



# **LENDING POLICY OF NMDFC**

**NATIONAL MINORITIES DEVELOPMENT & FINANCE CORPORATION**  
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## 1. AIMS AND OBJECTIVES OF NMDFC

- 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.
- The Corporation has been set up to promote economic and developmental activities for the benefit of "Backward Sections" amongst the Minorities, preference being given to the occupational group and women. 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 into the list of notified Minority Communities in January, 2014.
- As per the **Memorandum of Associations**, the following are **the main objectives of the Corporation**:
  - To promote economic and developmental activities for the benefit of "Backward Section" amongst the minorities, preference being given to the occupational groups and women.
  - 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 minorities 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 belongs to minority community, in very exceptional cases this may include those group 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. (as per the EGM held on 1-11-99 & CG approval vide letter 3/17/T-1!2000/D/8278 dt. 9.2.2000);
  - "To promote self-employment and other ventures for the benefits of minorities.
  - 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.
  - 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.

- To assist the up-gradation of technical and entrepreneurial skills of minorities for proper and efficient management of production units.
- 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.
- 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.
- To help in furthering the Government policies and programs for the development of minorities.

## **II. EQUITY STRUCTURE OF NMDFC**

NMDFC was incorporated with an Authorized Share Capital of Rs.500.00 Cr. Subsequently, the Authorized Share Capital was enhanced in several steps & now it is Rs.3000.00 Cr.

NMDFC is 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 minorities.

## **III. STATE CHANNELISING AGENCIES**

- The main channel available to NMDFC to reach the ultimate beneficiaries is through the State Channelising Agencies (SCAs) nominated by respective State/UT Government.
- Except the State of Telangana, NMDFC has its Channelising Agency in all other States and UTs.
- SCAs in the States/UTs of Arunachal Pradesh, Goa, Meghalaya, Sikkim, Andaman & Nicobar, Lakshadweep, Dadra Nagar Haveli and Daman & Diu have not become operational.
- States of J&K, Kerala, Haryana, Mizoram and Nagaland have more than one Channelising Agency.
- The State Channelising Agencies of NMDFC are given below:-

**STATE CHANNELISING AGENCIES (SCAs) OF NMDFC**

<b>SR. No.</b>	<b>STATES</b>	<b>YEAR OF STARTING NMDFC PROG.</b>	<b>SCAs</b>	<b>CHANNELISING AGENCY</b>
<b>Minorities Development &amp; Finance Corporations</b>				
1.	ANDHRA PRADESH	1995-96	APSMFC	ANDHRA PRADESH STATE MINORITIES FINANCIAL CORPORATION
2.	ASSAM	1998-99	AMDFC	ASSAM MINORITIES DEVELOPMENT & FINANCE CORPORATION
3.	BIHAR	1997-98	BSMFC	BIHAR STATE MINORITIES FINANCIAL CORPORATION
4.	GUJARAT	1999-2000	GMFDC	GUJARAT MINORITIES FINANCE AND DEVELOPMENT CORPORATION
5.	HIMACHAL PRADESH	1997-98	HPMFDC	H.P. MINORITIES FINANCE AND DEVELOPMENT CORPORATION
6.	JHARKHAND	NOT STARTED	JSMFDC	JHARKHAND STATE MINORITIES FINANCE & DEVELOPMENT CORPORATION
7.	KARNATAKA	1994-95	KMDC	KARNATAKA MINORITIES DEV. CORPORATION
8.	KERALA	2014-15	KSMDFC	KERALA STATE MINORITY DEVELOPMENT & FINANCE CORPORATION
9.	MAHARASHTRA	2001-02	MAAAVN	MAULANA AZAD

				ALPSANKHYAK AARTHIK VIKAS NIGAM
10.	RAJASTHAN	2001-02	RMFDCC	RAJASTHAN MINORITIES FINANCE AND DEVELOPMENT COOP. CORPORATION
11.	TAMIL NADU	2003-04	TAMCO	TAMIL NADU MINORITIES ECONOMIC DEVELOPMENT CORPORATION
12.	TRIPURA	1997-98	TMCDC	TRIPURA MINORITIES COOP.DEV.CORPORATION
13.	UTTAR PRADESH	1994-95	UPMFDC	U.P. MINORITIES FINANCIAL DEV. CORPORATION
14.	UTTRAKHAND	2002-03	UAKTWVN	UTTRAKHAND ALPSANKHYAK KALYAN TATHA WAKF VIKAS NIGAM
15.	WEST BENGAL	1996-97	WBMDFC	WEST BENGAL MINORITIES DEV. & FINANCE CORPORATION

<b>SR. No.</b>	<b>STATES</b>	<b>YEAR OF STARTING NMDFC PROG.</b>	<b>SCAs</b>	<b>CHANNELISING AGENCY</b>
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<b>State SC &amp; ST Development Corporations</b>				
1.	CHANDIGARH	1997-98	CSCSTFDC	CHANDIGARH SCHEDULED CASTE, BACKWARD CLASSES & MINORITIES FINANCIAL & DEVELOPMENT CORPORATION
2.	CHHATISGARH	2002-03	CSACFDC	CHATTISGARH STATE ANTYAVASAYEE COOPERATIVE FINANCE & DEVELOPMENT CORPORATION
3.	DELHI	2002-03	DSCFDC	DELHI SC/ST/OBC MINORITIES & HANDICAPPED FINANCIAL & DEV. CORPORATION
4.	JAMMU & KASHMIR	1995-96	JKSCSTFDC	J&K SCs/STs & BCs DEVELOPMENT CORPN.
<b>State Backward Classes Development Corporations</b>				
1.	KERALA	1996-97	KSBCDC	KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION
2.	MADHYA PRADESH	1995-96	MPBCDFC	M.P. BACKWARD CLASSES & MINORITIES FINANCE AND DEVELOPMENT CORPORATION
3.	MANIPUR	NOT STARTED	MOBEDS	MANIPUR MINORITIES AND OTHER BACKWARD CLASSES ECONOMIC DEV. SOCIETY
4.	HARYANA	1995-96	HBCKN	HARYANA BACKWARD CLASSES & ECONOMICALLY WEAKER SECTIONS

				KALYAN NIGAM
5.	PUDUCHERRY	2000-01	PBCMDC	PUDUCHERRY BACKWARD CLASSES & MINORITIES DEV. CORPORATION
6.	PUNJAB	1995-96	BACKFINCO	PUNJAB STATE BACKWARD CLASSES LAND DEV. AND FINANCE CORPN.
7.	ODISHA	2011-12	OBCFDCC	ODISHA BACKWARD CLASSES FINANCE DEVELOPMENT COOPERATIVE CORPORATION

#### State Women's Development Corporations

1.	KERALA	1994-95	KSWDC	KERALA STATE WOMEN'S DEVELOPMENT CORPORATION
2.	JAMMU & KASHMIR	1995-96	JKWDC	J&K WOMEN'S DEV. CORPORATION

SR. No.	STATES	YEAR OF STARTING NMDFC PROG.	SCAs	CHANNELISING AGENCY
<b>Handloom &amp; Handicrafts Corporations</b>				
1.	NAGALAND	2002-03	NHHDC	NAGALAND HANDLOOM & HANDICRAFTS DEVELOPMENT CORPORATION
<b>Other Agencies</b>				
1.	HARYANA	2009-10	MDA	MEWAT DEVELOPMENT AGENCY
2.	JAMMU & KASHMIR	2010-11	JKEDI	J&K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE

3.	MIZORAM	1996-97	MCAB	MIZORAM COOPERATIVE APEX BANK
4.	MIZORAM	1997-98	ZIDCO	ZORAM INDUSTRIAL DEVELOPMENT CORPORATION
5.	KERALA	1998-99	KSCFFDC	KERALA STATE COOPERATIVE FEDERATION FOR FISHERIES DEVELOPMENT LTD.
6.	NAGALAND	1997-98	NIDC	NAGALAND INDUSTRIAL DEVELOPMENT CORPORATION
7.	NAGALAND	2009-10	NSSWB	NAGALAND STATE SOCIAL WELFARE BOARD
8.	JAMMU & KASHMIR	2016-17	JKSFC	J&K STATE FINANCIAL CORPORATION

- It may be seen from the above that there are 15 exclusive State Minorities Finance Corporations which have been nominated by their respective State Governments as the Channelising Agencies of NMDFC.
- Besides, 4 State SC/ST Corporations, 7 State Backward Classes Development Corporations, 2 State Women Development Corporations, 1 Handicrafts & Handloom Development Corporation and 8 other agencies have been given additional charge of working for Minorities Development and nominated by the State Governments as the State Channelising Agencies of NMDFC.

#### **IV. FINANCIAL ASSISTANCE SCHEMES OF NMDFC**

- 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.
- The benefits under the scheme are available for persons having annual family income of upto Rs.98,000/- in rural areas and Rs.1.20 lakhs in urban areas.



- As part of new initiative of NMDFC, additional household income eligibility criterion of upto Rs.6.00 lacs has been introduced to expand the coverage under its schemes.

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**:- is the existing stream of concessional credit, being disbursed on the basis of existing income limits, at the same concessional interest rate, although the quantum of credit has been increased keeping in view the inflationary pressures & field level demand brought out in the Impact Study & Beneficiary Verification reports.

**Credit Line 2**:- 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.6.00 lacs p.a. This group will get concessional credit at a higher rate of interest than available under Credit Line – 1.

The detail of the financing schemes of NMDFC with revised quantum of loan & rates of Interest is as given below:-

### **Credit Line -1**

#### **i. Term Loan Scheme**

<b>S.No.</b>	<b>Parameters</b>	<b>Scheme Details</b>
1.	Loan Amount	Up to Rs.20.00 Lakhs
2.	Rate of Interest for beneficiaries	6% p.a.
3.	Rate of Interest for SCAs	3% p.a.
4.	Moratorium period	6 months
5.	Repayment period for beneficiaries	5 years
6.	Repayment period for the SCAs	8 years
7.	Means of Financing; NMDFC:SCA/Benef. contribution	90:5:5
8.	Utilization Period	3 Months

#### **ii. Education Loan Scheme**

<b>S.No.</b>	<b>Parameters</b>	<b>Scheme Details</b>
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1.	Loan Amount	Maximum Loan amount per beneficiary is:- - Up to Rs.20.00 Lakhs for 'Professional & Job Oriented Degree 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.
3.	Rate of Interest charged from SCAs	1%p.a.
4.	Moratorium period	6 months after completion of the course or getting a job, whichever is earlier.
5.	Delegated authority to SCA to sanction loan	SCAs are advised to sanction/disburse loan based on ground reality.
6.	Repayment period for beneficiaries	5 years
7.	Repayment period for the SCA	5 years
8.	Means of Financing; NMDFC:SCA:Benef. contribution	90:5:5

### iii. Micro-Finance Scheme

S.No.	Parameters	Scheme Details
1.	Loan Amount	Up to Rs. 1.00 lac per member of SHG
2.	Rate of Interest charged from SCAs	1% p.a.
3.	Rate of Interest for SHGs by SCAs	7% p.a. (Margin for SCA 6%)
4.	Rate of Interest for Beneficiaries/SHGs	7% p.a.
5.	Rate of Interest for NGOs by NMDFC directly	1 % p.a. (Margin for NGO 6% p.a.)
6.	Moratorium period	3 months
7.	Delegated authority to SCA to sanction loan to NGOs/Federation	Limit of Rs.25 Lakhs per NGO/Federation. This limit is increased to Rs.50.00 lakhs for SCAs with 100% repayment record for last 2 years.

8.	Repayment period for the Beneficiaries	3 years
9.	Repayment period for the SCAs/NGOs	4 years / 3 years
10.	Utilization Period for the SCAs /NGOs	3 months / 1 month
11.	Means of Financing; NMDFC:SCA:Benef. contribution	90:5:5

## **Credit Line -2**

### **i. Term Loan Scheme**

<b>S.No.</b>	<b>Parameters</b>	<b>Scheme Details</b>
1.	Loan Amount	Up to Rs. 30.00 Lakhs
2.	Rate of Interest for beneficiaries	8% p.a. for male beneficiaries 6% p.a for women beneficiaries
3.	Rate of Interest charged from SCAs	3% (Margin)
4.	Moratorium period	6 months
5.	Repayment period for beneficiaries	5 years
6.	Repayment period for the SCAs	8 years
7.	Means of Financing; NMDFC:SCA: Benef. contribution	90:5:5
8.	Utilization Period	3 Months

### **ii. Educational Loan Scheme**

<b>S.No.</b>	<b>Parameters</b>	<b>Scheme Details</b>
1.	Loan Amount	Maximum Loan amount per beneficiary is:- - Up to Rs.20.00 Lakhs for 'Professional & Job Oriented Degree Courses' in India with 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 Lacs per annum.
2.	Rate of Interest for beneficiaries	8% p.a. for male beneficiaries 5% p.a. for women beneficiaries
3.	Rate of Interest charged for SCAs	2% (Margin)
4.	Moratorium period	6 months after completion of the course or getting a job, whichever is earlier
5.	Delegated authority to SCA	SCAs are advised to sanction/disburse loan based on ground reality.
6.	Repayment period for beneficiaries	5 years

7.	Repayment period for the SCA	5 years
8.	Means of Financing; NMDFC:SCA : Benef. contribution	90:5:5

### iii. Micro Financing Scheme

S.No.	Parameters	Scheme Details
1.	Loan Amount	Up to Rs. 1.50 lac per member of SHG and Up to Rs.30.00 lacs for a group of 20 members in one SHG
2.	Rate of Interest charged from SCAs	4% p.a. for male beneficiaries 2% p.a. for women beneficiaries
3.	Rate of Interest for SHGs by SCAs	10% p.a. (Margin for SCA 6%) for male beneficiaries. 8% p.a. (Margin for SCA 6%) for women beneficiaries.
4.	Moratorium period	3 months
5.	Delegated authority to SCA to sanction loan to NGOs/Federation	Limit of Rs.30.00 Lakhs per NGO/ Federation. This limit increased to Rs.50.00 lacs for SCAs with 100% repayment record for last 2 years.
6.	Repayment period for the Beneficiaries	3 years
7.	Repayment period for the SCAs/NGOs	4 years / 3 years
8.	Utilization Period for the SCAs /NGOs	3 months / 1 month
9.	Means of Financing; NMDFC:SCA : Benef. contribution	90:5:5

## V. LENDING POLICY GUIDELINES FOR STATE CHANNELISING AGENCIES

### 1. RESPONSIBILITY OF STATE CHANNELISING AGENCIES IN IMPLEMENTATION OF NMDFC SCHEMES

NMDFC's Lending Policy emphasizes on NEED BASED FINANCING i.e. financing as per the need of the beneficiaries (nature of project, quantum of funds) and need of the area (number of units). To achieve this objective, SCAs have been delegated with powers and required freedom and flexibility in working, as given below:-

- i. SCAs may sanction all **the projects upto Rs.5.00 lacs** to be financed at their level based on the model schemes of BANKS, NABARD, SIDBI, PMRY, DRDA etc.
- ii. The SCAs must have a **project evaluation cell to accord approval of the projects with project cost in excess of Rs.5.00 lacs** submitted by the beneficiary, **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 may in operating the project.**

- iii. **All loans upto Rs.10.00 lacs may be treated as composite loans** however for loans greater than Rs.10 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).
- iv. 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 & the building so constructed on this piece of land, could be used for the purpose of collateral security for the loan amount.
- v. Number of units to be financed under any scheme at any location will be decided by the SCA.
- vi. Beneficiary selection will be the sole-responsibility of the SCAs.
- vii. The selection of beneficiaries may preferably be done at the district level. Such 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 the purpose of selection of beneficiaries. SCAs are expected to take the following steps in selection of beneficiaries:-
  - i. From time to time, the SCAs will give wide publicity of the programs; through press advertisement, awareness camps, public announcements, personal contacts etc. and will invite applications from prospective beneficiaries for need based financing of activities suitable to the beneficiaries. SCAs should not invite applications for a few pre-selected schemes. Beneficiaries may be invited to submit application for financial assistance in activities based on their experience, skill and demand.
  - ii. SCA will shortlist the eligible beneficiaries based on clearly laid out transparent criteria and selection of beneficiaries should be based on verification of antecedents of beneficiaries. The selection of beneficiaries may be done by a Committee having representation of district authorities, lead bank, DIC etc.
- viii. The SCAs must advertise in the beginning of every financial year soliciting applications from the prospective beneficiaries. The applications must be free of cost & should be collected at a point where the beneficiary does not have to cover long distances for depositing the same. Some acknowledgement/registration number should be given to the beneficiary indicating receipt of the application & time period/date by which the application would be processed & the beneficiaries are informed about the status of their application. Names of such

- beneficiaries should also be listed on the notice board of the State/District office of the SCA with simultaneous listing on the website of the SCA.
- ix. The SCAs should also simultaneously organize awareness camps in areas with high minority concentration & backward areas to disseminate the information about the schemes of NMDFC. Funds for this purpose can be claimed from NMDFC. During the awareness camps, the SCAs must distribute the application form & brochures of the schemes & help the prospective beneficiaries to fill the application forms. Complete application forms must be collected at these camps & after preliminary scrutiny at the camp itself, the applicants must be given Acknowledgement/Registration number with definite time & place for conducting the interview for next stage of shortlisting.
  - x. The SCAs must organize frequent / periodic interviews for selection of beneficiaries so that the beneficiary does not have to wait long after submission of his/her application. 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.
  - xi. It should be the endeavor of the SCA to approve the loan application of the beneficiary within 1 month of submitting the application. The list of the selected persons should be prominently displayed on the notice board & web site of the SCA with communication to individual for completion of loan documentation procedure. The financing of beneficiaries should be strictly in the ratio of the minority population of the State with preference given to persons from minority concentrated areas & backward areas.
  - xii. The pre-disbursement checking of antecedents of the beneficiary must be carried out within 10 days of sanction of loan & report submitted to the head office/district office of the SCA for consideration during sanction of loan.
  - xiii. The SCAs should facilitate in completion of loan formalities so that the poor uneducated person does not have to run to a number of places for completion of loan documentation. There should be pre-printed formats for Guarantee, Agreement form, Demand Pro-note, etc. The non-judicial stamp may also be available with the SCA & can be handed over to the person whose loan has been sanctioned 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 numbers to persons who do not have AADHAR numbers. Cases where beneficiary account has been opened under Jan Dhan Yojana may be referred to NMDFC on quarterly basis, for reference & reporting.
  - xiv. The SCA must organize a one day orientation cum training program for the selected beneficiaries before transferring of loan amount in the bank account of the beneficiary.

- xv. The beneficiaries must be told about the basics of business management, loan repayment schedule, interest calculation method, method for repayment of loan by cheque, etc. The loan repayment kit should also be handed over to the beneficiary containing the bank payment slip indicating the bank account number of the SCA, bank name with branch address. The beneficiaries should be encouraged to use the same bank account for their business transactions, deposit of income & repayment of loan. This account should be monitored regularly by the SCA with reference given to NMDFC for reference. The quarterly bank account statement of the beneficiary duly attested by the bank manager/self-attested by the beneficiary must be uploaded onto the website of the SCA with hyperlink to NMDFC web site, for reference & monitoring.
- xvi. The SCA must carry out baseline survey by getting the socio economic feedback questionnaire filled up by the beneficiary at the time of loaning. This process may be repeated after two years as mid-term review of loaning to beneficiary and also at the end of loan pendency to get a feedback about the socio economic impact of NMDFC schemes on beneficiaries. Such detail be uploaded on website of SCA with hyper link to website of NMDFC & authenticity of such data would be cross checked by an independent agency hired by NMDFC, for undertaking impact study, from time to time.
- xvii. During the orientation program, the officials from the insurance companies could be called for getting insurance of the beneficiaries & their assets. The SCA should be made the nominee to the extent of loan outstanding amount & the balance claim going to the nominee of the beneficiary in the event of any untoward incident. The insurance premium may be made part of the loan amount & repayment schedule worked out accordingly.
- xviii. The banks officials could be called during orientation program & the beneficiary may 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 & onetime premium for pendency of loan 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.5,000/- per month.
- xix. 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.

- xx. The SCA must have a separate recovery department which keeps upto date computerized recovery records of all the beneficiaries. The beneficiaries who have defaulted in repayment on even one installment must be followed up regularly for repayment of loan amount. However if the beneficiary is facing some genuine problem, he/she must be given some time by rescheduling the loan amount. The SCAs may also adopt SMS services for reminding the beneficiary about the due loan instalment which is to be cleared on due date.
- xxi. 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 must also attend to any difficulty being faced by the beneficiary & must try to address the same sympathetically.
- xxii. NMDFC also carries out beneficiary verification exercise every year by engaging a 3<sup>rd</sup> party to undertake the evaluation of impact of NMDFC schemes on beneficiaries. During such exercises, the Socio-Economic Feedback forms can become very handy in collecting data& cross checking of economic status & impact of the scheme 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.

## **2. ADVANCE PLACEMENT OF FUNDS TO SCAs**

### **a) SANCTIONS**

In the month of March every year, the SCAs will submit a detailed sectorwise 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 annual allocation to each SCA. This allocation shall be the notional sanction of funds for the SCAs during the particular financial year. The sanction of funds will be communicated to each SCA by the NMDFC once in the beginning of the year by way of Letter of Intent.

### **b) DISBURSEMENTS**

On the basis of annual sanctions, 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 annual sanctions 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 with justification.

### **c) CONVERSION OF ADVANCE TO LOAN (UTILIZATION)**

The advance is required to be converted into loan by the SCAs by way of loaning to the eligible beneficiaries under the Scheme of Term Loan, Educational Loan, Mahila SamridhiYojana and Micro Financing. The advance will be provided to the SCAs at interest rate of 3.5% (rebate of 0.5% on timely repayments) and from the date of its utilization, the interest rate of the respective scheme in which funds have been utilized will become applicable.

### **3. UTILISATION PERIOD**

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 funds beyond utilization period 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.

### **4. MORATORIUM PERIOD**

A grace period (Moratorium) is offered to the beneficiary for stabilizing the business activity financed under NMDFC loaning. 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 thus varies from scheme to scheme and under NMDFC financing, it is of the order of 3-6 months. The SCA decides about the moratorium period in respect of each beneficiary and accordingly works out repayment schedule.

As far as repayments from 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.

### **5. REPAYMENT PERIOD**

The entire loan 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 eight years after nine months of drawl of funds (3 months utilization period and 6 months moratorium period) or after the utilization of funds whichever is later.

## **6. SECURITY FOR BENEFICIARIES TO AVAIL LOAN UNDER THE SCHEME**

- i. NMDFC seeks revolving Government Guarantee from the concerned State Govt./UT Administration as security for the loan disbursed to its 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 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.

## **7. PENAL INTEREST**

The funds are released to the SCAs at interest rate of 3.5%. The funds remaining unutilized after three months attract interest rate of 6.5%. The funds remaining unutilized after six months attract interest rate of 8.5% till the funds are refunded. After utilization of funds, the interest rate of the scheme for which the funds have been utilized shall prevail. There is rebate of 0.5% on timely repayments. The penal interest is charged on accrual basis.

## **8. RECALL OF UNUTILISED FUNDS**

The unutilized funds after six months of disbursements are required to be refunded to NMDFC.

## **9. COMPOUND INTEREST**

In case of default in repayment of dues to NMDFC by a period not exceeding one quarter, the SCA shall be liable to pay compound interest on overdues of principal and on interest at normal rate of interest for each scheme.

## **10. LIQUIDATED DAMAGES**

If the SCA defaults in repayment of dues as intimated by NMDFC beyond a period of one quarter, then NMDFC will charge liquidated damages from SCA all inclusive interest rate of 5% per annum on the overdues. The liquidated damages are charged on accrual basis.

## **11. DEFAULT IN REPAYMENT**

- If the SCA fails to repay the current quarter dues, the SCA would be treated as a defaulter.
- Further, if the default continues for another 3 quarters, the defaulted amount would be treated as bad/ doubtful debt and necessary provision would be made in the accounts.
- Such SCAs who default in repayment of dues for 4 quarters would not be considered for further disbursement by NMDFC and recovery proceedings would be initiated against such an SCA by NMDFC.
- 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.

## **12. GENERAL RESTRICTIONS IN UTILISATION OF FUNDS**

- a. NMDFC vide its letter no. NMDFC/ 2015 dtd. 22.04.2015 has requested that major portion i.e., normally of the order of 70% of funds disbursed during a financial year, should be utilized for financing the beneficiary under Credit Line -1 with annual household income of Rs.98,000 in Rural Areas & Rs.1.20 lacs in Urban areas.
- b. The beneficiaries with higher annual household income of upto Rs 6.00 lakh, considered under Credit Line -2, be financed normally of the order of 30% of total funds disbursed by NMDFC during a financial year.
- c. The above categorization in utilization of funds will ensure that more fund is utilized for financing the credit needs of poorest section amongst the targeted Minority communities. It may also be pointed out here that to ensure full utilization of funds, each SCA should carryout analysis of availability of fund & applications under Credit Line -1 & Credit Line -2 at the end of 3<sup>rd</sup> quarter of a Financial Year. If sufficient applications are not available under either category, it may decide to finance beneficiaries from the other category in the 4<sup>th</sup> quarter, with due permission from NMDFC. The SCA would however need to submit an undertaking that since sufficient applications are not available under one or the other category, it may be permitted to switch financing of beneficiaries, from the other category.
- d. Further, financing of beneficiaries must be need based and in order to cover maximum number of beneficiaries, SCA may adhere to following limits while financing the beneficiaries:-
  - i) 70% of loans financed must be for loans not exceeding Rs 5.00 lakh per beneficiary.
  - ii) 20% of loans financed can be greater than Rs 5.00 lakh but less than Rs 10.00 lakh.
  - iii) Only 10% of total loan financed could be for projects with loan greater than Rs 10.00 lakh.

**It may however be pointed out here that in order to promote higher technical education amongst Minority beneficiaries, the above restrictions are not applicable on Education Loan scheme. However, the 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 during subsequent years of continued education.**

- e. 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 (2<sup>nd</sup> installment) to the beneficiaries. Details of all such cases should be uploaded on the website of SCAs before disbursement of 2<sup>nd</sup> installment to the beneficiaries. It should be ensured that the SCA is following the stipulated norms for identifying the beneficiaries for extending the NMDFC credit facilities.

The Quarterly Progress Report for the first Quarter is required to be submitted by the SCAs latest by 5<sup>th</sup> July 2015 & for the remaining quarters the desired information is required to be submitted by the 5<sup>th</sup> of every quarter i.e. 5<sup>th</sup> October 2015, 5<sup>th</sup> January 2015 & 5<sup>th</sup> April 2016. The report will include the beneficiaries covered under higher income limit and detail of the same will be put up on the website of NMDFC.

- f. Financing for Transport Sector schemes may not exceed 20% of the total financing by the SCA. For North-East & hilly States of Uttarakhand, Himachal Pradesh and J&K, the financing limit for Transport Sector is 50%.
- g. The maximum limit for One Time Sanction of Micro-Credit by SCAs to an NGO is Rs.25.00 lacs. 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 can be increased with due approval of NMDFC, on case to case basis. Disbursement of loans in all cases shall beyond Rs.50.00 lacs, shall be in two equal instalments, only after inspection/verification of satisfactory utilization of 1<sup>st</sup> instalment.

### **13. GROUP FINANCING**

Financing more than one beneficiary in a group for financing higher value projects is discouraged by NMDFC, in principle. 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 more than Rs.30.00 lacs, group financing for two or at the most three beneficiaries may be considered.

### **14. GENERAL GUIDELINES FOR IMPLEMENTATION OF NMDFC PROGRAMME**

- i. The SCAs will submit need based sector wise annual action plan bifurcated into quarterly targets, in the month of February/March for the forthcoming financial year.
- ii. NMDFC will issue formal sanction to the SCA in the form of LOI for the amount of allocation. It will be one time sanction during the year which if not availed by the end of financial year, would lapse automatically.
- iii. The SCA will approach NMDFC for drawl of funds in advance to the extent of their preparedness to utilize the funds within a period of three months.
- iv. Loan upto Rs.10.00 lacs may be treated as composite loan while for loan beyond Rs.10.00 lacs, the working capital component must not exceed 50% of total loan amount depending on the type of project i.e. manufacturing or service sector.
- v. 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 Education Loan cases & balance 10% for old cases.
- vi. Preference should be given for Education Loan to students who have secured admission to Government Institutions. Education Loan should be extended only for courses with good employment prospects. Out of total Education Loan cases financed by an SCA in a year, 90% cases should be for domestic courses only. Preference should be given to short duration course with high employment potential.
- vii. The SCA must submit the utilization certificate indicating whether the loan has been disbursed to male or female beneficiary. This is required for accounting purposes as the interest rate is different & the demand for repayment will be generated accordingly. The SCAs should give preference for financing women beneficiaries under NMDFC schemes.
- viii. The utilization certificate must be accompanied with soft copy of the beneficiary detail in the prescribed format. The soft copy must be provided in prescribed format only. Utilisation certificate without soft copy will not be accepted by NMDFC and the higher rate of interest on advance funds will continue to be charged by NMDFC.
- ix. The utilization detail in respect of beneficiaries financed by the SCA must be up-loaded on to the website of the SCA. Hyperlink may also be provided to NMDFC for checking the same. The SCAs must provide the URL of their website for viewing by NMDFC. NMDFC would be constrained to release further disbursements to an SCA if the last utilization detail has not been up-loaded on to the website of the respective SCA.

- x. Regular follow up with the beneficiaries must be carried out by the SCA to check grounding of assets as per the sanctioned scheme and their usage for the sanctioned purpose.
- xi. SCAs may make timely repayments to NMDFC as per the dues communicated every quarter. For release of next installment of advance, repayment of dues from the SCAs should be satisfactory. Success of any lending operation depends upon the follow-up with the beneficiaries after the project is completed. At the time of disbursement of the loan to the beneficiaries they should be clearly informed that it is not a grant but a loan which they have to repay. They should be provided with the repayment schedule of loan at the time of disbursement. Each beneficiary should be followed up through personal contact at least once in a quarter and more frequently if it is possible. Follow up schedule may be prepared for timely recovery from the beneficiaries.
- xii. For sustainability of program, recovery of loan from the beneficiaries is essential. Therefore, SCAs may give due emphasis on actual recoveries from the beneficiaries. SCAs should make proper recovery plan at State/District level assigning responsibilities at all level. Recovery schedule should be drawn up by the SCAs. Recovery drives should be undertaken at frequent and regular intervals.
- xiii. In addition to existing recovery mechanism, SCAs may also employ recovery staff on commission basis.
- xiv. SCA may 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.
- xv. SCAs must send quarterly report on actual recovery from the beneficiaries on the prescribed format. Further disbursements would not be considered by NMDFC if the grass root level recovery report is not available with NMDFC.
- xvi. Higher financing than the allocation can be considered in case of those SCAs whose recovery level from the beneficiaries is more than 60%.
- xvii. SCAs may take timely action for provision of State Government Guarantee for availing funds.
- xviii. SCAs should reconcile accounts with NMDFC on half yearly basis.
- xix. The SCAs must set up video-conferencing facility for periodic review of scheme implementation by NMDFC & for seeking guidance of NMDFC on pending/important issues.

## **15. NEW INITIATIVES BY NMDFC**

- a.) Linking up of AADHAAR no. for extending benefits under the NMDFC schemes for identification and disbursement of funds is highly desirable for ensuring smoother & hassle free delivery of loans to loanees & also improve KYC base of SCAs/NMDFC for their better performance. To the extent possible, AADHAR Number should be used for identification & registering of the beneficiaries and disbursement of loan. In case, the AADHAR number is not available in respect of some beneficiaries any other KYC norm could be used.
- b) The beneficiary must have a bank account at the time of disbursement of loan. In case the beneficiary is not having a bank account, the same should be got opened under the Jan Dhan Yojana of the Prime Minister and linked with AADHAAR Number or KYC norms. All disbursement should be only in the bank account of the beneficiary. Detail of all such accounts especially opened under PMs Jan Dhan Yojana should be referred to NMDFC for reference & record.
- c) The beneficiary should be encouraged to use the same AADHAAR seeded Bank accounts for their business transactions and repayments to NMDFC. This account should be periodically monitored by the SCAs & NMDFC also be given access to this information for reference & monitoring. Photocopy of such bank accounts duly certified by the bank manager must be uploaded on the website of the SCA on quarterly basis with hyperlink to NMDFC website.
- d) The SCAs must get the insurance of beneficiaries against death/disabilities and the assets at the time of financing and the premium amount should be made part of the loan amount. For this purpose, the SCA should enter into an understanding with an insurance company for insuring the beneficiaries and their assets. The SCA should be made nominee of the insurance claim to the extent of the loan outstanding and the balance claim amount be given to the nominee of the beneficiary, in the event of any untoward incident.
- e). The beneficiary may also be motivated to subscribe to Pradhan Mantri Suraksha Bima Yojna (PMSBY) & Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) linked with their bank account at the time of loaning and any premium thereof may also be made part of the loan amount. Such cases may be reported to NMDFC on quarterly basis for record & reporting.



- f) Beneficiaries should also be persuaded to subscribe to Atal Pension Yojana (APY) as there is guaranteed minimum monthly pension for the subscribers ranging between Rs.1000 and Rs.5000 per month. The benefit of minimum pension would be guaranteed by Government of India & is applicable to all citizen of India aged between 18-40 years. Minimum annual subscription may be made part of the loan amount & the beneficiary assisted in getting matching share of the Central Govt. All such cases be reported to NMDFC for reference & reporting.
- g). The SCA must carry out baseline survey by getting the socio economic feedback questionnaire filled up by the beneficiary at the time of loaning. This process may be repeated after two years as mid-term review of loaning to beneficiary and also at the end of loan pendency to get a feedback about the socio economic impact of NMDFC schemes on beneficiaries. Such detail be uploaded on website of SCA with hyper link to website of NMDFC & authenticity of such data would be cross checked by an independent agency hired by NMDFC, for undertaking impact study, from time to time.
- h) The SCAs have been advised to consider and accept the self declaration / self certification / self attestation of documents in respect of Religion, Family Income, Mark-sheets of previous years in respect of Education Loan, any other affidavit etc., by the applicants under the lending programs of NMDFC as per the Minimum Government & Maximum Governance policy of the Govt. of India.
- i). The SCAs have been advised to release the loan amount directly into the bank accounts of the ultimate beneficiaries by way of electronic transfer..

**16. CRITERION FOR DISBURSEMENT OF FUNDS BY NMDFC:-**

- a) Utilisation of funds disbursed earlier.
- b) 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.
- c) Timely repayment of dues communicated by NMDFC from time to time.
- d) Availability of State Government of Guarantee in favor of SCA for availing funds from NMDFC.
- e) Submission of quarterly progress report on recovery from beneficiaries on regular basis.
- f) Satisfactory level of contribution in the equity of NMDFC.

- g) Submission of detail about use of AADHAAR Number /KYC norm/any other biometric feature of beneficiary for financing of beneficiary.
- h) Insurance of beneficiary against death/disability with SCA as nominee gets reflected in the utilization report.