normal rate of interest, applicable under respective scheme, on quarterly basis.

**l) Enhanced Penalty for Delayed Payment**

In case of Term Loan Scheme, if the SCA defaults in repayment of dues beyond a period of one quarter, then NMDFC will charge enhanced penalty from SCA, at all-inclusive interest rate of 5% per annum, on the overdue amount (i.e, interest @ 5% p.a. on overdue amount less compound interest already charged). The enhanced penalty is charged on accrual basis.

**m) Default in Repayment**

- i) If the SCA fails to repay the current quarter dues, the SCA would be treated as a defaulter.
- ii) SCAs who default in repayment of dues for 4 quarters, they would not be considered for further disbursement by NMDFC and recovery proceedings would be initiated against such an SCA by NMDFC.
- iii) If an SCA pays part of its dues and its repayment percentage is more than 90% at a given point in time, such an SCA would be eligible for further disbursement under NMDFC program.

**n) Guideline for Utilisation of Funds**

- i. Nearly 70% of funds drawn by an SCA during a financial year, should be utilized for financing under Credit Line -1 and remaining 30% funds, under Credit Line-2.
- ii. The above categorization for fund utilization will ensure that more fund is utilized for financing the credit needs of poorest section amongst the targeted Minority communities. To ensure full utilization of funds, each



SCA should carryout analysis of fund availability & demand for loan under Credit Line -1 & Credit Line -2. In absence of sufficient demand under either category, it may decide to finance beneficiaries from the other category. However utilisation of move formed under Credit Line-2 beyond the stipulated level of 30% can be undertaken with due permission from NMDFC. The SCA would however need to submit an undertaking that since sufficient demand is not available under Credit Line-1 it may be permitted to finance beneficiaries. Under Credit Line-2, beyond the stipulated level of 30% of total financing during the financial year.

- iii. Financing must be need based and to cover maximum number of beneficiaries, SCA should adhere to following limits:-
- 70% of loans financed must not exceed Rs 5.00 lakh per beneficiary.
  - 20% of loans financed can be greater than Rs 5.00 lakh but less than Rs 10.00 lakh.
  - Only 10% of loan financed could be for projects with loan greater than Rs 10.00 lakh.

In order to promote higher technical education amongst Minority communities, the above restrictions will not be applicable on Education Loan scheme. However, financing of Educational Loan cases would be restricted to 20% of the Term Loan allocations & is to be utilized equally for the purpose of financing new education loan cases & also for financing old cases.

- iv. Loans of more than Rs.5,00,000/- should be disbursed in 2 installments. After disbursement of 50% of the sanctioned amount, verification of its utilization should be conducted by the SCAs, before release of further funds (2nd installment) to the beneficiaries. Details of all such cases should be uploaded on the website of SCAs, before disbursement of 2nd installment to the beneficiaries.
- v. Financing for Transport Sector schemes should not exceed 20% of the total financing by the SCA. For North-East & hilly States of Uttarakhand, Himachal Pradesh and U.T. of J&K, the financing limit for Transport Sector is 50%.
- vi. The maximum limit for One Time Sanction of Micro-Credit by SCAs to an NGO is Rs.25.00 lacs under Credit Line-1 & Rs.30.00 lacs under Credit Line-2. This limit has been enhanced to Rs.50.00 lacs in case of SCAs with 100% repayment track record. In case of other SCAs with unsatisfactory repayment position, limit for one time sanction of micro-credit to an NGO beyond Rs.25.00 lacs / Rs.30.00 lacs under Credit line-1 & 2 respectively can be increased with due approval of NMDFC, on case to case basis.

## **o) Group Financing**

Financing more than one beneficiary in a group for financing higher value projects is discouraged by NMDFC. However, in specific cases, depending on the nature of the projects and their viability or for some vital projects (having well defined socio-economic impacts) with project cost of more than Rs.30.00 lacs, group financing for two or at the most three beneficiaries can be considered.

## **B. THROUGH REGIONAL RURAL BANKS/PUBLIC SECTOR BANKS -**

### **As Alternate Channels for Implementation of NMDFC Schemes**

- i) With a view to provide alternate channels for implementation of NMDFC schemes, more so in States where SCAs are non-functional, implementation of NMDFC schemes is being introduced through Regional Rural Banks (RRBs) & Public Sector Banks (PSB).
- ii) All the guidelines of funds allocation, disbursement, utilization, repayment, loan accounting will be applicable on RRBs/PSBs as are applicable to SCAs.
- iii) Since the RRBs/PSBs may not be furnishing Government Guarantee, following key parameters are considered for selection of RRBs/PSBs for implementation of NMDFC schemes:-
  - (a) Recovery % from ultimate beneficiaries above 85%
  - (b) Gross NPA below 10%
  - (c) Net NPA below 5%
  - (d) Capital Adequacy Ratio More than 11%
  - (e) Debt Equity Ratio 7 : 1
  - (f) RRB/PSB should have recorded profit in the last F.Y or should have been in profit in any three out of last 5 years.
- iv) The RRBs/PSBs shall have to undertake the following steps for drawl of funds from NMDFC:-
  - a) Signing of MOU between NMDFC & the RRB/PSB
  - b) Countersigning of LOI as token of acceptance of terms and conditions.
  - c) Submission of Requisition by RRBs/PSBs for disbursement of funds
  - d) Submission of utilization certificate for funds drawn earlier. At least 80% of earlier fund is required to be utilized.
  - e) Payment of all past dues. No over dues.

## 2. SANCTION & DISBURSEMENT OF LOAN TO BENEFICIARIES

Lending Policy emphasizes on NEED BASED FINANCING i.e. financing as per the need of the beneficiaries and area wise demand (number of units). To achieve this objective, SCAs have been delegated with powers, requisite freedom and flexibility in working, as stated below:-

- i. Beneficiary selection will be the delegated responsibility of the SCAs.
- ii. Number of units to be financed at any location will be decided by the SCA.
- iii. Projects upto Rs.5.00 lacs may be sanctioned based on the model schemes of BANKS, NABARD, SIDBI, PMRY, DRDA etc.
- iv. For projects beyond Rs.5.00 lacs, the SCAs should have a project evaluation cell to accord approval to such projects, based on techno-economic viability of the project. Also due diligence must be carried out with regard to the background of the beneficiary / promoter to assess his financial strength, debt servicing capabilities, CIBIL Rating & prior experience in operating the project.
- v. All loans upto Rs.10.00 lacs may be treated as composite loans however for loans greater than Rs.10.00 lacs, assessment of working capital requirement must be carried out based on Turnover Method as per RBI guidelines. The assessment of Fixed Asset to Working capital requirement may be based on the type of project i.e. Manufacturing or Service Sector (normally fixed assets to working capital is 75 : 25 for manufacturing sector & 50 : 50 for service/agriculture sector).
- vi. The SCAs may consider to allow the beneficiaries to construct/renovate the building/factory on piece of land owned by the beneficiary, as part of fixed asset, to the extent of 50% of the loan amount. The land & building so constructed on this piece of land, could be used for the purpose of collateral security of the loan amount.
- vii. The selection of beneficiaries may preferably be done at the district level. SCAs who do not have district level set up, may consider to have district level tie up with district administration or any other department, for selection of beneficiaries. SCAs are expected to take the following steps for selection of beneficiaries:-
  - a. Periodic publicity of the programs through press advertisement, awareness camps, public announcements, personal contacts etc. for inviting applications for need based financing. Applications should not be invited for a few pre-selected schemes.
  - b. Applications should be invited through release of advertisement in the beginning of every financial year.
  - c. Applications forms should be in different colors for distinctly identifying them for various financing schemes of NMDFC. The Application Form for Term Loan should be BLUE in color, Micro-Finance Scheme Application

should be GREEN in color and Education Loan Scheme should be YELLOW in color. Separate application form may be prescribed for Virasat Scheme with craft picture on top of the Form.

- d. The applications must be free of cost & should be collected at Field Level office or Head Office of the SCA. The SCAs should also introduce system for online submission of applications. Some acknowledgement/ registration number should be given to the applicant indicating receipt of application. Likely time period/ date for processing the applications may also be indicated.
- e. Awareness Camps should also be organized simultaneously in areas with high Minority concentration to disseminate information about the schemes of NMDFC. Funds for this purpose can be claimed from NMDFC, for which prior approval of NMDFC may be obtained. During the awareness camps, the SCAs must distribute the application form, brochures of schemes & help prospective beneficiaries to fill the application forms. Application forms should be collected at these camps. Preliminary scrutiny may also be carried out at the camp itself and the applicant informed about next stage of shortlisting. Public representatives of the area may also be invited to participate in such awareness programmes.
- f. Selection of beneficiaries should be carried out based on laid down transparent criteria. The selection of beneficiaries may be done by a Committee having representation of district authorities, lead bank, District Industry Centre (DIC), etc.
- g. The loan sanction procedure must not be lengthy & should not involve long chain of approvals. The SCAs should delegate the authority to approve loans to officials at different hierarchy, depending on amount of loan to be sanctioned.
- h. Decision on loan application should be finalized within 1 month from submitting of application. The list of the selected persons should be prominently displayed on the notice board & web site of the SCA with communication to shortlisted applicant, for completion of loan documentation procedure.
- viii. Loan should be sanctioned strictly in the ratio of the Minority population of the State with preference given to persons from Minority concentrated areas & Backward Areas.
- ix. AADHAR Number should be used for identification of beneficiaries. In case, the AADHAR number is not available in respect of some beneficiaries, any other KYC norm could be used.

- x. For furthering the concept of Minimum Government Maximum Governance, self-declaration/self-certification/self-attestation of documents by the applicant in respect of Religion, Family Income, Mark-sheets of previous years in respect of Education Loan, any other affidavit, etc. are acceptable under the lending programs of NMDFC.
- xi. The pre-disbursement checking of antecedents of the applicant must be carried out within 10 days of sanction of loan & report submitted to the head office/district office of the SCA for further necessary action.
- xii. The SCAs should facilitate in completion of loan documentation formalities. There should be pre-printed formats for Guarantee, Agreement form, demand Pro-note, etc. The non-judicial stamp should also be available with the SCA & handed to the shortlisted applicant, in the form of Loan Sanction Kit. The bank account of the beneficiary must be got opened under Jan Dhan Yojana at the time of sanction of loan, through tie-up with the nodal bank. The UID authorities could also be requested to allot AADHAR number to applicants who do not have AADHAR number.
- xiii. The SCA should organize a ONE DAY ORIENTATION cum TRAINING PROGRAM for the selected beneficiaries before transferring of loan amount through RTGS in the AADHAR linked bank account of the beneficiary.
- xiv. During orientation program, the beneficiaries should be briefed about the basics of business management, loan repayment schedule, interest calculation method, loan repayment, etc. The Loan Repayment Kit should also be handed over to the beneficiary containing the pre-printed bank payment slip for loan repayment. The beneficiaries should be encouraged to use the same bank account for their business transactions & repayment of loan.
- xv. The officials from the insurance companies may also be requested to participate in the orientation program, for getting insurance of the beneficiaries & their assets. The SCA should be made the nominee to the extent of Outstanding Loan Amount & the balance claim going to the nominee of the beneficiary, in the event of any untoward incident. The insurance premium can be made part of the loan amount & repayment schedule worked out accordingly.
- xvi. During the Orientation Program, the beneficiary may also be motivated to subscribe for insurance under the Pradhan Mantri Suraksha Bima Yojana & Pradhan Mantri Jeevan Jyoti Bima Yojana. Small Premium of Rs.12/- & Rs.330/- will provide insurance cover of Rs.2.00 lacs to the beneficiary & one time premium could also be included in the loan amount. The beneficiaries can also be persuaded to avail the benefits under the Atal Pension Yojana for contributing small amounts with matching contribution from the Central Government. The scheme is especially helpful to small beneficiaries working in unorganized sector & house hold entrepreneurs, who can secure their future with pension ranging from Rs.1000/- to Rs.5000/- per month.

- xvii. The SCAs must undertake post disbursement follow-up with the beneficiary within 1 month of disbursement of loan. The beneficiaries must be persuaded to ground their assets & start their economic activity at the earliest.
- xviii. The SCA should have a separate recovery department, which keeps upto date computerized recovery records of all the beneficiaries. The beneficiaries who have defaulted in repayment of even one installment must be followed up regularly, for repayment of loan amount. Recovery drives should be undertaken at frequent and regular intervals. In addition to existing recovery mechanism, SCAs may also employ recovery staff on commission basis. SCA may also take up with the State Governments to make suitable legal provisions to make the dues financed under NMDFC projects as recoverable under the Public Debt Recovery (PDR) Act and to vest the powers with the MDs of the SCAs. The SCAs may also adopt SMS services for reminding the beneficiary to keep sufficient funds in their account on due date, for repayment of loan instalment. However if the beneficiary is facing some genuine problem, he/she must be given some time by rescheduling the loan amount.
- xix. The SCA must organize a mid-term follow-up with the beneficiary after two years from disbursement of loan. During this exercise, the representative from the SCA must visit the unit/house of the beneficiary to review the progress made by the beneficiary after availing of loan. The SCA should also attend to any difficulty being faced by the beneficiary & try to address the same sympathetically. The data on indirect employment of persons working in beneficiary units should also be collected for records.
- xx. The SCA should also carry out baseline survey at the time of loaning by getting the socio economic feedback questionnaire filled up by the beneficiary. This process may be repeated after two years, at mid-term review stage and again at the end of loaning period. This will help to get a feedback about the socio economic impact of schemes of NMDFC. Such detail may be uploaded on website of SCA with hyper link to website of NMDFC.
- xxi. NMDFC also carries out beneficiary verification exercise every year by engaging a 3<sup>rd</sup> party agency to undertake the evaluation of impact of NMDFC schemes on beneficiaries. During such exercise, the Socio-Economic Feedback forms can become very handy in collecting data & cross checking of economic status & impact of NMDFC schemes on beneficiaries. The problems, difficulties & feedback from the beneficiary will be instrumental in modification/improving the scheme & its delivery mechanism, both at the level of NMDFC & the SCA.

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