NSFDC LENDING POLICY FOR PUBLIC SECTOR BANKS/REGIONAL RURAL BANKS
(With effect from 25.3.2021)

1. ORGANISATION

National Scheduled Castes Finance and Development Corporation (NSFDC) (An ISO 9001:2015 Certified Company as well as MoU signing company) is a fully owned Government of India Undertaking under the Ministry of Social Justice and Empowerment, Government of India and is managed by a Board of Directors. NSFDC is a Section-8 Company (not for profit) registered under the Companies Act, 2013 (formerly Section 25 Company under the Companies Act, 1956) that was set up by the Government of India in 8th February, 1989 with the objective of working for economic empowerment of persons belonging to Scheduled Castes, having annual family income up to Rs. 3.00 lakh.

2. BROAD OBJECTIVE

The broad objective of NSFDC is to provide financial assistance for the economic empowerment of persons belonging to the Scheduled Caste having annual family income up to Rs.3.00 lakh including their skill upgradation.

3. OPERATIONS

a) Financing income-generating schemes for the eligible persons belonging to Scheduled Caste families through the Channelizing Agencies (CAs) that include agencies promoted and/or wholly owned by the Government of India/States/UTs, Public Sector Banks and Regional Rural Banks.
b) Providing funds to the CAs under various schemes of NSFDC on refinance/reimbursement or project lending basis to the eligible target group.
c) Providing educational loan to the eligible target group through the CAs.
d) Providing loan for vocational education and training courses through the CAs.
e) Providing grants for skill development training programmes.
f) Providing advisory services to target group and CAs.
g) Upgrading the skill levels of the CAs.
h) Arranging exhibitions-cum-fairs for marketing the products of beneficiaries.

4. NSFDC-CHANNELIZING AGENCY RELATIONSHIP

The associated Bank is to act as Channelizing Agency (CA) of NSFDC in respective State/UT. The relationship between NSFDC and the CA shall be governed and guided by contractual relationship between the parties strictly in accordance with the NSFDC Lending Policy and the terms and conditions of the Agreement.

5. ELIGIBILITY CRITERIA

a) The beneficiary(ies) should be from the Scheduled Caste community.
b) Individuals, Partnership Firms and Co-operative Societies are eligible to undertake income generating activities. However, proposals submitted by Partnership Firms and Co-operative Societies shall be considered subject to the following:
   i) All the members of Partnership Firms/Co-operative Societies belong to Scheduled Caste community.
   ii) Annual Family income of each member/applicant is upto Rs.3,00,000/-

Note: The verification of eligibility criteria shall be the sole responsibility of the CAs. NSFDC shall, however, be entitled to re-verify the eligibility of the applicants, if it so desires.

QUANTUM OF ASSISTANCE

NSFDC provides loans upto 90% of the Project Cost under project finance except Vocational Education and Training Loan Scheme (VETLS) where NSFDC share is upto 100% of the unit cost. Under refinance mode, NSFDC share will be upto 100%. However, under the Central-Sector Scheme of Special Central Assistance to the Scheduled Castes Sub Plan, the Below Poverty Line (BPL) beneficiaries are eligible for subsidy @ Rs.10,000/- or 50% of the unit cost, whichever is less. Wherever the beneficiaries are not provided subsidy, the CA(s)/Beneficiary(ies) shall provide their contribution.

6. SOCIAL PRIORITIES

Further, the CA(s) shall endeavor to cover target groups in accordance with the priorities laid down as under:

(a)	Educated unemployed/under-employed	50%
(b)	Women	40%
(c)	Others	10%

7. SECTORAL PRIORITIES

The CA(s) shall endeavor to achieve sectoral priorities in accordance with the percentages listed below:

	Sectors	**Allocation**
(a)	Agriculture & Allied	50%
(b)	Service	40%
(c)	Industry	10%

8. PROCEDURE FOR AVAILING ASSISTANCE

CA(s) may avail funds under both the modes, i.e. re-financing/reimbursement and project-based lending for implementation of the NSFDC schemes:

a) **Under re-financing/reimbursement** mode, the CA(s) shall send the project/scheme-wise details of beneficiaries financed by the CA(s) in the prescribed format who fulfill the eligibility criteria for lending under the NSFDC schemes. NSFDC shall appraise the proposals as per its lending policy revised from time to time. NSFDC may disburse the funds to the CA(s) for the sanctioned proposals. In order to become eligible for re-finance, the CA(s) shall follow procedure given below:

i) **Under re-financing/reimbursement, CA(s) can avail funds under the Schemes of NSFDC, having outstanding balance from Rs.10,000/-to Rs.45.00 lakh per account as on the date of claiming refinance.** The maximum project cost limit will be Rs.50.00 lakh per unit as per the existing lending policy of NSFDC for PSBs/RRBs.

ii) **The refinance would be allowed to the CAs retrospectively to cover the entire outstanding standard SC loan portfolio of the Bank as on the date of refinance claim.**

iii) CA(s) shall select the applicants as per the eligibility criteria of NSFDC.

iv) Selection/rejection of the loan applications shall be communicated to the applicants.

v) In selection of assets (within the sanctioned parameters), choice of beneficiaries shall be a prime consideration.

vi) CA(s) shall appraise the proposal with a view to ensure that the project/activity is viable and the beneficiary has entrepreneurial capabilities to manage the business activity.

vii) The CA(s) shall give preference to the proposals that have provision of convergence with on-going schemes of the Central/State Government that allows beneficiaries to take advantage of subsidies/other benefits flowing from various schemes. In other words, group proposals from areas having concentration of population of the target group, Self-Help Groups (SHG) of Women and collectives/Clusters etc. would be preferred.

viii) CA(s) shall submit scheme-wise details of the projects/activities financed under NSFDC schemes in the prescribed format **(Annexure-I).**

ix) NSFDC shall appraise the proposals, issue Letter of Intent (LOI) for approved proposals and disburse funds to the CA(s) on completion of pre-requisite formalities for disbursement of funds given at para 10 of this Lending Policy.

x) The CA(s) shall switch-over the individual loan accounts of the beneficiaries under NSFDC schemes within 30 days from the date of disbursement by NSFDC. The CAs shall inform the same to NSFDC in the prescribed format **(Annexure-II).** The amount re-financed by NSFDC shall be treated as funds utilized.

xi) Switch-over of the individual loan accounts shall be communicated to the beneficiaries on receipt of LOI from NSFDC.

xii) The CA(s) shall recover the installments from the beneficiaries after allowing them stipulated moratorium period.

xiii) There shall be no sanction limit and the eligible refinance in each claim will be sanctioned irrespective of the quantum of amount.

b) <u>Under project-based financing,</u> the following procedures shall be adopted:

i) The CA(s) shall sponsor project proposals to NSFDC covering unit cost, means of finance, technical feasibility, financial viability, quotations, wherever applicable, etc.

ii) In case of individual high cost scheme (with NSFDC's share exceeding Rs.5.00 lakh per unit), the CA(s) shall forward the project proposals, along with Field Verification Report giving the findings and recommendation of the Field Officer and an affidavit as per the prescribed format **(Annexure-III)**. The CA(s) shall submit the above documents in addition to the Caste and Income Certificates of the applicants in all cases.

iii) The NSFDC shall scrutinize and appraise the project proposals as per the Lending Policy and issue Letter of Intent.

iv) The CA(s) shall request NSFDC for disbursement of funds. The NSFDC shall disburse funds to the CA(s) on completion of pre-requisite formalities given at Para 10 of this Lending Policy.

v) CAs shall implement the schemes as sanctioned by NSFDC.

vi) Funds disbursed by NSFDC shall be utilized by the CA(s) as per the Para 12 of this Lending Policy.

vii) Selection of the beneficiaries shall be made by CA(s) in proportion to the sanctioned units with adequate wait-listing on first come first served basis.

viii) CA(s) shall issue a Sanction Letter to the beneficiaries concurrently with the disbursement of funds by NSFDC/issuance of LOI by NSFDC, provided all the prudential norms for disbursement of funds are duly complied by the CA(s).

ix) The CA(s) shall recover the instalments from the beneficiaries after allowing them stipulated moratorium as stated in the LOI.

x) In selection of assets (within the sanctioned parameters), choice of beneficiaries shall be a prime consideration.

xi) The CA(s) shall give preference to the proposals that have provision of convergence with on-going schemes of the Central/State Government that allows beneficiaries to take advantage of subsidies/other benefits flowing from various schemes. In other words, group proposals from areas having concentration of population of the target group, Self-Help Groups (SHG) of Women and collectives/Clusters etc. would be preferred.

xii) The CA(s) shall endeavor to link subsidy from concerned authorities with NSFDC loan component to reduce the loan burden on beneficiaries eligible for such subsidy from time to time.

xiii) CA(s) shall disburse funds to the beneficiaries after receipt of funds from NSFDC.

xiv) CA(s) shall charge interest rate from the beneficiaries as per norms of NSFDC.

xv) CA(s) shall widely publicize the schemes sanctioned by NSFDC.

9. DISBURSEMENT OF FUNDS

Funds for the sanctioned projects/schemes shall be disbursed by NSFDC subject to fulfillment of the following conditions:

a) Requisition by the CA(s) for disbursement of funds for the implementation of the scheme.
b) Submission of Accepted Copy of Letter of Intent (LOI), duly signed and stamped by an authorized signatory of the CA(s) on all the pages as token of acceptance of all terms and conditions stipulated in the LOI.
c) Submission of status of overall/scheme-wise utilization of funds (as per prescribed format), already disbursed by NSFDC (overall cumulative utilization % age should not be less than 80% as at the end of preceding month, under project-based schemes).
d) There should not be any overdues payable to NSFDC at the time of disbursement.
e) Besides above, the following conditions are to be fulfilled by the Regional Rural Banks based on their Annual Accounts.

(i) Net NPA must be less than 15% in at least 3 years out of last 6 years preceding to the year of disbursement.

(ii) The RRB must be in profit (net profit) for at least in 3 out of last 6 financial years preceding to the year of disbursement.

(iii) The cumulative utilization level of earlier disbursements shall be 80% as at the end of preceding month for disbursement of funds till February end. However, for disbursement of funds in the month of March utilization level of 80% will be considered at the end of preceding day of disbursement.

(iv) There shall be no overdue in payments against demand of earlier disbursals.

(v) In case of amalgamated/merged entities, NPA norms of previous years of dominant partner of RRB retained with the same sponsor Bank will be considered. CA(s) should not be defaulter of any Regulatory Body.

(Sl No. (i) to (v) above from 1.4.2020 to 31.03.2022)

10. IMPLEMENTATION OF THE APPROVED SCHEME(S)

Under both the modes of financing, i.e. re-financing/reimbursement and project-based financing, schemes are to be implemented strictly as per the terms and conditions given in the LOI.

11. FUNDS UTILISATION

(a) Under project-based financing, CA(s) shall utilize funds disbursed as per NSFDC Lending Policy as amended from time to time. Under project-based financing, presently, the fund utilization period for the funds drawn from the NSFDC is 120 days from the date of disbursement of funds.

Under the project-based financing, the CA(s) shall send scheme-wise Quarterly Progress Report (QPR) on the utilization of the NSFDC funds as per the prescribed format **(Annexure-IV).**The CA(s) shall send scheme-wise Quarterly Progress Reports within 180 days from the date of disbursement. The QPR must reach NSFDC within 10 days from the close of each quarter failing which the same shall be treated as default by the CA(s). NSFDC funds actually disbursed by the CA(s) to the beneficiaries or advanced to the suppliers towards procurement of assets under the approved schemes shall only be considered as funds utilized.

(b) Under refinancing/reimbursement mode, CA(s) shall switch-over the individual loan accounts of the beneficiaries under NSFDC schemes within 30 days from the date of disbursement by NSFDC. The CAs shall inform the same to NSFDC in the prescribed format. The amount refinanced by NSFDC shall be treated as funds utilized.

12. RIGHT TO RECALL THE LOAN

If at any time, in the opinion of NSFDC, CA(s) has failed to observe or fulfill any of the terms and conditions stipulated in the Agreement on the occurrence of any event or circumstances which, in the opinion of NSFDC would or is likely to prejudicially or adversely affect in any manner the capacity of CA(s) to repay the amount of the said assistance and interest thereon, in the manner aforesaid notwithstanding any provisions contained herein in connection with the time/period of the repayment of the amount of the said assistance and interest, CA(s) shall be liable to repay to NSFDC in one lump-sum the outstanding principal of the said assistance and interest thereon and NSFDC shall be entitled to recall the entire outstanding amount of principal and interest from CA(s).

14. REPAYMENT OF LOAN

NSFDC shall send quarterly/half yearly demand notice to CA(s) to facilitate prompt repayment of the amount of assistance as per the Lending Policy/repayment norms. It shall be the responsibility of CA(s) to ensure repayment of the amount of assistance and payment of interest due by the due dates. Non-receipt of a demand notice from NSFDC shall not be a reason for non-payment of the amount of assistance and interest thereon in the manner aforesaid by the due date.

15. DEFAULT IN REPAYMENT

The CA(s) shall agree that notwithstanding anything stipulated in the signed Agreement, NSFDC shall have the right by notice in writing to require CA(s) forthwith to discharge in full or in part its liabilities to NSFDC in respect of any of the said financial assistance provided by the NSFDC whether due or not upon the happening of any of the following events viz:

a) CA(s) has committed any default in making any payment or repayment in accordance with the Agreement.
b) CA(s) has committed any breach or default in the performance or observance of the Agreement and/or CA(s)'s application and/or the provisions of financing schemes of NSFDC and or any instructions issued by the NSFDC from time to time.
c) CA(s)'s application or any enclosure thereto contained any false or untrue statement or information or the same turned out to be wrong or untrue as a result of supervening circumstances or even otherwise. On this question whether any of the above events has happened, the decision of the NSFDC shall be final, conclusive and binding on the CA(s).
d) If there is reasonable apprehension that CA(s) is unable to repay its debts or proceedings for taking it into liquidation may be commenced in respect thereof.
e) CA(s) shall be liable to pay NSFDC all costs, legal charges and other expenses, whatsoever NSFDC may incur in the realization of the amount of the said assistance from CA(s).

16. LIQUIDITY DAMAGES ON DEFAULTED PAYMENTS (LDDP)

Defaults in the repayment of NSFDC dues (principal as well as interest) beyond the stipulated/agreed dates of repayment shall attract further interest @ 2% per annum over and above normal rate of interest applicable on the dues as per the Lending Policy of the NSFDC. It shall be levied on cash basis quarterly through a separate demand.

17. APPROPRIATION OF REPAYMENTS

CA(s) shall remain always liable as a principal debtor to the NSFDC for the due repayment of any financial assistance granted by the NSFDC in respect of the said financial assistance. CA(s) shall agree that in case it fails to repay on the due date(s), the installment of principal and/or interest (without rebate) shall be compounded as per schedule of payment/repayment and NSFDC shall be entitled to appropriate the repayment received from the CA(s), first towards the interest and then towards the principal amounts outstanding for the longest period, without any prior intimation to the CA(s).

18. HIGHER RATE OF INTEREST (HRI) ON FUNDS REFUNDED

a) Higher Rate of Interest (HRI) on funds not utilized within stipulated time period and refunded shall be applicable @ 3% p.a. over and above the normal rate of interest charged by NSFDC from CA(s) and it shall be applicable from the date of disbursement to date of refund.

b) NSFDC funds refunded unutilized by the CA(s) even within 120 days shall attract the same HRI as indicated above.

c) The CA(s) shall be exempted from levy of HRI on unutilized funds, if the cumulative funds utilization level is 80% or above as the end of preceding financial year.

19. STANDARD CONDITIONS OF LOANS

In both the modes of financing, i.e. refinancing/reimbursement and project-based financing, the standard conditions shall be as follows:-

a) For any change in the parameters and terms and conditions of the scheme, prior approval of NSFDC shall be obtained by the CA(s).
b) The CA(s) shall form a Project Implementation Committee for monitoring the implementation of the project where NSFDC's nominee would invariably be included.
c) The CA(s) shall ensure that beneficiaries are selected strictly as per the eligibility criteria of NSFDC.
d) Cost over-run, if any, in the scheme shall be borne by the CA(s)/Beneficiary(ies) to the satisfaction of NSFDC.
e) The funds disbursed for implementation of the scheme shall be utilized for the same scheme only and shall not be diverted to any other scheme. The unutilized amount under the scheme, if any, shall be refunded to NSFDC.
f) NSFDC funds disbursed by the CA(s) to the beneficiaries or advanced towards procurement of assets under the projects shall alone be considered as funds utilized. However, funds transferred by the CA(s) to its Branch/District Offices are not considered as funds utilized.
g) The CA(s) shall ensure effective monitoring and periodic flow of information to NSFDC relating to the scheme during the currency of the loan.
h) The CA(s) shall avail disbursements under sanctioned schemes in maximum three instalments within a period of one year from the date of sanction and remaining units/funds, if any, shall be treated as cancelled and the schemes shall be closed at the existing level of implementation.
i) Advertisements for the scheme should carry the message that NSFDC is one of the financiers of the scheme.
j) CA(s) shall ensure that prior to sanction of financial assistance to beneficiary(ies), the names of legal heir(s) of the beneficiary(ies) are obtained so that assets/liabilities are taken over by legal heir(s) in the event of death of the beneficiary(ies).
k) CA(s) shall maintain separate accounts for loan assistance received under various schemes.
l) The CA(s) shall also comply with special conditions stipulated in Letter of Intent (LOI) and any other condition(s) that the Chairman-cum-Managing Director of NSFDC may deem fit to stipulate during the currency of the loan.

20. GENERAL

a) The CA(s) shall take measures to generate adequate awareness amongst the prospective beneficiaries in their service areas by making use of local media and public bodies.
b) Second time loan may be considered to eligible SC persons, if they availed first time loan under any of the NSFDC schemes subject to the condition that (a) earlier loan is fully repaid ; and (b) Certification of actual assets creation through first loan and successful running of the business by the SCAs/CAs.
c) Those who own the assets under NSFDC assistance alone are considered as beneficiaries.
d) In view of the large number of beneficiaries are still to be covered, financial assistance for the existing/sick/closed units shall not be considered.
e) Land based schemes should be composite schemes and, therefore, should not merely be confined to providing land.
f) Under Transport Sector schemes, only one vehicle per beneficiary/ institution shall be considered. The Commercial License shall be a compulsory requirement for such beneficiaries.
g) All necessary documents will be maintained on the records of CA(s). Further, the documents shall be kept in the custody of CA(s) for making available under Right to Information Act, 2005 as and when need arises, and shall be open to inspection by NSFDC or its authorized representative, if required.
h) The CA(s) shall ensure carrying out concurrent monitoring of funded units on regular basis to analyze various parameters of the Schemes such as the asset creation, asset retention, operational assets, repayment performance, crossing of poverty line by beneficiaries, their satisfaction level, etc.

i) The interpretation of any or all provisions of the Lending Policy by the Board of Directors of NSFDC shall be final and binding as to its terms, content, purport and/or implementation.

j) The Board of Directors of NSFDC may from time to time add to, substitute, alter, amend and/or any terms and conditions of the Lending Policy.

k) In case of any disputes or claims under or arising out of the Lending Policy, Courts only at Delhi, to the exclusion of all other Courts, shall have the exclusive jurisdiction.

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ANNEXURE-I

REFINANCE CLAIM FOR THE BENEFICIARIES ASSISTED BY BANKS

NAME OF PSB/RRB :________________________________

NAME OF THE SCHEME :________________________________

PERIOD :From __________To________(Date)

(Amount in Rupees)

Sl. No.	Name & Address	Caste	Annual Family Income	**Loan amount**	Proposed NSFDC Share **(outstanding amount)**	Disbursement of Funds				Beneficiaries				**Economic Activity**
						Loan Account Number	Date	Amt	Mode (RTGS/NEFT/Fund Transfer within Bank)	Rural		Urban		
										M	F	M	F	
Total														

Certified that all the beneficiaries covered under the scheme were eligible for assistance as per the eligibility criteria of NSFDC.

(Signature)

Authorized Signatory(Name):

Designation :

ANNEXURE-II

CERTIFICATE OF SWITCH OVER OF LOAN UNDER NSFDC FINANCED SCHEMES

This is to certify that the loan accounts have been switched over from Bank’s Interest Rates to NSFDC Rates for the funds of Rs._________lakh received from NSFDC under_________Scheme (NSFDC LOI No._____________) for __________beneficiaries/units.

(Signature)
Authorized Signatory
Name & Designation

Place:
Date:

ANNEXURE-III

AFFIDAVIT
(on Stamp Paper of appropriate value)

I_______________ son/daughter/wife of ____ residing at ____ do hereby solemnly affirm and state on oath as follows:-

1. I, submit that I belong to_____________________________ (Caste Name) which comes under Scheduled Caste in the State of ______________________________________ .
2. Further, I submit that I am not an Income Tax Assessee and that my Annual Family Income is Rs.___________ (in words) ________________________ __________from all sources. My family comprises of ________, ________, ______, ______________.
3. The above declaration is given by me for the purpose of obtaining loan under the scheme of ____ (CA) and National Scheduled Castes Finance and Development Corporation (NSFDC). In case any of the facts declared by me as above are found incorrect, I fully understand that I am liable for action in accordance with the Lending Policy of CA & NSFDC.

DEPONENT

Identified by me

SWORN TO, BEFORE ME

Place : Stamp

Date :**(NAME & ADDRESS OF NOTARY)**

[Separate Affidavits of each Member of a Partnership Firm/Co-operative Society etc.]

UTILIZATION CERTIFICATE UNDER PROJECT FINANCE

ANNEXURE-IV

DETAILS OF BENEFICIARIES ASSISTED

NAME OF CHANNELIZING AGENCY :________________________________

NAME OF THE SCHEME &LOI NO. :________________________________

PERIOD :From __________To________(Date)

(Rupees in lakh)

Sl. No.	Name & Address	Caste	Annual Family Income	Unit Cost	NSFDC Share	Disbursement of Funds				Beneficiaries				Economic Activity
						Loan Account Number	Da te	Amt	Mode (RTGS/NEFT/Fund Transfer within Bank)	Rural		Urban		
										M	F	M	F	
TOTAL (A)					________									

(B). Add (+): Reported in previous Quarters: Rs.__________lakh

GRAND TOTAL (A+B): Rs.__________lakh

Certified that all the beneficiaries covered under the scheme were eligible for assistance as per the eligibility criteria of NSFDC.

(Signature)

Authorized Signatory
Name:
Designation :