NSFDC LENDING POLICY FOR NBFC-MFIs
(With effect from 01.11.2015)

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 families having annual family income up to Rs. 3.00 lakh.

3. ELIGIBILITY CRITERIA FOR NBFC-MFI

The Last Mile Financier i.e. NBFC-MFI fulfilling the following norms shall be considered eligible to avail financial assistance from NSFDC:

a) The NBFC-MFI should be registered with the RBI as Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI).
b) The NBFC-MFI should be following all RBI norms related to Micro Finance.
c) The NBFC-MFI should have 3 years of continuous profit track record.
d) The NBFC-MFI should have Gross Non-Performing Assets (NPA) less than 2 % and net NPA below 0.5% as per their Annual Accounts at the end of the preceding financial year.
e) The NBFC-MFI should be a member of a Credit Bureau.
f) The NBFC-MFI should have minimum Capacity Assessment Rating of mfr5 by CRISIL or its equivalent.
g) The NBFC-MFI should not have defaulted in repayment of outside borrowings in the last three years or undergone a corporate debt re-structuring.
h) The NBFC-MFI should have proper system for internal accounting, risk management, internal audit, MIS, cash management, etc. and its annual accounts should have been audited in the last three years.
i) It will be desirable for the NBFC-MFI to have undergone Code of Conduct Assessment (COCA) with a minimum score of 60 or equivalent.

4. ELIGIBILITY CRITERIA FOR TARGET GROUP

a) The beneficiary(ies) should be from the Scheduled Caste community.
b) Annual Family income of the applicants should be up to Rs. 3.00 Lakh.

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

5. NSFDC& NBFC-MFI RELATIONSHIP

The shortlisted NBFC-MFI fulfilling the eligibility criteria of NSFDC may be appointed to act as Channelizing Agency (CA) of NSFDC in the selected State/UT. The relationship between NSFDC and the NBFC-MFI shall be governed and guided by contractual relationship by signing an Agreement between the parties strictly in accordance with the NSFDC Lending Policy and the terms and conditions of the Agreement.

6. QUANTUM OF ASSISTANCE

A. **NBFC-MFIs under cluster mode**

NSFDC provides loans up to 90% of the Project Cost for units costing up to Rs. 60,000/-. The balance 10% share shall be contributed by the NBFC-MFI and/or beneficiaries.

The maximum loan amount in case of NBFC-MFIs submitting proposals under cluster approach with minimum 100 beneficiaries shall be Rs. 2.00 crore per NBFC-MFI. Further, the Principal outstanding amount shall not be more than Rs.2.00 crore per NBFC MFI at any point of time.

B. **NBFC-MFIs under non cluster mode**

NSFDC provides loans up to 90% of the Project Cost for units costing up to Rs. 60,000/-. The balance 10% share shall be contributed by the NBFC-MFIs and/or beneficiaries.

7. INTEREST RATE

The pattern of charging interest under the scheme shall be as follows;

NSFDC to NBFC-MFI	Interest Spread to NBFC-MFI	NBFC-MFI to Beneficiaries
4% p.a. for Women 5% p.a. for Men	8%	12% p.a. for Women 13% p.a. for Men

The Target Group shall be eligible to get interest subvention of 2% per annum from NSFDC on timely full repayment of dues on yearly basis. The amount shall be credited by NSFDC directly to the account of the Target Group by Direct Benefit Transfer (DBT) after receiving information from NBFC-MFI about prompt repayment made by the Target Group subject to full repayment made by NBFC-MFI.

8. REPAYMENT PERIOD

The loan amount shall be repaid in quarterly installments within a maximum period of three years and six months from the date of each disbursement including the moratorium period of three months and funds utilization period of 120-days . There shall not be any moratorium period for payment of interest.

9. SECOND LOAN

On repayment of loan, the eligible beneficiaries can avail further loan under NSFDC scheme(s) from NBFC-MFI or other channelising agencies of the NSFDC.

10. SOCIAL PRIORITIES

The Channelising Agency shall endeavor to cover 40% female beneficiaries in physical as well financial terms.

11. PROCEDURE FOR AVAILING ASSISTANCE

The following procedure shall be adopted by the NBFC-MFI for availing funds:

i) The NBFC-MFI shall sponsor viable project proposals to NSFDC covering unit cost, means of finance in separate group for Male and Female.

ii) The proposals submitted would be for the need based economic activities preferably in which the target group has practical experience or required capability to manage the business.

iii) The NSFDC may sanction the project based on internal project appraisal process.

iv) After receipt of the sanction letter, the NBFC-MFI shall request NSFDC in writing for disbursement of funds. The NSFDC shall disburse funds to the NBFC-MFI on fulfillment of conditions laid down in the agreement between NBFC-MFI and NSFDC and NSFDC's Lending Policy.

v) NBFC-MFI shall implement the schemes as per NSFDC Lending Policy and the terms and conditions stipulated in LOI.

vi) Funds disbursed by NSFDC shall be utilized by the NBFC-MFI as per the Para 14 of this Lending Policy.

vii) Selection of the beneficiaries shall be made by NBFC-MFI as per NSFDC Lending Policy.

viii) NBFC-MFI shall issue Sanction Letter(s) to the applicants selected for the loans.

ix) The NBFC-MFI shall recover the installments from the beneficiaries after allowing them stipulated moratorium as stated in the LOI.

x) The NBFC-MFI shall endeavor to link subsidy from concerned authorities for eligible beneficiaries with NSFDC loan component to reduce the burden loan on the beneficiaries.

xi) NBFC-MFI shall charge interest rate from the beneficiaries not more than the rate stipulated by NSFDC.

xii) NBFC-MFI shall widely publicize the schemes sanctioned by NSFDC.

12. DISBURSEMENT OF FUNDSBY NSFDC

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

a) Acceptance of the LOI by returning a copy thereof duly signed and stamped on all the pages by an authorized signatory of the NBFC-MFI as token of acceptance of all terms and conditions stipulated in the LOI.
b) Written request by the NBFC-MFI for disbursement of funds for the implementation of the scheme.
c) No pending Utilization of NSFDC fund for more than one year at the end of the preceding financial year.
d) Overall cumulative utilization percentage of funds disbursed by NSFDC should not be less than 80% at the end of preceding month.
e) No overdues payable to NSFDC at the time of disbursement.
f) The disbursement to NBFC-MFIs shall be subject to Security.

13. SECURITY

A. NBFC-MFIs under cluster mode

While seeking disbursement from NSFDC, NBFC-MFI shall provide the following security to NSFDC for timely repayment of installments of the loan sanctioned under this Agreement together with interest thereon: -

(a) Bank Guarantee of Public Sector Bank or
(b) Fixed Deposits of Public Sector Bank in the name of "NBFC-MFI account NSFDC" **equivalent to the 50% of amount to be disbursed to them and PDCs in favor of NSFDC for the remaining 50% amount.**

The PDCs shall be obtained in line with the repayment schedule for the scheme. In addition, One undated PDC equivalent to the 50% of amount to be disbursed will be obtained. The PDCs shall be obtained along with PDC covering letter. The format of PDC covering letter shall be legally vetted by the NSFDC's legal counsel.

The validity period of the Bank Guarantee/Fixed Deposit shall continue until all the dues of the NSFDC have been paid in full or otherwise fully discharged by the NBFC-MFI. In case NBFC-MFI has provided Fixed Deposit to the NSFDC, the interest thereon shall be payable to the NBFC-MFI. In the event of default by NBFC-MFI either for the whole or part amount advanced under this Agreement, the Bank Guarantee shall be invoked/the Fixed Deposits shall be encashed by NSFDC.

In case of (b) above, the following additional securities shall also be taken:

- Exclusive first charge by way of hypothecation on all the book debts and receivables of the NBFC-MFI covered under the loan availed from NSFDC.
- Personal Guarantee of promoter Directors of NBFC-MFI.

The Hypothecation deed and personal guarantee shall be obtained as per the standard formats legally vetted by the NSFDC's legal counsel.

This security clause shall be applicable to only those NBFC-MFIs who shall take up projects in cluster mode following value-chain approach with minimum of 100 beneficiaries.

B. **NBFC-MFIs under non cluster mode**

While seeking disbursement from NSFDC, NBFC-MFI shall provide the following security to NSFDC for timely repayment of installments of the loan sanctioned under this Agreement together with interest thereon: -

(a) Bank Guarantee of Public Sector Bank/Fixed Deposits from Public Sector Bank (PSB)in the name of "NBFC-MFI account NSFDC equivalent to the amount to be disbursed to them or

(b) Up to 50% in the form of mortgage of **Residential/ Commercial property along with personal/corporate guarantee of respective property owner (s) and remaining as** Fixed Deposits of Public Sector Bank in the name of "NBFC-MFI account NSFDC"/Guarantee from Public Sector bank.

The Mortgage deed and personal guarantee shall be obtained as per the standard formats legally vetted by the NSFDC's legal counsel. The valuation of property shall be carried out by valuer appointed by NSFDC. Legal search of property shall also be carried out by NSFDC's legal counsel. The cost of legal and valuation report shall be borne by the NBFC-MFI.

The validity period of the Bank Guarantee/Fixed Deposit shall continue until all the dues of the NSFDC have been paid in full or otherwise fully discharged by the NBFC-MFI. In case NBFC-MFI has provided Fixed Deposit to the NSFDC, the interest thereon shall be payable to the NBFC-MFI. In the event of default by NBFC-MFI either for the whole or part amount advanced under this Agreement, the Bank Guarantee shall be invoked/the Fixed Deposits shall be encashed by NSFDC.

14. FUNDS UTILISATION

(i) NBFC-MFI shall utilize funds disbursed within120 days from the date of disbursement of funds. The NBFC-MFI shall send scheme-wise Quarterly Progress Report (QPR) on the utilization of the NSFDC funds as per the prescribed format **(Appendix-I)** within 30 days from the end of the quarter failing which the same shall be treated as default**.**

(ii) NSFDC funds actually disbursed by the NBFC-MFI to the beneficiaries under the approved schemes shall only be considered as funds utilized.

14A. MONITORING OF LOAN

The NBFC-MFI shall be required to submit a quarterly CA certificate authenticating the list of borrowers/statement of book debts along with the end-use/purpose of loan, amount outstanding and age-wise break-up of over dues.

The level of overdues shall be monitored by NSFDC and in case Gross NPA (presently less than 2%) and Net NPA levels (presently below 0.5%) stipulated by NSFDC are breached, NSFDC shall have a right to recall the loan or call for additional security as it may deem necessary.

15 RIGHT TO RECALL THE LOAN

If at any time, in the opinion of NSFDC, NBFC-MFI 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 NBFC-MFI to repay the amount of the said financial assistance and interest thereon, in the manner aforesaid notwithstanding any provisions contained herein in connection with the time/period of repayment of the amount of the said financial assistance and the interest thereon, NBFC-MFI shall be liable to repay to NSFDC in one lump-sum the outstanding principal of the said assistance and interest(s) thereon and NSFDC shall be entitled to recall the entire outstanding amount of principal and interest from NBFC-MFI .

16. REPAYMENT OF LOAN

NSFDC shall send quarterly/half yearly demand notice to NBFC-MFI to facilitate prompt repayment of the amount of assistance as per the Lending Policy/repayment norms. It shall be the responsibility of NBFC-MFI 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.

17. DEFAULT IN REPAYMENT

The NBFC-MFI shall agree that notwithstanding anything stipulated in the signed Agreement, NSFDC shall have the right by notice in writing to require NBFC-MFI 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) NBFC-MFI has committed any default in making any payment or repayment in accordance with the Agreement.
b) NBFC-MFI has committed any breach or default in the performance or observance of the Agreement and/or NBFC-MFI's application and/or the provisions of financing schemes of NSFDC and or any instructions issued by the NSFDC from time to time.
c) NBFC-MFI'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 NBFC-MFI.

d) If there is reasonable apprehension that NBFC-MFI is unable to repay its debts, proceedings for taking it into liquidation may be commenced in respect thereof.

e) NBFC-MFI shall be liable to pay NSFDC all costs, legal charges and other expenses, whatsoever as may be incurred by NSFDC in the realization of the amount of the said financial assistance from NBFC-MFI.

18. 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. In no case, LDDP charged by NSFDC shall be levied on the Target Group by NBFC-MFI. The LDDP shall be levied quarterly on cash basis through a separate demand.

19. APPROPRIATION OF REPAYMENTS

NBFC-MFI 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. NBFC-MFI 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 NBFC-MFI, first towards the interest and then towards the principal amounts outstanding for the longest period, without any prior intimation to the NBFC-MFI.

20. 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 @ 4% p.a. over and above the normal rate of interest charged by NSFDC from NBFC-MFI and it shall be applicable from the date of disbursement to date of refund.

b) NSFDC funds refunded unutilized by the NBFC-MFI even within 120 days shall attract the same HRI as indicated above.

c) The NBFC-MFI shall be exempted from levy of HRI on unutilized funds, if the funds utilization level is 80% or above under the particular scheme.

21. STANDARD CONDITIONS OF LOANS

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 in writing by the NBFC-MFI.

b) The NBFC-MFI shall form a Project Implementation Committee for monitoring the implementation of the project in which NSFDC may nominate its representative.

c) The NBFC-MFI 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 NBFC-MFI /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 NBFC-MFI to the beneficiaries under the projects shall alone be considered as funds utilized. However, funds transferred by the NBFC-MFI to its Branch/District Offices are not considered as funds utilized.

g) The NBFC-MFI shall ensure effective monitoring and periodic flow of information to NSFDC relating to the scheme during the currency of the loan.

h) The NBFC-MFI shall avail disbursements under sanctioned schemes in maximum three installments 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) NBFC-MFI 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) NBFC-MFI shall maintain separate accounts for loan assistance received under various schemes.

l) The NBFC-MFI shall also comply with special conditions stipulated in Letter of Intent (LOI) and any other condition(s) that the NSFDC may deem fit to stipulate during the currency of the loan.

22. GENERAL

a) The NBFC-MFI shall take measures to generate adequate awareness amongst the prospective beneficiaries in their jurisdiction by making use of local media and public bodies.

b) All necessary documents shall be maintained by NBFC-MFI and shall be made available for inspection by NSFDC or by any authority. NBFC-MFI shall also place required information on performance under NSFDC funded schemes on their website.

c) The NBFC-MFI shall carry out concurrent monitoring of funded units on regular basis.

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

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

f) In case of any disputes or claims under or arising out of the Lending Policy, Courts of New Delhi shall have the sole and exclusive jurisdiction.

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Appendix-I

Quarterly Progress Report (QPR) on Utilization of Funds

Name of Channelizing Agency :_______________________________
Name of the Scheme :_______________________________

(Rs. in lakh)

Sl. No.	Beneficiaries Particulars							Project's Particulars		Disbursement Particulars of NSFDC share			Remarks
	Name & Address	Gender (M/F)	Rural/ Urban	*Aadhar No.	Annual Family Income	A/c No.	IFSC	Unit Cost	NSFDC Share	Cheque/DD/ UTR No.	Date	Amt	
TOTAL													

*Optional

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

Date:………..

(Signature)
Authorized Signatory
Name & Designation