

CREDIT GUARANTEE FUND SCHEME FOR SKILL DEVELOPMENT (CGFSSD)

CHAPTER I

INTRODUCTION

1. Title and date of commencement

(i) The Scheme shall be known as the Credit Guarantee Fund Scheme for Skill Development (CGFSSD).

(ii) It has come into force from the date of notification by the Government of India.

(iii) Skill Loans sanctioned on or after July 15, 2015 with features as under will be eligible for coverage under the Scheme.

2. Loan Limit

The minimum and maximum loan limit under this Scheme is Rs.5000/- and Rs.1,50,000/- respectively, without any collateral security and/or third party guarantee. However, the Fund reserves the right to revise the loan limit as and when required.

3. Interest Rate

The Interest Rate to be charged by the Bank for skill loan to be covered under CGFSSD should not be more than 1.5 % p.a. over the Base Rate(BR)/Marginal Cost of Fund Lending Rate (MCLR). **Field Functionaries to refer IRMD Cir. 41 dated 09.06.2016 in this regard.**

4. Definitions

For the purposes of this Scheme –

i. **Skill Loan Scheme** is the scheme circulated by Indian Banks' Association (IBA) vide its letter no RB/CIR/SLS/1051 dated July 10, 2015 to its member banks and circulated to field functionaries through RAD Circular No. 78/2015 dated 08.08.2015

ii. "**Amount in Default**" means the loan amount outstanding in the loan account(s) of the borrower inclusive of accrued interest, as on the date of the account becoming NPA, or the date of lodgment of claim application whichever is lower or such other amount as may be specified by the Fund for preferring any claim against the guarantee cover subject to maximum of 'Guarantee Cover'.

iii. "**Base Rate/MCLR**" for a lending institution means the Base Rate/MCLR so declared by that lending institution from time to time as per Reserve Bank of India guidelines based on which interest rate applicable for the loan will be determined.

iv. "**Eligible Borrower**" means new or existing borrower with Indian Nationality who meets eligibility criteria prescribed under "Skill Loan Scheme" having the minimum qualification as required by the enrolling institutions/organizations as per National Skill Qualification Framework (NSQF) and who has executed loan documents with the lending institution to avail skill loan. Parents/guardians will be the co-borrowers.

v. "**Collateral security**" means the security provided in addition to personal obligation of borrower/co-borrower.

vi. "**Fund**" means the Credit Guarantee Fund for Skill Development Loans set up by Government of India with the purpose of guaranteeing payment against default in Skill Loan, extended by the lending institution(s) to the eligible borrowers

vii. "**Guarantor**" means a person acceptable to the bank, who guarantees to repay the skill loan, in the event of failure of the borrower to repay.

viii. "**Guarantee Cover**" means maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution.

ix. "**Lending institution(s)**" means member banks (public sector banks, private sector banks and foreign banks) of IBA

x. "**Material date**" means the date on which the guarantee fee on the amount covered in respect of eligible borrower becomes payable by the institution to the Fund.

xi. "**Non Performing Assets**" means an asset classified as a non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time.

xii. "**Scheme**" means the Credit Guarantee Fund Scheme for Skill Development Loans.

xiii. **NCGTC** means National Credit Guarantee Trustee Company set up on March 28, 2014 by Government of India under the Companies Act 1956 to act as the Trustee to operate the Credit Guarantee Funds for Educational Loans, Skill Development Loans and any other funds to be set up by Government of India from time to time.

xiv. **Lock-in-period** means the period during which no invocation of guarantee can be made. A lock-in-period of 12 months has been stipulated from the date of commencement of guarantee cover or end of period of moratorium of interest, whichever is later.

xv. Accordingly, all matters pertaining to the operations of CGFSSD would be undertaken by NCGTC on behalf of the said Fund Trust.

CHAPTER II

SCOPE AND EXTENT OF THE SCHEME

5. Guarantees by the Fund

i Subject to the other provisions of the Scheme, NCGTC undertakes, in relation to Skill Loans ranging from Rs.5000/- to Rs.1,50,000/- extended to an eligible borrower by a bank which has entered into the necessary agreement for this purpose with NCGTC, to provide guarantee against default in repayment of skill loans extended by the Bank.

ii NCGTC reserves the right to accept or reject any proposal referred by the bank which otherwise satisfies the norms of the Scheme.

6. Skill Loans eligible under the Scheme:

The Fund shall cover skill loans extended by Bank to an eligible borrower on or after entering into an agreement with NCGTC, without any collateral security and/or third party guarantee, provided that i. The course is run by Industrial Training Institutes (ITIs), Polytechnics or in a school recognized by central or State education Boards or in a college affiliated to recognized university, training partners affiliated to National Skill Development Corporation (NSDC)/Sector Skill Councils, State Skill Mission, State Skill Corporation, preferably leading to a certificate / diploma / degree issued by such organization as per National Skill Qualification Framework (NSQF). The Government of India / State Governments may, from time to time, notify institutes/organizations for the purpose.

Courses run by above mentioned Training Institutes (in 6.1) aligned to National Skill Qualification Framework (NSQF) shall be covered by the Skill Loan. There is no minimum course duration.

ii. The Bank applies for guarantee cover in respect of skill development loans disbursed in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June, respectively.

iii. as on the material date,

(a) There are no overdue in respect of the account to the Bank and / or the loan has not been classified as a Non-performing asset in the books of the bank, and/or

(b) The activity of the borrower for which the credit facility was granted, has not ceased; and / or

(c) The credit facility has not wholly or partly been utilized for adjustment of any debts deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from NCGTC.

7. Skill Loans not eligible under the Scheme

The following Skill Loans shall not be eligible for being guaranteed under the Scheme: -

- i. Any Skill Loans 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.
- ii. Any Skill Loans, 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.
- iii Any Skill loans which have been sanctioned by the Bank with interest rate more than 1.5% p.a. over the BR/ MCLR of the Bank. However, the Fund may revise such ceiling benchmark parameters from time to time keeping in view the prevailing interest rate scenario, BR/MCLR of Bank and RBI's Credit Policies.

8. Responsibilities of Bank under the scheme:

- i. The Bank shall evaluate and sanction the Skill Loans in accordance with the "Skill Loan Scheme" and conduct the account(s) of the borrowers with normal banking prudence and due diligence.
- ii. The Bank shall pool all its outstanding skill loans extended against sanctions effected on or after July 15, 2015, but within the parameters prescribed at para no. 6(ii), as at the end of a calendar quarter into a portfolio and ensure to submit the information required by NCGTC for giving guarantee cover with regard to the Skill borrowal account.
- iii. The Bank would need to furnish a Management Certificate [as mentioned in point 9(ii)] certifying the following:
 - (a) All accounts in the portfolio conform to the Skill Loan Scheme and such loans were sanctioned on or after July 15, 2015.
 - (b) All accounts covered in the initial portfolio as well as new accounts added in the portfolio subsequently, are standard accounts.
 - (c) All accounts which have turned NPA within the portfolio and for which claim has not been lodged have been included in the portfolio on which the guarantee fee is payable.
- iv The Bank shall closely monitor the borrower's account and follow up for repayment.

v. The Bank shall ensure, to the extent applicable, linkage of every skill loan with Aadhar number and register the borrower's/co-borrower's name with an appropriate credit information bureau.

vi. The bank shall ensure that the guarantee claim in respect of the Skill Loans given to the borrower is lodged with NCGTC in the form and in the manner and within such time specified by NCGTC in this regard and that there shall not be any delay on its part to notify the default in the borrowers account which shall result in the Fund facing higher guarantee claims.

vii. The payment of guarantee claim by NCGTC to the bank does not in any way take away the responsibility of the Bank to recover the entire outstanding amount of the credit from the borrower with applicable interest.

The Bank shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of skill loan owed to it and initiate such necessary actions for recovery of the outstanding amount, including such action as may be advised by NCGTC.

viii The Bank shall comply with such directions as may be issued by NCGTC, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a credit guarantor, as NCGTC may deem fit and the Bank shall be bound to comply with such directions.

ix The Bank shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Fund in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Fund. The Bank 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 Fund as the guarantor. In particular, the bank should intimate NCGTC while entering into any compromise or arrangement, which may have effect of discharge or waiver of personal guarantee(s).

Further the Bank shall secure for the Fund or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to publish the defaulted borrowers' names and particulars by NCGTC.

CHAPTER III

GUARANTEE FEE

9. Guarantee Fee

i. For availing the guarantee coverage, the Bank shall pay Guarantee Fee of 0.125% per calendar quarter (i.e. 0.50% p.a.) on the quarter end outstanding portfolio balance (skill loans).

ii. Guarantee fee shall be paid within 16 days from the end of the calendar quarter. (The Bank would need to furnish a Management Certificate within 10 days from the end of the calendar quarter, after which, a Credit Guarantee Demand Advice Note [CGDAN] would be issued by NCGTC within 3 day of receipt of Management Certificate and subsequently, the guarantee fee shall be payable within 3 days from the issue of CGDAN)

iii. All cases within the portfolio for which the guarantee fee has been paid by Bank, would be covered under the credit guarantee scheme subject to the loan accounts within the portfolio being eligible under the Skill Loan Scheme.

iv. Guarantee fee would be paid on the quarterly balance (including on accounts which have turned NPA) and Guarantee will be valid upto the end of that quarter. Guarantee fee with respect to NPA accounts in the portfolio would continue to be paid till lodgment of claim for such accounts.

v. However, the Fund reserves the right to charge different guarantee fees in future for different educational institutions / vocational / skill development training institutions depending on their risk rating/risk profile.

vi. Provided further that in the event of non-payment of Guarantee Fee within the stipulated time or such extended time that may be agreed to by NCGTC on such terms, liability of the Fund to guarantee such credit facility would lapse in respect of those credit facility against which the Guarantee Fee are due and not paid,

vii. In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee, such deficiency / shortfall shall be paid by the eligible Bank to the Fund together with interest on such amount at a rate of 4% over and above the Bank Rate. Any amount found to have been paid in excess would be refunded by the Fund. In the event of any representation made by the Bank in this regard, NCGTC shall take a decision based on the available information with it and the clarifications received from the Bank. Notwithstanding the same, the decision of NCGTC shall be final and binding on the Bank.

viii. The amount equivalent to the guarantee fee payable by the Bank will be borne by the Member Bank.

ix. The guarantee fee once paid by the bank to NCGTC is non-refundable, except under certain circumstances like –

- a) Excess remittance,
- b) Remittance made more than once against the same Skill Loan, and
- c) Annual guarantee fee not due.

CHAPTER IV

GUARANTEES

10. Extent of the guarantee

The Fund shall provide guarantee cover to the extent of 75% of the amount in default. The Fund reserves the right to modify the same. The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the Skill Loans.

CHAPTER V

CLAIMS

11. Invocation of guarantee

i The Bank may invoke the guarantee in respect of Skill loan within a maximum period of one year from date of NPA, if NPA is after lock-in period or within one year of lock-in period, if NPA is within lock-in period, after the following conditions are satisfied:

a. The guarantee in respect of that credit facility was in force at the time of account turning NPA.

b. The lock-in period of 12 months from either the end of period of moratorium of interest or the date of commencement of guarantee cover in respect of loan covered, whichever is later, has elapsed. A lock-in period of 12 months has been stipulated from the date of commencement of guarantee cover or end of period of moratorium of interest, whichever is later.

c. The amount due and payable to the Bank in respect of the Skill Loan has not been paid and the dues have been classified by the Bank as Non Performing Assets. Provided that the Bank shall not make or be entitled to make any claim on NCGTC in respect of the said Skill Loan 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 NCGTC.

ii. The claim should be preferred by the Bank in such manner and within such

time specified/to be specified by NCGTC in this behalf.

iii. Any Claim under the Credit Guarantee Scheme for Skill Development would be settled at 100 % of the guaranteed amount at one go, subject to the receipt of a certificate from the Bank to the effect that all avenues of recovering the amount in default have been exhausted; that there is no further scope for recovering the default amount and that the claim is found in order and complete in all respects.

iv. In the event of default, the Bank shall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall first be credited in full by the Bank to NCGTC before it claims the guaranteed amount.

v. The Bank shall be liable to refund the claim released by NCGTC together with penal interest at the rate of 4% above the prevailing Bank Rate, if such a recall is made by NCGTC in the event of deficiencies having existed in the matter of appraisal / renewal / follow-up / conduct of the Skill Loan or where lodgment of the claim was more than once or where there existed suppression of any material information on part of the bank for the settlement of claims. The bank shall pay such penal interest, when demanded by NCGTC, from the date of the initial release of the claim by NCGTC to the date of refund of the claim.

vi. The Guarantee Claim received directly from the branches or offices other than Retail Asset Division, HO will not be entertained.

12. Subrogation of rights and recoveries on account of claims paid

i. The bank shall furnish to NCGTC, as and when required by NCGTC, the details of its efforts for recovery, realizations and such other information. NCGTC shall not exercise any subrogation rights and the responsibility of the dues shall rest with the Bank.

ii. In the event of a borrower owing several distinct and separate debts to the Bank 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 the Fund or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the Bank 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.

iii. Every amount recovered and due to be paid to NCGTC shall be paid without delay, and if any amount due to NCGTC remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to NCGTC by the Bank at the rate which is 4% over and above the Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

CHAPTER VI

MISCELLANEOUS

13. Appropriation of amount received from the Bank

The amount received from the bank shall be appropriated in the order in which the AGF, penal interest and other charges have fallen due. If the AGF and the penal interest have fallen due on the same date, the appropriation shall be made first towards AGF and then towards the penal interest and finally, towards any other charges payable in respect of the eligible credit facility.

14. Appropriation of amount realized by the Bank in respect of a credit facility after the guarantee has been invoked.

Where subsequent to NCGTC having released a sum to the bank towards the amount in default in accordance with the provisions contained in Para 11 of this scheme, the bank recovers money subsequent to the recovery proceedings initiated by it, the same shall be deposited by the Bank with NCGTC, after adjusting towards the legal costs incurred by it for recovery of the amount. The Fund shall appropriate the same first towards the pending AGF, penal interest, and other charges due to the Fund, if any, in respect of the credit facility towards which the amount has been recovered by the Bank, and the balance, if any, shall be appropriated in such a manner so that losses on account of deficit in recovery of the credit facility between NCGTC and the Bank are in the proportion of 75% and 25% respectively.

15. Fund's liability to be terminated in certain cases

- i. If the liabilities of a borrower to the Bank on account of Skill Loan guaranteed under this Scheme are transferred or assigned to any other borrower and if the conditions as to the eligibility of the borrower and the amount of the Skill Loan and any other terms and conditions, if any, subject to which the Skill Loan can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the Skill Loan shall be deemed to be terminated as from the date of the said transfer or assignment.
- ii. If a borrower becomes ineligible for being granted Skill Loan under the Scheme, the liability of NCGTC in respect of Skill Loan granted to him/her by a bank under the Scheme shall be limited to the liability of the borrower to the bank as on the date on which the borrower becomes so ineligible, subject, however, to the limits on the liability of NCGTC fixed under this Scheme.

16. Returns and Inspections

- i. The Bank shall submit such statements and furnish such information as and when required by NCGTC in connection with Skill Loan under this Scheme.

ii. The Bank shall also furnish to NCGTC all such documents, receipts, certificates and other writings as and when required by NCGTC 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 Bank or any officer thereof for anything done in good faith.

iii. NCGTC 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 Bank, and of any borrower from the Bank. Such inspection may be carried out through the officers of NCGTC or any other person appointed by NCGTC for the purpose of inspection. Every officer or other employee of the Bank or the borrower, who is in a position to do so, shall make available to the officers of NCGTC 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/her possession.

17. Conditions imposed under the Scheme to be binding on the Bank

i. Any guarantee given by the Fund shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.

ii. The Bank 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 Bank shall in relation to the Fund be bound by the conditions imposed under the Scheme.

18. Modifications and exemptions

i. The Fund reserves to itself the right to modify, cancel or replace the Scheme, so 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. Notwithstanding anything herein contained, the Fund shall have a right to alter the terms and conditions of the Scheme in regard to an account in respect of which guarantee has not been issued / invoked as on the date of such alteration.

iii. In the event of the Scheme being cancelled, no claim shall lie against the Fund in respect of facilities covered by the Scheme, unless the provisions contained in Clause (i) and (ii) of Para 12 of the Scheme are complied with by the Bank prior to the date on which the cancellation comes into force.

19. 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 the Fund shall be final.

20. Supplementary and general provisions

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