

# Credit Guarantee Fund Scheme

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- **Period of Implementation**

The Credit Guarantee Fund (CGF) shall be implemented from Financial Year (FY) 2013-14 onwards.

- **Implementing Agency**

The CGF shall be operated by Small Farmers Agri-Business Consortium (SFAC) through lending institutions.

- **Eligible Lending Institution (ELI)**

A Scheduled Commercial Bank for the time being included in the second Schedule to the Reserve Bank of India Act, 1934, and Regional Rural Banks, NCDC, NABARD and its subsidiaries, NEDFi, or any other institution (s) as may be decided by the SFAC Board or as directed by the Government of India from time to time.>

- **Credit Facilities Eligible under CGF SFAC shall cover:**

- Credit facilities (Fund based and/or Non fund based) already sanctioned / extended within six months from the date of the application for the Guarantee Cover or intended to be extended singly or jointly by one or more than one Eligible Lending Institution(s) to a single eligible FPC borrower by way of term loan and/or working capital/composite credit facilities without any collateral security and/or third party guarantees.
- The ELI can extend credit without any limit; however, the Guarantee Cover shall be limited to the maximum guarantee cover specified under the Scheme. Provided that the Credit Facility is extended without any collateral security and/or third party guarantees.

- **Non-Eligibility**

The following credit facilities shall not be eligible for Guarantee Cover under the Scheme:

- Any credit facility which has been sanctioned by the ELI against collateral security and/ or third party guarantee.
- Any credit facility in respect of which risks are additionally covered under any scheme operated or administered by Reserve Bank of India/or by the Government/or by any

general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity.

- 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 is, for the time being, in force.
- Any credit facility granted to any borrower, who has himself availed of any other credit facility covered under this scheme or under the schemes mentioned in the clauses above at any point in time.
- Any credit facility that is overdue for repayment/NPA taken over by the ELI from any other lender or any other default converted into a credit facility.
- Any credit facility which is overdue for repayment.
- Any credit facility which has been rescheduled or restructured on becoming overdue for repayment.

### **Credit Guarantee Cover**

- ELI shall be eligible to seek Guarantee Cover for a credit facility sanctioned in respect of a single FPC borrower for a maximum 2 times over a period of 5 years.
- Maximum Guarantee Cover shall be restricted to the extent of 85% of the eligible sanctioned credit facility, or to Rs. 85 Lakh, whichever is lower.
- In case of default, claims shall be settled up to 85% of the amount in default subject to maximum cover as specified above.
- Other charges such as penal interest, commitment charge, service charge, or any other levies/ expenses, or any costs whatsoever debited to the account of FPC by the ELI other than the contracted interest shall not qualify for Guarantee Cover.
- The Cover shall only be granted after the ELI enters into an agreement with SFAC, and shall be granted or delivered in accordance with the Terms and Conditions decided upon by SFAC from time to time.

## **Sanction**

SFAC shall :-

- Scrutinize the proposal before sanctioning the Guarantee Cover to the ELI under the Scheme in accordance with the Terms and Conditions of the Scheme.
- Insofar as it may be considered necessary, for the purposes of the Scheme, 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 or of the Borrower from the Lending Institution.
- Such Inspection shall be carried out either through the officers of SFAC or any other agency appointed by SFAC for the purpose of Inspection.
- The Investment and Claims Settlement Committee (I&CSC) shall sanction the Guarantee Cover to the concerned Bank based on the findings of the above.
- The ELI shall enter into an Agreement with SFAC at the level of the Bank Branch Manager.