

Guidelines for Credit Based Funding

1. About NHFDC

National Handicapped Finance and Development Corporation (NHFDC) was set up by the Ministry of Social Justice & Empowerment, Government of India on 24th January 1997. The company is registered under section 25 of the Companies Act, 1956 (Corresponding provisions of section 8 of the Companies Act, 2013) as a company not for profit. It is wholly owned by Government of India and has an authorized capital of Rs.499.50 crore. The company is managed by Board of Directors nominated by Government of India.

2. Objectives

- I. To promote self-employment and other ventures for the benefit/economic rehabilitation of the Divyangjans.
- II. To assist, subject to such income and/or economic criteria as may be prescribed by the Government from time to time, Divyangjans or groups of Divyangjan individuals by way of loans and advances for economically and financially viable schemes and projects.
- III. To extend loans to Divyangjan for pursuing general/professional / technical education for training at graduate and higher levels.
- IV. To assist in the upgradation of technical and entrepreneurial skills of Divyangjans for proper and efficient management of production units.
- V. To facilitate inclusion and comfortable living in the society for the Divyangjans.
- VI. To set up training, quality control, process development, technology, common facility centres and other infrastructural activities for the proper rehabilitation/upliftment of the Divyangjans in support of their economic pursuits.
- VII. To assist the State level organizations to deal with the development of the Divyangjans by way of providing financial assistance and in obtaining commercial funding or by way of refinancing.
- VIII. To function as an apex institution for channelizing the fund to the Persons with Disabilities (PwDs) through the Implementing Agencies nominated by the State Government(s), partner banks & Financial Institutions and other state level institutions with whom agreements are signed.
- IX. To assist self-employed individuals/group of individuals or registered factories/companies/co-operatives of PwDs in marketing their finished goods and assist in procurement of raw materials.

3. Scope

The Memorandum of Association of NHFDC bestows huge responsibilities on the corporation and covers a wide gamut of socio economic measures conceivable for the upliftment of PwDs. The functioning of the Corporation is likely to change based on continuously changing society. At present, the scope of the Corporation covers the following range of activities :

- i) Extension of concessional credit to the PwDs for various activities directly or indirectly benefiting the PwDs.
- ii) Modalities for extending concessional credit through various implementing agencies - the agencies nominated by States/UTs {State Channelizing Agencies(SCAs)}; Banks/ Financial institutions; State level organizations like Livelihood Missions/Swachchh Bharat Mission, etc.; Non Government Organizations (NGOs); etc.
- iii) Convergence with the existing schemes of various channel partners as well as Government schemes.
- iv) To provide grant to the Implementing Agencies/reputed training institutions for entrepreneurial and skill development programmes.
- v) To provide grant to the implementing agencies for publicity and awareness creation activities.
- vi) To extend marketing support to help PwDs in selling their goods and services.

4. Broad parameters for lending

Extension of concessional credit for the economic upliftment and general welfare of the PwDs, being the major intervention undertaken by NHFDC, necessitates firming up of broad parameters for lending. The contents of these guidelines are to be read along with individual schemes implemented from time to time to achieve the objectives.

4.1. Eligibility criteria :

- a) Any Indian citizen with 40% or more disability ((Disability as defined in PwD Act, 2016 or its amendments).
- b) Age above 18 years. However, in case of persons with mental retardation, the eligible age would be above 14 years. The age criteria would not be required for educational loans. Age certificate issued by competent authority authorized by the State Government or as mentioned in the 10th certificate or any other certificate issued by the government would be sufficient.

4.2. Rate of Interest for lending :

The financial assistance extended by NHFDC shall carry simple interest at the following rates per annum :-

For self-employment Loan :-

S. No	Loan amount (Rs.in lakhs)	Rate Interest (%)	Implementing Agency margin (%)	Rate of Interest to PwDs (%)
(1)	(2)	(3)	(4)	(5) (3+4)
i)	less than 0.50	2	3	5
ii)	Above 0.50 – 5.0	3	3	6
iii)	Above 5.0 - 15.0	3	4	7
iv)	Above 15.0– 30.0	4	4	8
v)	Above 30.0- 50.0	4.5	4.5	9

Rebate: A rebate of 1% in interest will be allowed to women with disabilities/persons with disabilities other than OH in self employment loans of upto Rs.50,000/- . The rebate will be borne by NHFDC.

For Education Loan for studies in India & abroad :-

S. No	Loan amount	Rate Interest (%)	Implementing Agency margin (%)	Rate of Interest to PwDs (%)
(1)	(2)	(3)	(4)	(5) (3+4)
i)	Upto Rs. 50.00 Lkah	1	3	4

No rebate/concession in rate of interest would be allowed in respect of loan for higher education.

4.3 Education Loan:

i) Eligible PwD students can avail the loan for pursuing higher education. For this purpose, 'Higher Education' means any course after Class-XII.

ii) Margin of the implementing agency: The margin of the implementing agency shall be 3%.

iii) Unique Disability ID (UDID) registration

Unique Disability ID (UDID) registration under Department of Empowerment of Persons with Disability (DEPWD), Ministry of S.J. & E., GoI would be mandatory for loan amount of Rs.15 Lakh and above.

4.3 Repayment period of the loan:

i) SCAs would be at liberty to decide activity wise/ case-wise repayment schedule within overall limit of 10 years from the date of disbursement of loan.

ii) The repayment period for Education loan under NHFDC scheme shall be coterminous with the repayment period sanctioned by the Implementing agency.

4.4 Amount of Loan :

The upper limit to extend concessional credit through various NHFDC schemes would be Rs.50.0 lakhs per beneficiary/unit. The actual loan amount within the upper limit of Rs.50.0 lakhs shall be determined by implementing agencies based on the needs of the activity/project being funded as well as repaying capacity of the borrower within the maximum repayment period.

4.5 Type of loan :

The nature of the loan could be term loan /working capital loan/ promoter contribution towards the loans being sanctioned by other financial institutions.

4.6 Implementing Agencies :

The loan schemes of NHFDC shall be implemented through any of the following channels :

- i. The State channelizing agencies nominated by the respective state governments.
- ii. The banks and other financial institutions with which NHFDC has signed an agreement.
- iii. NBFC-MFIs and other institutions (Govt/Non Govt.) with which NHFDC have signed an agreement/issued specific letter of sanction.

4.7 Procedure for Sanction and Release of loans :

- i) The authority to sanction loan to the beneficiary is delegated to the respective implementing agencies.
- ii) The applicant would submit the loan applications in the prescribed format to implementing agencies.
- iii) The implementing agencies would scrutinize and sanction loan in accordance with the guidelines for sanction of loan issued by NHFDC from time to time.
- iv) An existing beneficiary of NHFDC may be extended the facility for repeat loan subject to the following conditions:
 - a) The beneficiary should fulfil the eligibility criteria of NHFDC for financial assistance as on the date of making application for repeat financial assistance.
 - b) The beneficiary should have a good repayment track record; i.e. he/she should not have defaulted in the repayment of dues in respect of the earlier loan by a period of 3 months or more at any point of time.
 - c) The repeated financial assistance may be made available to the same beneficiary and for the same project / unit for the purpose of expansion / diversification of the project /unit/ scaling up of operations of an activity, as the case may be. However, the condition shall not apply for the micro finance beneficiary who can avail subsequent loan for any income generating activity.

- d) The loan for the said purposes may be sanctioned by the Implementing Agencies, upto such amount so that the aggregate of loan(s) sanctioned, whether as repeated financial assistance or otherwise, in respect of an individual beneficiary, and/or an individual unit/project does not exceed :
- the sanctioning limits upto which sanctioning authority has been delegated to the Implementing Agencies by NHFDC from time to time; and
 - the sanction limits (scheme specific financial limits) laid down/ specified in the lending policy of the company from time to time.
- e) Here it is clarified that for extending the repeat loan it is not necessary that the loan given earlier should have been completely repaid. The point to be examined is the repayment record, the financial appraisal and the repayment capacity.

4.8 Share of Project Cost :

Except where provided in the specific scheme or agency specific exemption provided by NHFDC, the Implementing Agency is expected to contribute 5% of sanctioned project cost for projects above Rs. 50,000/- as their share of the project cost as detailed in the table below :

Project Cost	NHFDC Share	SCA Share	Promoter's Share
* UptoRs. 50,000/-	100%	Nil	Nil
* Above Rs. 50000/- and uptoRs. 1 lakh	95%	5%	Nil
* Above Rs. 1.0 lakh and upto Rs.5.0 lakh	90%	5%	5%
* Above Rs. 5.0 lakh	85%	5%	10%

NHFDC will provide 100% refinance of the project cost to Banks.

4.9 Moratorium Period:

A moratorium of three months will be available to the Implementing Agency in repayment of principal after the expiry of utilisation period (for utilisation period please see para 5.2). The Implementing Agency is expected to provide the similar moratorium to the beneficiaries.

Implementing Agency shall have the authority to extend the moratorium period beyond three months, but upto one year (maximum) in respect of projects, the sanctioning authority of which have been delegated to them. However, the aforesaid authority of Implementing Agencies to increase the moratorium period upto one year as above could be exercised subject to the condition that such exercise of authority should be immediately informed to NHFDC with the detailed reasons for the same. It should also be reflected in the detailed list submitted with the utilization certificate.

In respect "loan for higher education", the repayment of the loan may start as per the policy of the concerned implementing agencies.

4.10 Prepayment:

The borrower can repay the loan any time after commencement of repayment without having to pay any prepayment charges.

4.11 Security:

4.11.1. The funds are provided to the Implementing Agencies nominated by respective State Governments against the State Government Guarantee. Further, NHFDC may consider financing the Implementing Agencies nominated by it (NHFDC) on the guarantee of the said agency with the approval of the Board. In case of persistent default, the NHFDC will be at liberty to invoke the guarantee or deduct its instalments from the future projects of the concerned agency to be financed. NHFDC may also accept Bank Guarantee or any other form of security acceptable to it for grant of loans.

4.11.2. Implementing Agencies should strive to seek requisite security as per their respective policies and may also try to cover any portion of the loan not covered with ample security/collateral security through Central Government Guarantee schemes. In order to further securitize the loan, implementing agencies may also consider co-opting family member, as defined in Companies Act, as the co-applicant in the loan.

4.11.3. The implementing agencies should ensure adequate insurance coverage of the assets and beneficiaries. The cost of insurance coverage of the beneficiaries should be borne under various insurance schemes implemented by Central and State Government & Insurance companies for weaker sections. The insurance cost of assets should be part of the project cost and should be funded as such.

4.12 Social Priorities :

- i. Implementing agencies are required to endeavor to cover target groups in such a way so as to provide equal coverage for women and men.
- ii. The implementing agencies are expected to cover the beneficiaries in such a way that persons from each type of disability are covered in proportion to their respective population in state and district level.
- iii. Self certification whether beneficiary belongs to SC, ST, OBC/Minority or General category is admissible. Where there exists a column in the application form about the caste, the filling up of this column and signature/thumb impression of the beneficiary on the form may be treated as self certification about the caste.

5. Other guidelines for implementation of loan schemes

The implementing agencies shall also abide by the following guidelines and procedures while implementing the NHFDC schemes:

5.1 Notional Allocation and advance release of NHFDC funds :

i) At the beginning of each financial year, NHFDC shall notionally allocate funds to the implementing agencies, in proportion to the disabled population of the State/UT and considering disbursement in preceding three years. The minimum allocation will be Rs 20.00 lakhs to any SCA. The SCAs, in turn, may make district-wise allocation in accordance with the same principle.

ii) In case of other implementing agencies/ channelizing agencies, the notional allocation will be based on the branch network or as decided by the competent authority.

iii) Apart from regular monitoring, the status of notional allocation of fund vis-à-vis actual utilization/release of funds, as on 31st October of the financial year, shall be specifically reviewed by NHFDC in the month of November. In case allocated funds have not been availed by any SCA/implementing agencies, the funds earmarked for the SCA/implementing agencies may be re-allocated to other States(s)/UT(s), where utilization of fund is satisfactory.

iv) Funds up to 50% of notional allocation may be released by NHFDC to the implementing agencies for implementing projects under their delegated authority, as advance funds after receipt of request for release from implementing agencies.

v) The balance amount shall be released, on request, on receipt of 80% utilization of 50% of Notional Allocation released earlier.

vi) The funds would however be released by NHFDC to implementing agencies after considering the status of Government Guarantee/suitable security, execution of General Loan Agreement, Repayment & Utilisation status etc.

5.2 Utilisation of loan :

The fund released by NHFDC is to be utilised by the Implementing Agencies within 120 days from the date of release. The advance funds shall carry interest rate of 3%. However, applicable interest rate would be charged from the date of disbursement of loan to the beneficiary. In case, the loan amount is not utilised within 120 days, the undisbursed amount is to be returned to NHFDC immediately. The Implementing Agencies shall furnish utilization of these funds in the prescribed format within 120 days of release of funds.

5.3 Interest on Unutilized Funds:

- i) Funds that are not utilized and are returned without having been further disbursed to the Beneficiaries, shall attract additional interest (penal interest) @ 3% in addition to applicable rate of interest for the entire period till the funds are returned to NHFDC.
- ii) The implementing agencies shall be exempted from levy of interest on unutilized funds if their cumulative utilization at the end of preceding financial year is 90% or more.

5.4 Liquidated Damages on Defaulted Payments:

Defaults in the repayment of NHFDC dues (principal as well as interest), disbursed by the implementing agencies to the Beneficiaries, beyond the stipulated/agreed dates of repayment shall attract interest @ 3% p.a. in addition to the normal rates of interest applicable on the dues. However, no interest on defaulted re-payments shall be levied if the repayment to NHFDC as at the end of preceding financial year is 90% or more.

5.5 Incentive for the Implementing Agencies

The implementing agencies fulfilling the prescribed criteria shall be eligible for an incentive as per following norms :

- i) The recovery (cumulative) and the utilization (cumulative) would carry equal weightage in incentive calculations
- ii) The recovery (cumulative) and the utilization (cumulative) of the implementing agency during the year should be 90%.
- iii) The incentive would be @1% and would be calculated as follows –

1% of {(Recovery during the year + Utilization of funds during the year)/2}

- iv) The implementing agencies would be at liberty to use the incentive amount for any purpose which can aid in the effective implementation of NHFDC schemes.

6. Printing of Application form for financial assistance

Wherever implementing agency decides to print application forms itself, it is allowed to charge an amount not exceeding Rs.10/- per application form. The amount to be so charged must be printed on the face of the front page of the application form in bold letters in English/Hindi as well as vernacular language of the State/locality.

7. Financial assistance to implementing agencies for Publicity/Awareness of NHFDC schemes

NHFDC shall release the expenses for publicity/awareness creation for NHFDC schemes in advance to implementing agencies upto an amount of Rs.50,000/- (Rupees Fifty Thousand only) per year or 0.10% of the amount disbursed by the implementing agencies in the immediately preceding financial year, whichever is higher. The implementing agencies will incur expenditure for publicity/awareness of NHFDC schemes and submit the utilization along bills and copy of publicity material to NHFDC within 3 months of receipt of advance funds.

In case, implementing agency fails to submit the utilization in due time, NHFDC reserves the right to treat it as credit/loan advanced to implementing agency.

8. Loan Screening Committee of the Corporation

The lending proposals/agency selection wherever specifically prescribed in any lending scheme of the Corporation would be appraised and recommended by the Loan Screening committee, constituted by the Chairman-cum-Managing Director of the Corporation, with following members :

- i. HoD(Fin.) of the Corporation (Chairperson)
- ii. HoD (Proj.) of the Corporation
- iii. HoD (Loan Accounts) of the Corporation (Member Secretary)
- iv. Representative of SIDBI/NABARD
- v. Representative of any partner Bank
- vi. Representative of any National Institution on Disability
- vii. Representative of any reputed NGO working in the field of disability

The above Loan Screening committee will submit its recommendations to the Chairman-cum-Managing Director for approval.

9. Death of Beneficiary (PwD) during the currency of loan :

The Waive off the interest in the event of death of beneficiary (PwD) during the loan tenure. The waiver of interest would be allowed with effect from date of death of the beneficiary, subject to conditions, furnishing of such documents, as may be stipulated by NHFDC.

10. Miscellaneous matters

The implementation of various schemes, interpretation and application of these broad guidelines/norms and matters incidental thereto shall be decided by the Managing Director, NHFDC in the best interests of the Corporation.