

NBCFDC LENDING POLICY FOR NBFC-MFIs

1. ORGANISATION

National Backward Classes Finance and Development Corporation (NBCFDC) (An ISO 9001:2000 Certified Company as well as MoU signing company) is a wholly owned Government of India Undertaking under the Ministry of Social Justice and Empowerment, Government of India and is managed by a Board of Directors. NBCFDC 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 January, 1992 with the objective of working for economic empowerment of persons belonging to Backward Classes, living below Double the Poverty Line (DPL).

2. BROAD OBJECTIVE

The broad objective of NBCFDC is to provide financial assistance for the economic empowerment of persons belonging to the Backward Class families living below Double the Poverty Line (DPL).

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 NBCFDC:

- 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.

Further with a view to promoting Startups in consonance with Government of India focus new MFIs may also be considered subject to their complying to above criteria except sub clause (c) and after due diligence/assessment by reputed certification agencies. However, the extent of funding to such Startup will be limited to recommendation of the certification body.

4. ELIGIBILITY CRITERIA FOR TARGET GROUP

- a) The beneficiary(ies) should be from the Backward Class community.
- b) Annual Family income of the applicants should be below Double the Poverty Line (DPL) as revised from time to time (presently, Rs.98,000/- in rural areas and Rs.1,20,000/- in urban areas).

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

5. NBCFDC & NBFC-MFI RELATIONSHIP

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

6. QUANTUM OF ASSISTANCE

NBCFDC provides loans upto 90% of the Project Cost for units costing upto Rs.50,000/- per beneficiary member. The balance 10% share shall be contributed by the NBFC-MFIs and/or beneficiaries.

Further given the salient aspects of Corporation's objectives and to make the financing interventions meaningful for the beneficiaries, one time grant for spreading awareness and providing other technological interventions may be provided by NBCFDC to the NBFC-MFI against firm proposal detailing break-up of cost of limit of Rs.50,000/-.

7. INTEREST RATE

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

NBCFDC to NBFC-MFI	Interest Spread to NBFC-MFI	NBFC-MFI to Beneficiaries
4% p.a.	8% p.a.	12% p.a.

8. REPAYMENT PERIOD

The loan amount shall be repaid in quarterly installments within a maximum period of three years from the date of each disbursement including the moratorium period of three months. In addition, 90-days period is allowed for funds utilization. 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 NBCFDC scheme(s) from NBFC-MFI or other channelising agencies of the NBCFDC.

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 NBCFDC 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 NBCFDC may sanction the proposal as per policy and guidelines of the Corporation.
- iv) After receipt of the sanction letter, the NBFC-MFI shall request NBCFDC in writing for disbursement of funds. The NBCFDC shall disburse funds to the NBFC-MFI on fulfillment of conditions laid down in the agreement between NBFC-MFI and NBCFDC and NBCFDC's Lending Policy.
- v) NBFC-MFI shall implement the schemes as per NBCFDC Lending Policy and the terms and conditions stipulated in LOI.
- vi) Funds disbursed by NBCFDC 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 NBCFDC Lending Policy.
- viii) NBFC-MFI shall issue Sanction Letter(s) to the applicants selected for the loans.
- ix) The NBFC-MFI shall endeavor to link subsidy from concerned authorities if any for eligible beneficiaries with NBCFDC loan component to reduce the burden loan on the beneficiaries.
- x) NBFC-MFI shall charge interest rate from the beneficiaries not more than the rate stipulated by NBCFDC.
- xi) NBFC-MFI shall widely publicize the schemes sanctioned by NBCFDC.

12. DISBURSEMENT OF FUNDS BY NBCFDC

Funds for the sanctioned projects/schemes shall be disbursed by NBCFDC 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) All unutilized funds at the end of preceding year to be refunded as per the NBCFDC lending policy, if any.
- d) Overall cumulative utilization percentage of funds disbursed by NBCFDC should not be less than 80% at the time of subsequent demand of credit.
- e) No overdues payable to NBCFDC at the time of disbursement.
- f) The disbursement to NBFC-MFIs shall be subject to Security.

13. SECURITY

While seeking disbursement from NBCFDC, NBFC-MFI shall provide the Bank Guarantee and/or Fixed Deposits issued by Scheduled Commercial Banks in the name of "NBFC-MFI account NBCFDC" equivalent to the amount to be disbursed to them as security to NBCFDC for timely repayment of installments of the loan sanctioned under this Agreement together with interest thereon. The validity period of the Bank Guarantee/Fixed Deposit shall continue until all the dues of the NBCFDC have been paid in full or otherwise fully discharged by the NBFC-MFI. In case NBFC-MFI has provided Fixed Deposit to the NBCFDC, 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 NBCFDC.

14. FUNDS UTILISATION

(i) NBFC-MFI shall utilize funds within ninety days from the date of release of funds by NBCFDC. The NBFC-MFI shall send Quarterly Progress Report (QPR) on the utilization of the NBCFDC funds as per the prescribed format **(Appendix-I)**.

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

15 RIGHT TO RECALL THE LOAN

If at any time, in the opinion of NBCFDC, 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 NBCFDC 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 NBCFDC the outstanding principal of the said assistance and interest(s) thereon as per demand of NBCFDC and NBCFDC shall be entitled to recall the entire outstanding amount of principal and interest from NBFC-MFI .

16. REPAYMENT OF LOAN

NBCFDC shall send quarterly 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 NBCFDC 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, NBCFDC shall have the right by notice in writing to require NBFC-MFI forthwith to discharge in full or in part its liabilities to NBCFDC in respect of any of the said financial assistance provided by the NBCFDC 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 NBCFDC and or any instructions issued by the NBCFDC 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 NBCFDC 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 NBCFDC all costs, legal charges and other expenses, whatsoever as may be incurred by NBCFDC in the realization of the amount of the said financial assistance from NBFC-MFI.

18. DEFAULT IN REPAYMENTS

Defaults in the repayment of NBCFDC dues (principal as well as interest) beyond the stipulated/agreed dates of repayment shall attract further interest @ 1% per annum over and above normal rate of interest applicable on the dues as per the Lending Policy of the NBCFDC.

19. APPROPRIATION OF REPAYMENTS

NBFC-MFI shall remain always liable as a principal debtor to the NBCFDC for the due repayment of any financial assistance granted by the NBCFDC 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 NBCFDC 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)

In case of non-utilization of funds within stipulated period, the rate of interest limit on NBFC-MFI will be as under:-

- a) Upto 90 days - 4% p.a.**
- b) 91days – 180 days - 6% p.a.**
- c) After 180 days refund @ 8% p.a. on entire unutilized funds.**

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 NBCFDC 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 NBCFDC may nominate its representative.
- c) The NBFC-MFI shall ensure that beneficiaries are selected strictly as per the eligibility criteria of NBCFDC.
- d) Cost over-run, if any, in the scheme shall be borne by the NBFC-MFI/ Beneficiary(ies).
- e) The funds disbursed for implementation of the scheme shall be utilized within the sector. The unutilized amount under the scheme, if any, shall be refunded to NBCFDC.
- f) 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 NBCFDC relating to the scheme during the currency of the loan.
- h) The Letter of Intent (LoI) issued by NBCFDC to NBFC-MFI will be valid only till the end of financial year of issue and no disbursements will be made against the said LoI after the lapse of the financial year.
- i) Advertisements for the scheme should carry the message that NBCFDC 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). It is desirable that adequate insurance cover be obtained for all the beneficiaries.
- k) NBFC-MFI shall maintain separate accounts for loan assistance received from NBCFDC.
- l) The NBFC-MFI shall also comply with special conditions stipulated in Letter of Intent (LOI) and any other condition(s) that the NBCFDC 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 NBCFDC or by any authority. NBFC-MFI shall also place required information on performance under NBCFDC 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 NBCFDC shall be final and binding as to its terms, content, purport and/or implementation.
- e) The NBCFDC 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.

Quarterly Progress Report (QPR) on Utilization of Funds

Name of MFI : _____

(Rs. in lakh)

Sl. No.	Beneficiaries Particulars							Project's Particulars		Disbursement particulars of NBCFDC Share		Remarks
	Name & Address	Gender (M/F)	Rural/Urban	Aadhaar No.	Annual Family Income	A/c No.	Mobile No.	Unit Cost	NBCFDC Share	Date	Amt.	
TOTAL												

Certified that all the beneficiaries covered under the scheme were eligible for assistance as per the eligibility criteria of NBCFDC and funds have been transferred through DBT to their bank accounts as mentioned above.

Date: _____

(Signature)
Authorized Signatory
Name & Designation