

GOVERNMENT OF ODISHA

DEPARTMENT OF AGRICULTURE AND FARMERS' EMPOWERMENT

No.DAFE-AB-MISC-0033-2018-AG-AB – 47/2018 - 11358 / A & FE.,Dt. 17.7.2020

NOTIFICATION

Sub: **Odisha Credit Guarantee Fund Scheme for Farmer Producer Organisations.**

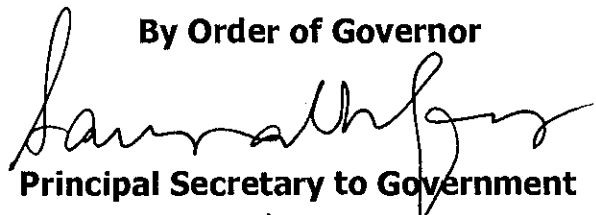
The Odisha Credit Guarantee Fund Scheme for Farmers Producer Organisations envisages coverage of credit facilities extended by eligible lending institutions to eligible Farmers Producers Organisations (FPO) in the State of Odisha based on a Memorandum of Understanding (MoU) dated 26th February 2019 executed by NABKISAN Finance Limited (NKFL, a subsidiary of NABARD) with the Odisha State Government (represented by the Director, Directorate of Horticulture). The State Government will facilitate the implementation of the Scheme and partner to set up a Credit Guarantee Fund with a contribution of upto Rs.10 Crore.

The Government has been pleased to approve the Operational Guidelines of the Odisha Credit Guarantee Fund Scheme for Farmer Producer Organisations which are attached (**Annexure-I**).

The Scheme shall be reviewed and if required, modified from time to time for ease of operations, enhancement of credit flow to the farm sector through FPOs, and to meet the requirements of FPOs as well as Lending Institutions.

The NABKISAN Finance Limited (NKFL) has set a target to finance at least 50 FPOs during the Financial Year 2020-21. NABARD will assist to promote this fund amongst bankers at State /District / Block level.

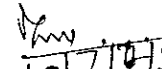
By Order of Governor


Principal Secretary to Government

17/7/20


Memo No.....11359...../A&FE, Dt. 17.7.2020

Copy forwarded to the Heads of Portal.IT Center, Odisha Secretariat for information and necessary action. He is requested to launch the Notification in the Website of Department of Agriculture & Farmers' Empowerment for general information.


17/7/2020
Additional Secretary to Government

Memo No.....11360...../A&FE, Dt. 17.7.2020

Copy forwarded to the P.S. to Hon'ble Minister, Agriculture/P.S. to Chief Secretary, Odisha/P.S. to D.C.-Cum-ACS/ P.S. to A.P.C/P.S. to Principal Secretary to Agriculture & F.E. Department/ P.S. to Special Secretary to Government, Department of Agriculture & F.E./P.S. to Principal Secretary to Govt., Finance Department/P.S. to Commissioner-Cum-Secretary, Cooperation Department for kind information of Hon'ble Minister, Agriculture/Chief Secretary, Odisha/D.C.-cum-ACS/APC/Principal Secretary, Agriculture & F.E./ Special Secretary to Government, Department of Agriculture & F.E./Princpal Secretary to Govt., Finance Department /Commissioner-cum-Secretary,Co-operation. / copy to SIO, NIC, Bhubaneswar/ IMU Section of A&FE


17/7/2020
Additional Secretary to Government

Memo No.....11361...../A&FE, Dt. 17.7.2020

Copy forwarded to the Director of Agriculture and Food Production, Odisha, Bhubaneswar/ Director, Horticulture, Odisha/Managing Director, OSCB / CGM, NABARD, Odisha, Bhubaneswar/ Convenor, SLBC, UCO Bank, BBSR / NABKISAN Finance Limited for information and necessary action.


17/7/2020
Additional Secretary to Government

OPERATIONAL GUIDELINES

FOR

CREDIT GUARANTEE FUND SCHEME FOR FARMER PRODUCER ORGANISATIONS

1. Introduction

NABKISAN Finance Limited (NKFL) (formerly "Agri Development Finance (Tamilnadu) Limited") was incorporated under the Companies Act, 1956 on 14 February 1997 as a subsidiary of National Bank for Agriculture and Rural Development (NABARD) with equity participation from NABARD, Govt. of Tamilnadu, Indian Bank, Indian Overseas Bank, Tamilnadu Mercantile Bank, Canara Bank, ICICI Bank, Federal Bank, Lakshmi Vilas Bank and a few Corporate /Individuals. The company is registered as a Non-Banking Finance Company (NBFC) by Reserve Bank of India (RBI) under Section 45 IA of RBI Act, 1934. The main objectives of the company, amongst others, is to support Farmers Producers Organisations (FPOs) for term loan and working capital requirements.

The State Government has created a suitable ecosystem for the development of FPOs in the States. The credit linkage plays a crucial role in this regard. While lenders require collateral security for providing financial assistance to FPOs, most of the FPOs lack collateral to offer to the satisfaction of lenders. Towards this end, A&FE dept. evinced interest in creating a credit guarantee structure for credit enhancement of FPOs and to facilitate lending institutions to extend financial support to FPOs in the State without insisting for collateral security and/or third party guarantee. While the need based Corpus support to the proposed guarantee structure would be exclusively provided by the State, NKFL has been assigned the job of framing a suitable Credit Guarantee Scheme for FPOs, which shall be duly approved by the State Government, and operationalize the same by acting as Administrator of the proposed Scheme. The details of the Scheme has been entitled as "Odisha Credit Guarantee Fund Scheme for Farmers Producer Organization (hereinafter referred to as "OCGFSFPO"), are given below:

1.1 Title and date of commencement

- i) The Scheme shall be known as the Odisha Credit Guarantee Fund Scheme for Farmers Producer Organisations) to be administered by NABKISAN Finance Limited (NKFL).
- ii) The Scheme envisages coverage of credit facilities to be extended by eligible lending institutions to eligible Farmer Producers Organisations

(FPOs) in the State based on a Memorandum of Understanding (MoU) dated 26 February 2019 executed between NKFL and A&FE Dept., Govt. of Odisha (hereinafter referred to as "MoU") and on receipt of the agreed contribution.

- iii) The Scheme shall be reviewed and if required modified from time to time for ease of operations, enhancement of credit flow to farm sector through FPOs and to meet the requirements of FPOs as well as Lending Institutions.

1.2. Definitions

For the purposes of this Scheme –

- i) "Amount in Default" means the principal and interest amount outstanding in the account(s) of the borrower in respect of term loan and working capital facilities as on the date of the account becoming NPA, subject to a maximum of amount guaranteed.
- ii) "Annual Fee" means annual fees other than first time guarantee fees payable by the lending institution to NKFL at a specified rate on the amount of guarantee outstanding in the lending institutions book at a specified date.
- iii) "Borrower" means new or existing Farmer Producers Organisation, meeting criteria laid down under Clause 4 of the Scheme, seeking credit facility from lending institutions under the Scheme, without any collateral security or third party guarantee.
- iv) "Credit facility" means any financial assistance by way of term loan and / or working capital term loan, working capital facilities extended by the lending institution to the borrower.
- v) "Credit Guarantee Fund" means the Credit Guarantee Fund created by State Government and administered by NKFL for the purpose of extending credit guarantee to the lending institutions for credit given to borrowers without any collateral or third party guarantee.
- vi) "Collateral security" means the security provided in addition to the primary security, in connection with the credit facility extended by a lending institution to a borrower.
- vii) "Committee" means the State Level Committee under the Chairmanship of Agriculture Production Commissioner, with representatives from the State Government, NABARD and State Level Bankers Committee.
- viii) "Farmer Producers Organisation" or "FPO" means it is either registered under Cooperative Societies Act 1962 or under chapter IXA of Companies Act 1956 as amended in 2013.
- ix) "First time guarantee fee" means the guarantee fee paid after receipt of information on credit guarantee coverage by NKFL.

- x) 'Guarantee Cover' means maximum cover available per FPO of the amount in default in respect of the credit facility extended by the lending institution
- xi) "Guarantee Start Date" is the date on which the first-time guarantee fee is received by NKFL from the lending institution
- xii) "Lending institution(s)" means Public Sector Banks and NKFL for the time being or any other institution(s) included with the approval of State Government from time to time. NKFL may, on review of performance, exclude any of the lending institution from the list of institutions after seeking due approval from Odisha State Government.
- xiii) "Material date" means the date on which the Annual Guarantee Fee on the amount covered in respect of borrower becomes payable by lending institution to NKFL.
- xiv) "NKFL" means the NABKISN Finance Limited, a subsidiary of National Bank for Agriculture and Rural Development (NABARD), registered under the Companies Act, 1956 and who has been assigned the role of administrator of OCGFSFPO.
- xv) "Non-Performing Assets" or "NPA" means an asset classified as non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time.
- xvi) "Primary security" in respect of a credit facility shall mean the assets created out of the credit facility so extended and/or existing unencumbered assets which are directly associated with the project or business for which the credit facility has been extended. This shall also include the personal guarantees of Directors on the Board of FPOs being covered under the OCGFSFPO.
- xvii) "Quarter/quarterly" means April 01 to June 30, July 01 to September 30, October 01 to December 31 and January 01 to March 31 wherever relevant.
- xviii) "Scheme" means the Odisha State Credit Guarantee Fund Scheme for Farmer Producers Organisations to be administered by NKFL.
- xix) "Tenure of guarantee cover" means the maximum period of guarantee cover from Guarantee sanction date which shall run through the agreed tenure of the term credit upto 5 years and for a period of 5 years from Guarantee start date where working capital facilities alone on renewal basis are extended or loan termination date whichever is earlier or such period as may be specified by NKFL.
- xx) "Third Party Guarantee" means any guarantee obtained by a Lending Institution in connection with the credit facility extended by it to a borrower except from the members of the Board of Directors/Managing Committee/Governing Council of the borrower in

case the borrower is an entity registered under the Companies Act, 2013/ Odisha Co-Operative Societies Act .

- xxi) "Year" means financial year, beginning April 01 and ending March 31.

2. Scope and extent of the scheme

2.1 Guarantees by the NKFL:

- i) Subject to the other provisions of the Scheme, NKFL undertakes, in relation to credit facilities extended to a borrower from time to time by a lending institution which has entered into the necessary agreement for this purpose with the NKFL, to provide a guarantee on account of the said credit facilities.
- ii) NKFL reserves the discretion to accept or reject any proposal referred by the lending institution which otherwise satisfies the norms of the Scheme.

2.2. Credit facilities eligible under the Scheme:

a) NKFL shall cover credit facilities other than credit facilities mentioned under Clause II (4) below of the Scheme extended by the Lending Institution(s) to a single borrower not exceeding Rs. 100 lakh on or after entering into an agreement with NKFL, without any collateral security and/or third party guarantees or such amount as may be decided by NKFL from time to time. Credit guarantee will be provided to the extent of 50% cover or Rs 50lakh per FPO whichever is less in respect of direct loans.

b) The lending institution shall apply for guarantee cover in respect of credit proposals sanctioned during the quarter before the expiry of the next quarter.

Provided that, as on the material date

- i) Credit facility is standard and regular as per RBI guidelines and / or
 - ii) The business or activity of the borrower for which the credit facility was granted has not ceased; and / or
 - iii) The credit facility has not wholly or partly been utilized for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from NKFL and State Govt.
- c) Credit facilities extended by more than one eligible lending institution jointly and/or separately to borrower up to a maximum of Rs. 100 lakh per borrower subject to ceiling amount of individual lending institution or such amount as may be specified by the NKFL.

2.3 Credit facilities/interest/penal charges not eligible under the Scheme:

The following credit facilities shall not be eligible for being guaranteed under the Scheme: -

- i) Any credit facility in respect of which risks are additionally covered under a scheme operated / administered by Deposit Insurance and Credit Guarantee Corporation or the Reserve Bank of India, to the extent they are so covered.
- ii) Any credit facility in respect of which risks are additionally covered by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity, to the extent they are so covered.
- iii) Any credit facility, which does not conform to, or is in any way inconsistent with, the provisions of any law, or with any directives or instructions issued by the Central Government or the Reserve Bank of India, which may, for the time being, be in force.
- iv) Any credit facility granted to any borrower, who has availed himself of any other credit facility covered under this scheme or under the schemes mentioned in clause (i), (ii) and (iii) above, and where the lending institution has invoked the guarantee provided by NKFL or under the schemes mentioned in clause (i), (ii) and (iii) above, but has not repaid any portion of the amount due to NKFL under the schemes mentioned in clause (i), (ii) and (iii) above, as the case may be, by reason of any default on the part of the borrower in respect of that credit facility.
- v) Any credit facility which has been sanctioned by the lending institution against collateral security and / or third party guarantee.
- vi) Any credit facility that is overdue for repayment as on the date of application or Non-Performing Asset taken over from any other lender or any other default converted into a credit facility.
- vii) Any credit facility which has become overdue for repayment and/or which has been rescheduled or restructured on becoming overdue for repayment.
- viii) The lending institution shall be eligible to seek credit guarantee cover for a individual borrower for maximum period of 5 years from the date of issuance of first guarantee.
- ix) The aggregate credit facility to a single borrower for coverage under the OCGSFPO shall not exceed Rs.100lakh including intervening renewals/enhancements.
- x) The interest debited to the NPA account but not collected should be reversed as per RBI norms and shall not be included in "Amount in default". Similarly, charges such as penal interest, commitment charges, service charges or any other levies/expenses or any other costs whatsoever debited to the account of the borrower shall not form part of the "Amount in default".

2.4 Eligibility criteria for borrower i.e. FPO:

The FPO -

- i) is duly registered under the Companies Act (as defined in section IXA of the Indian Companies Act, 2013, including amendments), Co-Operative Societies Act including mutually aided/Multi State Co-operatives Act, Societies Registration Act or Indian Trust Act,
- ii) has raised equity from its members as laid down in its Articles of Association/ Bye laws which shall not be less than Rs. 2 Lakh net worth as on the previous financial year. The seed or equity capital or such other assistance received from the source other than from producer members is not reckoned for this purpose,
- iii) should be incorporated at least six months prior to submission of loan application to the lending institution and should have at least one balance sheet as on the date of such application.
- iv) Should not be in default to any organisation,
- v) The number of individual shareholder members is not less than 100.
- vi) Minimum 33% of its members should be small, marginal and landless/tenant farmers/oral lessees. Women FPOs would be eligible irrespective of number of SF/MF membership,
- vii) Should have a duly elected/co-opted Board with minimum members as prescribed by relevant Acts/Laws. It is desirable to have at least one woman on the Board.
- viii) Should have a duly appointed Management Committee/Chief Executive as per the relevant Acts.
- ix) Should have well laid out business plan for at least next one year for working capital loan and for tenor of the loan in case of term loan. It should have secured all licenses and permits from the competent authorities to carry out the business envisaged, and
 - xi) Should be assessed as bankable entity by the lending institution as per its respective internal rating mechanism .
 - xii) FPO which is eligible for credit guarantee cover under SFAC Scheme, shall not be eligible for cover under OCGSFPO.

2.5 Agreement to be executed by the lending institution:

A lending institution shall not be entitled to a guarantee in respect of any credit facility granted by it unless it is entered into an agreement with the NKFL in such form as may be required by NKFL.

2.6 Responsibilities of lending institution under the scheme:

- i) The lending institution shall evaluate credit applications by using prudent banking judgement and shall use their business discretion / due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.
- ii) The lending institution shall closely monitor the borrower account.
- iii) While considering the loan proposal for sanction, the lending institution shall re-evaluate its existing rating norms / weightage, to ensure objective, assessment of FPO especially when the collateral security is not available with them.
- iv) The lending institution shall safeguard the primary securities taken from the borrower in respect of the credit facility in good and enforceable condition,
- v) The lending institution shall ensure that the guarantee claim in respect of the credit facility and borrower is lodged with NKFL in the form and in the manner and within such time as may be specified by the NKFL in this behalf and that there shall not be any delay on its part to notify the default in the borrowers account
- vi) The lending institution shall provide all financial or non-financial handholding support including capacity building, training, access to various services etc. so that the borrower unit succeeds in its business and does not fail for want of adequate support facility including working capital needs, and
- vii) After receipt of credit guarantee, the lending institution would submit the progress/status report on the status of guaranteed loans as at the end of each calendar quarter, in the format prescribed, within one month from the end of the concerned quarter to NKFL.

The delay in submission of status report automatically render the guarantee void and cannot be claimed, unless otherwise the guarantee is renewed. However, if the delay is less than three months, NKFL may accept the status report by levying non-refundable penalty @0.25% per annum for the period of default above the permissible one month on all credit outstanding covered in the report. The maximum renewal penalty is limited to Rs.0.04 lakh only.

If the delay is more than three months, the lending institution may only submit an application for issue of fresh guarantee. The renewal application may be entertained only up to six months from the due date for the submission.

- viii) The lending institution should facilitate any monitoring visits that may be undertaken by NKFL or its authorised personnel and share the information as may be required in this regard.
- ix) NKFL is not liable for any obligation, damage etc., whatsoever, arising out of delayed renewal or non-renewal of the guarantee by the lending institution.
- x) The payment of guarantee claim by NKFL to the lending institution does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower. The lending institution shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by it and initiate such necessary actions for recovery of the outstanding amount, including such action as may be advised by the NKFL from time to time.
- xi) The lending institution shall comply with such directions as may be issued by NKFL, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the NKFL may deem fit.
- xii) The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of NKFL in all the ways open to it as it might have exercised in the normal course as if no guarantee had been furnished by the NKFL. The lending institution shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the NKFL as the guarantor. In particular, the lending institution should intimate the NKFL while entering into any compromise or arrangement, which may have effect of discharge or waiver of personal guarantee(s) or security.
- xiii) The lending institution shall also ensure either through a stipulation in an agreement with the borrower or otherwise, that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee, with itself or in favour of any other creditor(s) without intimating the NKFL. Further the lending institution shall secure for the NKFL or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to list the defaulted borrowers' names and particulars on the Website of the NKFL.

2.7 Extent of Guarantee :

While the maximum guarantee cover that can be considered by the NKFL shall be Rs. 100 lakh, the NKFL shall provide guarantee to the maximum extent of 50% of the amount in default or Rs. 50 lakh, whichever is less, as on the date of account turning NPA. The balance 50% of the guaranteed amount shall be borne by the lending institution. The guarantee cover will commence from the guarantee start date i.e. the date of receipt of first time guarantee fee by the lending institution and shall run through the agreed tenure of the term credit in respect of term credit / composite credit. Where working capital alone is extended to the eligible borrower, the guarantee cover shall be for a maximum period of 5 years on a renewal basis.

3. Guarantee fee structure of the scheme:

3.1. Guarantee Fee:

The fee payable by the lending institution to NKFL for guarantee cover extended by it under the scheme shall range between 0.50% to 0.75% subject to a maximum of Rs. 0.50 lakh (Rs. Fifty Thousand only) or Rs. 0.75 lakh (Rs. Seventy five thousand only) per borrower depending on the criteria laid down below:

Sl. No	Particulars	Rate of Guarantee Fee
1	NPA upto 10% and membership above 500	0.50%
2	NPA upto 10% and membership below 500	0.75%
3	Women FPCs irrespective of membership & NPA level	0.50%
4	NPA level above 10%	0.75%

3.2 Method of levying AGF:

- i) For the purpose of calculation of First time guarantee fee , the "credit facility extended" shall mean the amount of financial assistance committed by the lending institution to the borrower, whether disbursed or not. AGF shall be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility. As regards charging of AGF for the period subsequent to first charge of AGF, the same would be calculated on outstanding amount as on 31st March.
- ii) While levying the First time guarantee fee, the fee shall be collected for the full 365 days from the material date and the second and subsequent year onwards in respect of already issued guarantees, the fee shall be collected

till the end of financial year excepting for the terminal year of guarantee where the fee is collected for the proportionate period.

- iii) In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of AGF, such deficiency / shortfall shall be paid by the eligible lending institution to NKFL together with interest on such amount at a rate of one per cent over and above the lending rate applicable to the underlying credit facility, or as may be prescribed by NKFL from time to time.

3.3 Pre-requisites for acceptance of guarantee fee:

The acceptance of Guarantee Fee by NKFL would be subject to the lending institution certifying that:

- a. Any dues in respect of underlying credit facility have not become overdue or account has not turned NPA or is not a credit facility which has been restructured or rescheduled as on the material date.
- b. The underlying credit facility is not a part of NPA taken over by the lending institution and now proposed to be covered under the guarantee Scheme.
- c. The business or activity of the borrower, for which the Credit Facility was granted, has not ceased.
- d. The credit facility has not been utilized, wholly or partly, for adjustment of any debts deemed bad or doubtful of recovery.

3.4. Applicability of rate of AGF based on NPA percentage:

Since the rate of guarantee fee is proposed to be based on the NPA percentage, the review of NPA percentage position would be an annual exercise and the revision in the rate of guarantee fee, if any, would be applicable from the first day of each financial year based on the NPA position arrived for immediate preceding financial year.

3.5. Time period for payment of AGF:

- i) The demand for the First time guarantee fee would be raised by NKFL immediately upon approval of guarantee and the lending institution shall have 30 days time to pay AGF from the date of demand so made by NKFL.
- ii) The AGF (subsequent to first time onwards fee) at specified rate (as specified above) on pro-rata basis for the first and last year and in full for the intervening years would be generated by 2nd week of April every year. AGF so demanded would be paid by the lending institutions on or before 31 May of the following year or any other specified date by NKFL.

- iii) The lending institution shall continue to pay AGF to NKFL till the time of lodgment of first claim or till the terminal date of underlying guarantee cover, whichever is earlier.

3.6. Nonpayment of AGF:

- i) In the event of non-payment of AGF within the stipulated time or such extended time that may be agreed to by NKFL on such terms, liability of NKFL to guarantee such credit facility would lapse in respect of those credit facility against which the AGF is due and not paid.
- ii) If the guaranteed account gets closed due to non-payment of AGF, the guarantee under the scheme shall not be available and request for revival of accounts/ delayed payment will be considered subject to the following conditions:
 - a. Request for revival of account will have to be submitted within next one month .
 - b. Account should be standard and regular as on date of submission of request for revival and the NKFL shall reserve the right to reject the claim if the account turns NPA within 90 days from the date of revival of account.
- iii) In case of revival of guarantee, any fee due from the lending institution (current and previous FY) will be demanded along with penal interest (@ 1% over applicable rate of underlying credit facility, per annum.

3.7 Refund of AGF:

- i) The AGF once paid by the lending institution shall be non-refundable excepting under certain circumstances like -
 - a. Excess remittance,
 - b. FPO which is eligible for credit guarantee cover under SFAC Scheme, shall not be eligible for cover under OCGSFPO.
 - c. Remittance made more than once against the same credit application, AGF not due,
 - d. AGF paid in advance but application not approved for guarantee cover under the scheme, etc.
- ii) In the event of any representation made by the lending institution in this regard, NKFL shall take a decision based on the available information with it and the clarifications received from the lending institution, and its decision shall be final and binding on the lending institution.
- iii) In case request for refund is based on pre-closure of approved guarantee cover at the instance of the lending institution, refund of proportionate .AGF shall be allowed only where closure is intimated to NKFL within 3 months from the date of receipt of fee by NKFL.

- iv) The amount of refund in such cases shall be limited to amount received by NKFL in advance from the date of pre-closure of guarantee till the date guarantee fee has been paid by the lending institution for the current year.

4. NPA and claims procedure:

4.1 Invocation of guarantee by lending institution:

(i) The lending institution may invoke the guarantee in respect of credit facility within a maximum period of three years from date of NPA, if the following conditions are satisfied: -

- a. The claim is forwarded to NKFL through authorised official and the guarantee in respect of underlying credit facility is in force at the time of account turning NPA.
- b. The amount due and payable to the lending institution in respect of the credit facility has not been paid and the dues have been classified by the lending institution as Non Performing Assets in accordance with the guidelines of the Reserve Bank of India.
- c. Provided that the lending institution shall not make or be entitled to make any claim on the NKFL in respect of the said credit facility if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by NKFL.
- d. The credit facility has been recalled and the recovery proceedings have been initiated under due process of law.
- e. The financing entity has exercised all necessary precaution and has taken recourse to all measures to recover from the borrower the entire amount of credit facility before submitting the claims to NKFL.
- f. Overdue due to willful defaulter (as per RBI guidelines) will not be considered.
- g. The eligible entity has made a provision of 50% of NPA for which claim is lodged.

4.2 Scrutiny of claim by NKFL:

- i) On receiving a claim, NKFL shall verify the claim data. If NKFL *is* convinced that the borrower has suffered genuine business losses, which may include crop/ asset losses and the borrower is not in a position to repay dues under normal circumstances including restructuring/ re-phasing/ rescheduling of the loan, the claim would be considered by NKFL.
- ii) NKFL reserves the right to reject any claim, where the guidelines of this scheme have not been strictly followed or if any misrepresentation or concealment of facts is found leading to undue favour to the concerned borrower.

4.3 Process of settlement of claim:

- i. The claim should be preferred by the lending institution in such manner and within such time as may be specified by NKFL in this behalf.
- ii. The NKFL shall pay 90 per cent of the guaranteed amount on preferring of eligible claim by the lending institution, within 90 days, subject to the claim being otherwise found in order and complete in all respects.
- iii. The balance 10 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution.
- iv. The claim proceeds would be credited by NKFL in the designated account of the lending institution through NEFT/RTGS.

4.4 Discharge of NKFLs liability:

On a claim being paid in full, the NKFL shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned.

4.5 Treatment of claim receipts in lending institutions books:

The outstanding dues to lending institution shall be reduced to the extent of the claim amount settled by NKFL

4.6 Lending institutions liability/responsibility post claim settlement:

- i) A certificate of utilization of claim received shall be submitted by the lending institution within one month after receipt of claim money in the format prescribed which is required to be submitted before lodging the claim for balance 10%. If any violation is found or lending institution fails to submit the certificate, the claim amount should be refunded with an interest of 10% from the date of settlement of claim.
- ii) The lending institution shall be liable to refund the claim released by NKFL together with penal interest at the rate of 1% above the applicable lending rate of underlying credit facility, if such a recall is made by NKFL in the event of serious deficiencies having existed in the matter of appraisal / renewal / follow-up / conduct of the credit facility or where lodgement of the claim was more than once or where there existed suppression of any material information on part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by NKFL, from the date of the initial release of the claim by NKFL to the date of refund of the claim.

4.7 Subrogation of rights and recoveries on account of claims paid

- i) The lending institution shall furnish to NKFL, the details of its efforts for recovery, realisations and such other information as may be demanded or required from time to time. The lending institution will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of NKFL. The NKFL shall not exercise any subrogation rights and that the responsibility of the recovery of dues including takeover of assets, sale of assets, etc., shall rest with the lending institution;
- ii) The amount which is realised by eligible financing entity from the defaulting entity even after settlement of the guarantee amount will accrue to the guarantee fund. Any amount realized from the borrower shall be shared by the lending institution with NKFL, net of legal and recovery expenses, in the ratio of 50:50.
- iii) In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of NKFL or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.
- iv) Every amount recovered and due to be paid to NKFL shall be paid without delay, and if any amount due to NKFL remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to NKFL by the lending institution at the rate which is 1% above applicable rate of underlying credit facility for the period for which payment remains outstanding after the expiry of the said period of 30 days.

4.8. NKFL's liability to be terminated in certain cases

- i) If the liabilities of a borrower to the lending institution on account of any credit facility guaranteed under this Scheme are transferred or assigned to any other lender and if the conditions as to the eligibility of the borrower and the amount of the facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the credit facility shall be deemed to be terminated as from the date of the said transfer or assignment.
- ii) If any credit facility or a borrower becomes ineligible for being granted any credit facilities under the Clause II(4) of the Scheme, the liability of NKFL would be limited only to the eligible credit facilities under the scheme.
- iii) the liability of NKFL in respect of any credit facilities granted to it by a lending institution under the Scheme shall be limited to the liability of the borrower to the lending institution as on the date on which the borrower becomes so

ineligible, subject, however, to the limits on the liability of NKFL fixed under this Scheme.

4.9. Returns and Inspections:

The lending institution shall submit such statements and furnish such information as NKFL may require in connection with any credit facility under this Scheme.

- i) The lending institution shall also furnish to NKFL all such documents, receipts, certificates and other writings as the latter may require and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings are true, provided that no claim shall be rejected and no liability shall attach to the lending institution or any officer thereof for anything done in good faith.
- ii) NKFL shall, insofar as it may be necessary for the purposes of the Scheme, have the right to inspect or call for copies of the books of account and other records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the lending institution, and of any borrower from the lending institution. Such inspection may be carried out either through the officers of NKFL or any other person appointed by NKFL for the purpose of inspection. Every officer or other employee of the lending institution or the borrower, who is in a position to do so, shall make available to the officers of NKFL or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his possession.

4.10. Conditions imposed under the Scheme to be binding on the lending institution:

- i) Any guarantee given by NKFL shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.
- ii) The lending institution shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme but notwithstanding any provision in any other document or contract, the lending institution shall in relation to NKFL be bound by the conditions imposed under the Scheme.

4.11. Modifications and exemptions:

- i) NKFL reserves to itself the right to modify, cancel or replace the scheme with the approval of the State Level Committee, however, that the rights or obligations arising out of, or accruing under a guarantee issued under the Scheme up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.
- ii) In the event of the Scheme being modified the term and conditions of the modified scheme will be applicable from the date of modification.

4.12. Interpretation:

If any question arises in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications given in connection therewith, the decision of NKFL shall be final.

4.13. Supplementary and general provisions:

In respect of any matter not specifically provided for in this Scheme, NKFL may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.
