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**Document Version History**

| Version No. | Remarks | Date | Author |
| --- | --- | --- | --- |
| 1.0 | Baseline | 28-Jan-2016 | Sachin Patange |
| 2.0 | Added additional validations | 23-Dec-2016 | Sachin Patange |
| 3.0 | Revisions as per CG Operations | 29-Apr-2017 | Sachin Patange |
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| 5.0 | 1. Duplicate Loan Checks:  - In New CG request - Duplicate Check for MLI + Loan A/c No. is introduced when records are transited from temporary to permanent CG table.  - In Continuity CG Request - Duplicate Check for MLI + Loan A/c No. + Scheme + Status is introduced – at least one active CG record should exist.  2. Introducing Loan Close Flag in CG Continuity. | 7-Dec-2017 | Sachin Patange |
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| 9.0 | Change in logic of Fee & Cover calculation (New & Continuity) [Earlier there exists a comparison between outstanding and sanction amount which is lower for calculation purpose, now this comparison is removed and calculation is based on outstanding only].  Calculation based on outstanding amount for Release Lapse.  New Business Validation rule to cap outstanding amount and on Loan End Date for New and Continuity CG. | 27-Aug-2019 | Satyan |
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| **Signature** | : |  |  | **Signature** | : |  |
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| **Date** | : | 18-Aug-2018 |  | **Date** | : | 18-Aug-2018 |
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**GLOSSARY**

Glossary of Important Terms used in this document.

| S. No. | Term | Description |
| --- | --- | --- |
| 1 | BATCHDAN | Batch Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for demand of CG Fees for batch of loan records which MLI needs to pay to avail the CG cover. |
| 2 | CG | Credit Guarantee |
| 3 | CGDAN | Credit Guarantee Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for each loan record demand of CG Fees which MLI needs to pay to avail the CG cover. |
| 4 | CGPAN | Credit Guarantee Permanent Account Number – a Unique Credit Guarantee Number generated by NCGTC processing system while issuing the Credit Guarantee. |
| 5 | DDMMYYYY | DD- Date; MM-Month; YYYY-Year (4 digit) |
| 6 | eGov Standards | E Government Standards – Information Technology Standards. |
| 7 | FY | Financial Year |
| 8 | IFSC | An Indian Financial System Code - an alphanumeric code that uniquely identifies a bank-branch. |
| 9 | MLI | Member Leading Institute. These will be Banks, Factors, and Para- Banks etc. Institutes predominantly in business of Money Lending’s. |
| 10 | NPA | Non-Performing Asset |
| 11 | NCGTC | National Credit Guarantee Trustee Company Ltd |
| 12 | SURGE | Software System Developed and Commissioned by NCGTC for Managing Credit Guarantee Business Process.  *SURGE – System for Underwriting, Reassurance & Guarantee Endorsement* |
| 13 | SC | Scheduled Caste |
| 14 | ST | Scheduled Tribe |
| 15 | Gen | General |
| 16 | XML | Extensible Markup Language (**XML**) is a markup language that defines a set of rules for encoding documents in a format which is both human-readable and machine-readable. It is defined by the W3C's XML 1.0 Specification and by several other related specifications, all of which are free open standards. |

## **Introduction**

Skill loan scheme is the scheme circulated by Indian Bank’s Association (IBA) vide its letter no RB/CIR/SLS/1051 dated July 10th 2015 to its members. For this loan scheme, NCGTC has designed a guarantee product known as Credit Guarantee Fund Scheme for Skill Development (CGFSSD). Modified Credit guarantee scheme for skill development was introduced vide gazette notification dated July 09,2024

NCGTC extends guarantee to the skill loans extended by Member Lending Institutions to an eligible borrower for:

* The courses run or supported by a Ministry/Dept./Organization of the Government or a company/society/organization supported by National Skill Development Corporation, National Skill Development Agency or State Skill Missions/ State Skill Corporations, preferably leading to a certificate/diploma/degree, etc. issued by a Govt. organization or an organization recognized/authorized by the Govt. to do so. All the NSQF or Non NSQF aligned courses available on SIDH Portal are covered under the scheme.
* NCGTC may, at its discretion, approve/frame a list of institutions and / or their courses, loans for which the guarantee cover will be available or a negative list for which the guarantee cover shall not be available.

### **Fund & Docket Construct**

Currently it is being envisaged that this scheme has only one docket. This docket has a code - ‘GEN’. Schematic relation for the Trust, Fund, Scheme and Docket Relation is as below:



## **Input File Layout**

This section specifies the layout of input file which MLI’s needs to send for their respective Loan information’s to request issuance of credit guarantees and/or Continuity of the credit guarantees from NCGTC.

### **Layout: Input File – New CG Issuance**

Refer the spread sheet – **Skill Scheme – New, Continuity and Disbursement** Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Layout: Input File - CG Continuity**

Refer the spread sheet – **Skill Scheme – New, Continuity and Disbursement** Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Layout: Input File - Disbursement**

Refer the spread sheet – ‘**Skill Scheme – New, Continuity and Disbursement**’ Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.



## **Input File Format Processed By SURGE**

SURGE will accept input file from MLI(s) in following format only:

* XML layout

XML is only format permissible as per eGov standards. SURGE will **NOT** process files received in any other formats than those listed above.



As per CR, there are some changes in New CG existing field’s validation and few new fields are added given below and mentioned in above XML file too.

| Field Name | Field Type | Current Validation | New Validation | Remark |
| --- | --- | --- | --- | --- |
| Email Id of Borrower | Alphanumeric following Standard Email Rules | Non-Mandatory | Mandatory | Available in the application |
| Mobile No. | Number (Up to 12 digits) | Non-Mandatory | Mandatory | Available in the application |
| Pan No. | Alphanumeric | Non-Mandatory | Mandatory | Available in the application |
| Loan Tenure | Number | Non-Mandatory | Mandatory | Available in the application |
| Father/Guardian’s Name | Text – First Name + Middle Name + Last Name (Space Separated) | Non-Mandatory | Mandatory | Available in the application |
| Aadhar Number | Textbox (Numeric) (4 digits Only) | Non- Mandatory | Mandatory | Available in the application (Aadhar no is mask last 4 digit is unmasked) |
| Name of the course | Dropdown | Not Available | Mandatory | New field needs to be added |
| Whether course availed is NSQF aligned or Non NSQF Aligned | Dropdown  (NSQF aligned and NSQF not aligned) | Not Available | Mandatory | New field needs to be added |
| Name of the training partner | Dropdown | Not Available | Mandatory | New field needs to be added |
| Industry Sector | Dropdown | Not Available | Mandatory | New field needs to be added |
| Job Role | Dropdown | Not Available | Mandatory | New field needs to be added |
| Whether availed any loan from any lending institution | Dropdown | Not Available | Mandatory | New field needs to be added |
| EBLR | Number | Not Available | Mandatory | New field needs to be added |
| Interest Rate | Number | Not Available | Mandatory | New field needs to be added |



**Note: -**

* The interest rate is flexible, now we need to set a maximum interest rate limit based on MLI categorization. The maximum interest rate limits are as follows:
* For Public Sector Banks, Private Sector Banks, Foreign Banks, and Small Finance Banks - **EBLR + Maximum 1.5%.**
* For Non-Banking Finance Company-Micro Finance Institutions – **Maximum 21%.**
* The "**Name of the course**" (NSQF or Non NSQF) , “**Training Partner Name”**, **Industry Sector** and **Job Role** field is a dropdown, and each course has a unique code. **Courses and Training Partner data** need to be displayed in the portal so that MLI can see all details. (All the fields list provided by NSDC through API Integration)
* The Aadhar number is masked up to 8 digits of the Aadhar number are hidden, leaving only last 4 digit. Same value stored in database also and it is validated with existing Aadhar number.



As per CR, there are some changes in Continuity CG existing field’s validation as given below: -

| Field Name | Field Type | Current Validation | New Validation | Remark |
| --- | --- | --- | --- | --- |
| Loan Tenure | Number | Non-Mandatory | Mandatory | Available in the application |
| EBLR | Number | Not Available | Mandatory | New field needs to be added |
| Interest Rate | Number | Not Available | Mandatory | New field needs to be added |
| Loan repayment started or not | Dropdown (1. Yes or no) | Not Available | Mandatory | New field needs to be added |



New file type is to be added to capture disbursement details for loans sanctioned in FY with following fields:

| Field Name | Validation |
| --- | --- |
| Loan Account Number | As per NEW CG file |
| Disbursement date | Any date on/after sanction date and before NPA/Close date. |
| Disbursed Amount | Amount should be equal to or less than sanction amount. |

## **Preparation of Input File**

This section describes the process for preparation of input file which MLI needs to send to NCGTC. MLI’s need to prepare and send Three separate files, each having different layout. The purpose of these two files is:

1. NEW credit guarantees – Credit Guarantees for *new* skill loans disbursed at their end (these disbursals can be full or partial).
2. Continuity of CG – Continuing existing Credit Guarantee cover (i.e. maintaining the guarantee ‘In Force’ of EXISTING Credit Guarantee’s)
3. Disbursement – Subsequent disbursements will be captured under this section.



### **New Credit Guarantees – Request for Quotes and Issue of Guarantees**

As a part of MLI’s loan business at their end, they will sanction and disburse Loans to the borrower under the Skill Development Scheme. While doing these sanctions and disbursement, MLI’s will:

1. Undertake various business checks and validations to ascertain the eligibility of the borrower.
2. Disburse loan amount in full or in partial.
3. Maintain relevant details of the loan account(s) in their IT system *(Presuming Core Banking System).*

Whilst the above activities from the loan business perspective is being done by the MLI’s, they *may* essentially leverage the benefit of NCGTC’s Skill Loan Guarantee Scheme.

As a part of this scheme, MLI’s are advised to send their requests to NCGTC for issuing credit guarantees in following steps:

1. At the end of every quarter, MLI needs to extract the loan information for all those NEW loan accounts created in PREVIOUS QUARTER and which has an EFFECTIVE DISBURSEMENT of loan amount (either full or partial) in a file, called as ‘Input File – New CG Issuance’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3.
2. For New Credit Guarantee Request, for the first time (i.e. immediately after the enrolment with NCGTC for Skill Loan Scheme) MLI’s will be permitted to extract and send the loan accounts for all those loan accounts created Post the scheme start date and which has an EFFECTIVE DISBURSEMENT of loan amount (either full or partial) in a file, called as ‘Input File – New CG Issuance’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3.

Consequently after the first submission and process of request for credit guarantees, point no. 1 mentioned above is applicable.

1. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’. Internally for this scheme, system has one docket which is – ‘GEN’ – wherein certain scheme specific parameters are defined. System will extract and split the records for specific guarantee treatment/operations defined in the scheme dockets which is – ‘GEN’.
2. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the NEW loan account information multiple times and in *‘Non Approved’* state.
3. After final verification of the input file by MLI approver user account (created by their own MLI Administrator) ~~and NCGTC approval,~~ the state of the input file is changed as *‘Approved’* state.
4. Final submission of the *‘Approved’* input file for further process of Quotes Generation will be effective once MLI accepts to the *‘Management certificate - Terms & Conditions’.*

### **Requesting Quotes for Credit Guarantee Continuity**

Credit Guarantee’s issued under the ‘Skill Loan Scheme’ scheme by NCGTC needs to be CONTINUED every quarter. For continuing these guarantees, MLI’s are advised to send their requests to NCGTC and follow these steps:

1. At the end of every quarter end, MLI’s needs to extract the loan information from their IT system for all those loan accounts due for continuity in the next quarter in a file, called as ‘Input File – CG Continuity’. Information to be extracted in the layout mentioned in the section 1.2.2 and in the format mentioned in section 1.3.
2. MLI’s are allowed to send revised values of the ‘Outstanding Loan Amount’ and ‘Loan Tenure’ of these Loan Accounts which may vary due to loan restructuring or overdue on account of unpaid interest and/or penalty’s levied by MLI to the borrower.
3. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’. Internally for this scheme, system has one docket which is – ‘GEN’ – wherein certain scheme specific parameters are defined. System will extract and split the records for specific guarantee treatment/operations defined in the scheme docket which is – ‘GEN’.
4. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the NEW loan account information multiple times and in *‘Non Approved’* state.
5. After final verification of the input file by MLI approver user account (created by their own MLI Administrator) ~~and NCGTC approval~~, the state of the input file is changed as *‘Approved’* state.
6. Final submission of the *‘Approved’* input file for further process of Quotes Generation will be effective once MLI accepts to the *‘Management certificate - Terms & Conditions’.*



### **Summary - Preparing & Uploading the Input File**



Notes: -  
The approval of NEW CG, Continuity CG is removed from the NCGTC Creator End

MLI’s are expected to perform these steps in stipulated time communicated by NCGTC to MLI’s.

## **Generation of New Credit Guarantee**

System initiates processing of input file for ‘Issuing’ Guarantees on upload and approval of loan data file from MLI’s (along with acceptance to the terms & conditions of Management certificate) for a given batch execution.

Steps involved in the batch execution for generating the credit guarantees entails following steps:

The above is a schematic representation of various processes which will execute in batch mode of NCGTC system. Status reports will be generated at the end of each process to keep NCGTC end users informed and take corrective actions.

### **Input File Content to Staging Area**

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for issuing credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘Loan Account Number’ specified DOES EXISTs in SURGE System Database. *(If MLI Loan Account exists in the system and have a unique guarantee number (CGPAN), than – this loan account will be rejected by SURGE for issue of new CG).*

*This check is repeated when loan accounts are transited from temporary table to permanent store at the time NCGTC Approves the data. If duplicate found then entire file is rejected.*

1. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
2. Duplicate Check for MLI AND Loan A/c No. - when records are transited from temporary to permanent CG table. If in case duplicates are identified, then, an exception report is generated and NCGTC User cannot approve the file.
3. The ‘Sanctioned Loan Date’ IS OLDER THAN the Scheme Start Date (Scheme Start Date is configurable parameter at the scheme level) later than immediate previous quarter end date.
4. For first time (i.e. immediately after MLI enrolment with NCGTC for this scheme) - the ‘Date of First Disbursement’ IS NOT Between the Scheme Start Date AND immediate previous quarter end date.

Consequently, after the first submission and process of request for credit guarantees, ‘Date of First Disbursement’ IS NOT of immediate previous quarter date.

1. For First Disbursement Date: if Loan Amount First Disbursement IS EQUAL OR LESS THAN Zero AND First Disbursement Date is present.
2. The ‘Sanctioned Loan Amount’ IS EQUAL TO OR LESS THAN ZERO.
3. Loan Amount First Disbursement:
   1. IS GREATER THAN Sanction Amount
   2. IS EQUAL OR LESS THAN Zero
4. The ‘Sanctioned Loan Amount’ IS NOT BETWEEN the scheme parameters - ‘Maximum Limit to Guarantee Issuance Allowed (INR)’ and ‘Minimum Limit to Guarantee Issuance Allowed (INR)’.
5. The ‘Outstanding Loan Amount’ LESS THAN 'Minimum Acceptable value for Outstanding/sanction Amount' in docket parameter.
6. DOB - This date IS NOT BETWEEN 01-01-1900 & Current System Date (both inclusive).
7. Loan End Date:
   1. IS EARLIER THAN FIRST DISBURSEMENT DATE
   2. EQUAL TO FIRST DISBURSEMENT DATE
8. Loan Moratorium End Date:
   1. IS EARLIER THAN FIRST DISBURSEMENT
   2. EQUAL TO FIRST DISBURSEMENT DATE
   3. LATER THAN OR EQUAL TO 31-12-9999
9. Annual Income of Father/Guardian IS LESS THAN ZERO.
10. Loan Tenure – IS LESS THAN ZERO.
11. The ‘Loan Account NPA’ field has value as ‘Y’ (Which means it is marked as NPA).
12. ‘Date of NPA’ IS NOT NULL/SPACE(s).
13. The ‘Outstanding Loan Amount’ is Greater than two times of Sanctioned amount.
14. Loan End date:
    1. IS EARLIER TO Current System Date.
15. Interest Rate:
16. For Public Sector Banks, Private Sector Banks, Foreign Banks, and Small Finance Banks - EBLR + more than 1.5%.
17. For Non-Banking Finance Company-Micro Finance Institutions – greater than 21%
18. Aadhar card: if complete Aadhar card’s digit entered instead of only last 4 digits.
19. Name of the course, Industry sector, Job Role, whether course availed is NSQF aligned or Non NSQF Aligned, field’s input data are not aligned.
20. ‘Whether availed any loan from any lending institution’ field is blank.
21. The MLI can make payment of CG fee by using details of Bank- VAN and RTGS/NEFT/IFSC Code and all details is available in “statement of estimate”
22. Payments and collections will occur based on integration availability.

*Note - For the field names mentioned above refer section 1.2.1.*

### **Allotting Credit Guarantee Unique Identifiers - CGPAN**

For the eligible records system allocates a unique identification number to the processed loan account, called as CGPAN – Credit Guarantee Permanent Account Number, for traceability and management of CG in SURGE system.

CGPAN follows a specific format:

**CGPAN Format for General Scheme:**



CGPAN signifies a unique identification to the credit guarantee in SURGE system. Subsequently it is used to integrate with Accounting Subsystem and for payment reconciliations.

Post CGPAN allotment, SURGE updates the status of the loan guarantee record:



### **Deduplication Criteria Checks**

Currently no provision for de-duplication will be provided, since, rolling out this scheme and acceptance of this scheme by MLI is priority. Consequently, as the scheme and its process of issuance and settling guarantees stabilizes – it will be decided to construct an effective de-duplication mechanism.

### **Calculate Credit Guarantee Fees & Covers**

For issuing the existing CG system calculates the credit guarantee cover and the charges to issue this cover for the loan records which have cleared the eligibility criteria checks mentioned in section 1.5.2.

For new Credit Guarantee’s, the Charges includes– Fees and Taxes.



The rules/logic for calculating cover and charges is covered in this section.

### **Calculating Credit Guarantee Cover**

As per CR, there is a change in Trust management module of CGFSD. Due to this change guarantee cover and CG Fee calculation also changed, earlier it was 75% now it is 70% - 75% for different slabs and loan amount is also changed from 1.5 lakh to 7.5 lakh as under after 09-07-2024 sanction date.

| Loan Amount Slab (Rs Lacs)  (On Loan Sanction Amount) | Guarantee coverage Based on Amount in Default (AID) | Settlement |
| --- | --- | --- |
| 0.05 to <=4 | 75% | Based on AID |
| >4 to 7.5 | 70% | Based on AID |

The calculation for cover will be based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Guarantee Cover’ (%) configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:



1. **When Loan Amount less than 4 lakhs: -**

| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 6000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Cover calculation will be based on Outstanding Loan Amount. Thus, Guarantee Cover = 6000 \* 75%

Which equals to INR 4500/-

1. **When Loan Amount greater than 4 lakhs: -**

| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 70% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 6000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Cover calculation will be based on Outstanding Loan Amount. Thus, Guarantee Cover = 6000 \* 70%

Which equals to INR 4200/-



### **Calculating Credit Guarantee Fees**

Credit Guarantee Fee is based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 70% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 6000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus the Guarantee Fee = 6000 \* (0.5%/4)

Which equals to INR 7.5/-



### **Calculating Tax on Credit Guarantee Fees**

### **Calculation based on Service Tax, Krishi-Kalyan Cess and Swach Bharat Cess**

Tax on Credit Guarantee Charges is determined based on CG Fees calculated in section 1.5.5.2. There will be various Taxation components. SURGE allows users to define these components (their names and tax value). Summation of these tax components is the total tax determined. The formulae is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 1,00,000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus the Guarantee Fee = 100,000 \* (0.5%/4)

Which equals to INR 125/-

Taxation on INR 125/- is determined as below:

1. Service Tax on this Fee @14% is 125\*14% = INR 17.50/-
2. Swach Bharat Cess on this Fee @0.5% is 125\*0.5% = INR 0.63/-

Total Tax is summation of service tax and Swach Bharat Cess = 17.50 + 0.63 = INR 18.13/-



### **Calculation based on GST**

As per GST policy, tax on GST is primarily based on MLI’s Headquarters’ location i.e. the state in which MLI is primarily based. NCGTC’s state of operations is decided as Maharashtra state.

**If the state of MLI operation is Maharashtra:**

Then as per GST policy, CGST and SGST will be applicable in the tax calculation.

The formula is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 1,00,000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus the Guarantee Fee = 100,000 \* (0.5%/4)

Which equals to INR 125/-

Taxation on INR 125/- is determined as below:

1. SGST Tax on this Fee @9% is 125\*9% = INR 11.25/-
2. CGST Tax on this Fee @9% is 125\*9% = INR 11.25/-

Total Tax is summation of CGST and SGST = 11.25 + 11.25 = INR 22.50/-

**If the state of MLI operation is Not Maharashtra**:

Then as per GST policy, IGST will be applicable in the tax calculation.

The formula is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 1,00,000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus the Guarantee Fee = 100,000 \* (0.5%/4)

Which equals to INR 125/-

Taxation on INR 125/- is determined as below:

1. IGST Tax on this Fee @18% is 125\*18% = INR 22.50/-

Total Tax, IGST = INR 22.50/-

### **Demand Advice for Guarantee Charges**

MLI needs to make payment of Fees and Taxes calculated as above to bring the guarantee ‘In Force’. The demand for fees is made to MLI in form of CGDAN – Credit Guarantee Demand Advisory Number. It is a unique number, used for traceability and management of CG Fees in SURGE.

It is used to integrate with Accounting Subsystem and for payment reconciliations.

### **CGDAN – Demand Advice: New Guarantee Cover - Individual**

This is a demand advice number for each loan record (or guarantee cover).

CGDAN follows a specific format:

**CGDAN Format for General Scheme:**



*GC – Guarantee Charge.*

### **BATCHDAN – Demand Advice: New Guarantee Cover - Batch**

Payments from MLI will be accepted for all the eligible records submitted by him i.e. at the batch level (batch here means the file submitted for quote request). To achieve this, system needs to aggregate CG Charges of all eligible records and raise the demand. A unique demand advice number called as ‘BATCHDAN’ is allotted to the batch of these eligible records in the format as below:

**Batch DAN Format for Batch of eligible records – New Credit Guarantee Batch:**



### **Payment of CG Charges**

Till the point MLI makes the payment of CG Charges, system will identify these CG’s as ‘Provisional’ by means of below mentioned status codes:

* Current CG Status – 30036
* Previous CG Status – 30036

Refer the document - ‘Payment Mechanism’ for more details on payment process.

### **Payment of CG Charges in Stipulated Time**

Payment of CG Charges in stipulated time makes the guarantee active, and the Guarantee Status is updated as ‘In Force’.



System makes the CG as ‘In Force’ by using the below status codes:

* Current CG Status – 30010
* Previous CG Status – 30036

SURGE allows following operations for active (In Force) guarantees:

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Queries for Claims & Resolution
* Claims Reject/Approve
* Claim Settlement (1st and Final)
* Post Claim Recoveries
* Close (by MLI user)
* Close (by NCGTC user)
* Lapse (by System)
* Release of Lapse (by NCGTC user)
* Modify Specific Fields (by MLI User)



### **Non Payment of CG Charges in Stipulated Time**

On non-payment (due to partial payment or No payment by MLI) of CG Charges in stipulated time, system is unable to issue the guarantee, thus, the guarantee status remains as ‘Not Issued’.



System makes the CG as ‘Not Issued’ by using the below status codes:

* Current CG Status – 30011
* Previous CG Status – 30036

In fact there is a Service/Job which is executed at a predefined interval which will make the status codes as mentioned above. Thus, marking a provisional CG as ‘Not Issued’ is a system controlled function.

No further operations are allowed.

## **Continuing Credit Guarantee**

System initiates processing of input file for ‘Continuing’ Guarantees on upload and approval of loan data file from MLI’s (along with acceptance to the terms & conditions of Management certificate) for a given batch execution.

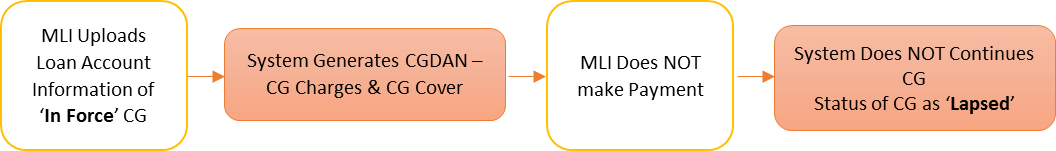
Steps involved in the batch execution for continuing the credit guarantees entails following steps:

The above is a schematic representation of various processes which will execute in batch mode of NCGTC system. Status reports will be generated at the end of each process to keep NCGTC end users informed and take corrective actions

Continuity of CG depends on previous state of CG, following are possible ‘Continuity’ flows handled by SURGE:

Scenario 1:

Scenario 2:



Scenario 3:

Scenario 4:

Scenario 5:

Scenario 6:

Scenario 7:

Scenario 8:

Continuity of CG is NOT Allowed for following Cases:

1. Guarantee Cover ‘Not Issued’
2. Guarantee who has reported ‘Outstanding Loan Amount’ as Zeroes
3. CG whose claims has been lodged by MLI
4. Queries for Claims & Resolution
5. Claims Reject/Approve
6. Auto Approval of Claims (This is a configurable parameter. For example, if this parameter has value INR 10,000/- then for the claims less than or equal to INR 10,000/- will be settled automatically)
7. Claim Settlement (1st and Final)
8. Post Claim Recoveries
9. Closures
10. Revoke (by NCGTC user)

### **Input File Content to Staging Area**

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for continuing credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘Loan Account Number’ specified DOES NOT EXISTs in SURGE System Database. *(If MLI Loan Account does not exist in the system with a match for unique guarantee number (CGPAN), then – this loan account will be rejected by SURGE for* continuity *of CG).*
2. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
3. The ‘Loan Account Number’ for a particular Loan Account specified for a MLI is verified for existence (on more than one count) in CG table, if count is more than one, then system verifies its status. If status is ACTIVE for more than one count, then error.

*i.e. only one active loan account (or CG) to exist for the given MLI and its loan account.*

[Duplicate Check for MLI + Loan A/c No. + Scheme + Status is introduced – at least one active CG record should exist (for same MLI, Loan A/c, Scheme)]

1. Loan Tenure IS LESS THAN ZERO.
   * 1. No data entered in ‘Loan Tenure’ field.
2. Loan End Date:
   1. IS EARLIER THAN FIRST DISBURSEMENT DATE
   2. EQUAL TO FIRST DISBURSEMENT DATE
3. The ‘Outstanding Loan Amount’ LESS THAN 'Minimum Acceptable value for Outstanding/sanction Amount' in docket parameter.
4. The MLI AND ‘Loan Account Number’ exists in CG Issuance Database. Existing CG’s - CG Issue Start Date and CG Issue End Date is for that current FY, then, this record is rejected with message ‘Loan A/c is already received in this FY’.
5. The credit guarantee exists in system having its latest Current Status Code as:
   1. 30036
   2. 30011
   3. 30013
   4. 30005
   5. 30018
   6. 30019
6. Date of NPA:
   1. First the system, gets the immediate previous records NPA Flag (for that Loan Account) and NPA date values from CG Issuance Database (Records are chronologically sorted on date of insert in CG Issuance database from Oldest to Latest and the Latest records NPA flag and NPA date is being considered for following checks). Then, the input file record is rejected if:

| S. No. | Latest Record in Existing in Database for Given CG | | Record In Input File | |
| --- | --- | --- | --- | --- |
| **NPA Flag** | **Date** | **NPA Flag** | **Date** |
| 1 | N | Null | N | NOT Null |
| 2 | N | Valid date – D1 | Y | NULL/SPACES |
| 3 | N | Valid date – D1 | N | NULL/SPACES |
| 4 | N | Valid date – D1 | N | NOT Same as D1 |
| 5 | N | Null | Y | Date provided is NOT between first disbursement date and current system date (inclusive of current system date) |
| 6 | N | Valid date – D1 | Y | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| 7 | Y | Valid date – D1 | N | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| 8 | Y | Valid date – D1 | Y | NOT Same as D1 |
| 9 | Y | Valid date – D1 | Y | NULL/SPACES |
| 10 | Y | Valid date – D1 | N | NULL/SPACES |

* 1. NPA date provided by MLI is EARLIER TO or EQUAL TO ‘New File Uploaded date’ (i.e. Created Date of the file for New CG Request, in the system). In case above error condition is achieved, then the system revoke the loan account in consideration with relevant error message.

This communication is made available to maker and checker of MLI in the invalid records spreadsheet. In spite of this communication if MLI approves the update file, then, in system will revoke the respective CG’s of this customer and thus no billing consideration. System will generate the revoke transaction only after NCGTC approval. This revoke transaction is generated as in section 1.7.6.

1. Loan Close:
   1. If Loan Closed Flag is ‘N’, then Date of Loan Closure is NOT NULL/SPACES
   2. If ‘Loan Closed’ is N and Valid date is Provided
   3. If ‘Loan Closed’ is Y:
      1. If for the given loan account, there is FDD/FDA present in the CG table (for file type 1), then, ‘Date of Loan Closure’ (a valid date) is NOT EQUAL to this ‘Date of First Disbursement’ and NOT EARLIER than this First Disbursement Date AND NOT LATER Current System Date.
2. Loan Moratorium End Date:
   1. IS EARLIER THAN Sanctioned Loan Date
   2. IS EQUAL TO Sanctioned Loan Date
3. The ‘Outstanding Loan Amount’ is Greater than two times of Sanctioned amount.
4. Loan End date:
   1. IS EARLIER TO Current System Date.
5. The EBLR field is blank.
6. Interest Rate:
7. For Public Sector Banks, Private Sector Banks, Foreign Banks, and Small Finance Banks - EBLR + more than 1.5%.
8. For Non-Banking Finance Company-Micro Finance Institutions – greater than 21%
9. The ‘Loan repayment started or not’ field is blank.

*Note - For the field names mentioned above refer* [*section 1.2.2.*](#_heading=h.is8m5gjyfu5q)

### **Determine Credit Guarantee Cover & Charges**

For continuing the existing CG system calculates the credit guarantee cover and the charges to issue this cover for the loan records which have cleared the eligibility criteria checks mentioned in section 1.6.2.

For continuing the Credit Guarantee, charges include – Fees, Penal Interest Charges (if the CG is in lapsed state) and Taxes.



The rules/logic for calculating cover and charges is covered in this section.

### **Calculating Credit Guarantee Cover**

The calculation for cover will be based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Guarantee Cover’ (%) configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:



1. **When the Loan amount less than 400000**

| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | **4**000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Cover calculation will be based on Outstanding Loan Amount.

Thus, the Guarantee Cover = 4000 \* 75%

Which equals to INR 3000/-

1. **When the loan amount greater than 400000**

| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 70% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 6000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Cover calculation will be based on Outstanding Loan Amount. Thus, Guarantee Cover = 6000 \* 70%

Which equals to INR 4200/-



### **Calculating Credit Guarantee Fees**

SURGE provides a provision to calculate the CG Fees under two situations: Under ‘normal’ circumstances when MLI has provided continuity request in timely manner and another wherein MLI provides the CG request post ‘Lapse’ and ‘Release Lapse’ situation.

### **Calculating Credit Guarantee Fees - Normal**

CG for continuity of guarantee is quarterly. The calculation for CG Fees is in advanced for entire quarter. Credit Guarantee Fee is determined based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th April 2015. This input file contains Loan Disbursement Information till previous March 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 4000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus, Guarantee Fee = 4000 \* (0.5%/4)

Which equals to INR 5/-



### 

### **Calculating Credit Guarantee Fees – Post Release Lapse**

Post Release of Lapse, system calculates the CG Fees first for the current quarter when the request for continuity is received and based on the fee for the current quarter, fee for the lapsed Quarter is determined.

Credit Guarantee Fee for current quarter is determined based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:



Credit Guarantee fee for Lapsed quarter is determined based on current quarter CG Fee as below:



Total CG Fees is determined below as:

*Note: Here ‘No. of Lapsed Quarters’ Does NOT include current quarter where MLI request CG Continuity*

| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th April 2015. This input file contains Loan Disbursement Information till previous March 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 1,25,000.00 |
| --- | --- |

Thus, in case of this scenario, Guarantee Fee calculation will be based on Sanctioned Loan Amount.

Thus, Guarantee Fee = 1,00,000 \* (0.5%/4)

Which equals to INR 125/-

In case MLI does not continue the CG for next 3 Quarters – the CG is lapsed by the system – and post CG Release Lapse, MLI provides its continuity as with below information:

| Outstanding Loan Amount | 2,50,000.00 |
| --- | --- |

Then, in this case, CG Fee for current quarter is calculated as: 2,50,000 \* (0.5%/4) = 312.50/-

CG Fee for lapsed quarter is calculated as = (312.5)\*3 = 937.5/-

Thus, total CG Fees = 312.5 + 937.5 = 1250/-



### **Calculating Penal Interest for Lapsed Revival**

In situation of loan record not received for guarantee continuity for a particular cycle, the guarantee cover awarded to the loan record is inactivated with status as ‘Lapsed’. This is a system generated transaction with status code as 30013. For such lapsed guarantee’s, NCGTC user can select them for ‘Release Lapse’ case (status code 30038) and mark the for levying penal charges. Now if loan record is presented to the system through the input ‘Input file – CG Continuity’, then, the system calculates the penal interest which MLI needs to pay in conjunction to the current calculated CG Fees and taxes.

*Note that the penal interest is only to be considered or calculated if the MLI and the scheme for which the renewal data is being received is marked for ‘Levy Penal Interest’. If the MLI and the scheme for which the renewal data is being received is NOT marked for ‘Levy Penal Interest’, then, penal charge calculation is NOT done.*

On receipt of payment of penal interest along with CG Fees and taxes, system revives the guarantee.

Formulae for calculation of penal interest is:



*Note: Here ‘No. of Lapsed Quarters’ Does include current quarter where MLI request CG Continuity*

| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 1.00 |
| Sanctioned Loan Amount | 1,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for Jul-Aug-Sep 2015. One of the loan account has the following outstanding:

| Outstanding Loan Amount | 1,25,000.00 |
| --- | --- |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till Quarter 4 of 2014. However, its guarantee cover has lapsed since Quarter 1, Quarter 2 and Quarter 3 of 2015 (i.e. Number of Lapsed Quarters = 3).

Post release of the lapse, MLI sends the request to continue the CG. Refer scenario 3 in section 1.6.3.2.2 above. As per this scenario CG Fees for Current Quarter is 312.50/-, CG Fees for Lapsed Quarter is 937.50/- and Total CG Fees is 1250/-

Based on this CG Fees for current quarter, penal interest for Lapsed Revival is calculated as (312.5 \* (6.0% / 4) \* 3) = INR 14.06/-



### **Calculating Tax on Credit Guarantee Fees & Interest for Lapsed Revival**

### **Calculation based on Service Tax, Krishi-Kalyan Cess and Swach Bharat Cess**

Tax on Credit Guarantee Charges is determined based on CG Fees calculated in section 1.6.3.2. There will be various Taxation components. SURGE allows users to define these components (their names and tax value). Summation of these tax components is the total tax determined. The formulae is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 1.00 |
| Sanctioned Loan Amount | 1,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

**Scenario 1:** Tax Calculation for Non Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 1,00,000.00 |
| --- | --- |

Thus, in case of the example cited above, Guarantee Fee = 100,000 \* (0.5%/4)

Which equals to INR 125/-

There is no penalty levied on this loan. Thus, Penalty = INR 0/-

Taxation on INR 125/- is determined as below:

1. Service Tax on this Fee @14% is 125\*14% = INR 17.5/-
2. Swach Bharat Cess on this Fee @0.5% is 125\*0.5% = INR 0.63/-

Total Tax is summation of service tax and Swach Bharat Cess = 17.5 + 0.63 = INR 18.13/-

**Scenario 2:** Tax Calculation for Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for Jul-Aug-Sep 2015. One of the loan account has the following outstanding:

| Outstanding Loan Amount | 1,25,000.00 |
| --- | --- |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till Quarter 4 of 2014. However, its guarantee cover has lapsed since Quarter 1, Quarter 2 and Quarter 3 of 2015 (i.e. Number of Lapsed Quarters = 3).

Post release of the lapse, MLI sends the request to continue the CG. Refer scenario 3 in section 1.6.3.2.2 above. As per this scenario CG Fees for Current Quarter is 312.50/-, CG Fees for Lapsed Quarter is 937.50/- and Total CG Fees is 1250/-

Based on this CG Fees for current quarter, penal interest for Lapsed Revival is calculated as (312.5 \* (6.0% / 4) \* 3) = INR 14.06/-

Taxation is calculated on INR (1250 + 14.06) = INR 1264.06/- is determined as below:

1. Service Tax on this Fee @14% is 1264.06\*14% = INR 175.14/-
2. Swach Bharat Cess on this Fee @0.5% is 1264.06\*0.5% = INR 6.32/-

Total Tax is summation of service tax and Swach Bharat Cess = 175.14 + 6.32 = INR 181.46/-



### **Calculation based on GST**

As per GST policy, tax on GST is primarily based on MLI’s Headquarters’ location i.e. the state in which MLI is primarily based. NCGTC’s state of operations is decided as Maharashtra state.

**If the state of MLI operation is Maharashtra:**

Then as per GST policy, CGST and SGST will be applicable in the tax calculation.

The formula is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

**Scenario 1:** Tax Calculation for Non Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 1,00,000.00 |
| --- | --- |

Thus, in case of the example cited above, Guarantee Fee = 100,000 \* (0.5%/4)

Which equals to INR 125/-

There is no penalty levied on this loan. Thus, Penalty = INR 0/-

Taxation on INR 125/- is determined as below:

1. SGST Tax on this Fee @9% is 125\*9% = INR 11.25/-
2. CGST Tax on this Fee @9% is 125\*9% = INR 11.25/-

Total Tax is summation of CGST and SGST = 11.25 + 11.25 = INR 22.50/-

**Scenario 2:** Tax Calculation for Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for Jul-Aug-Sep 2015. One of the loan account has the following outstanding:

| Outstanding Loan Amount | 1,25,000.00 |
| --- | --- |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till Quarter 4 of 2014. However, its guarantee cover has lapsed since Quarter 1, Quarter 2 and Quarter 3 of 2015 (i.e. Number of Lapsed Quarters = 3).

Post release of the lapse, MLI sends the request to continue the CG. Refer scenario 3 in section 1.6.3.2.2 above. As per this scenario CG Fees for Current Quarter is 312.50/-, CG Fees for Lapsed Quarter is 937.50/- and Total CG Fees is 1250/-

Based on this CG Fees for current quarter, penal interest for Lapsed Revival is calculated as (312.5 \* (6.0% / 4) \* 3) = INR 14.06/-

Taxation is calculated on INR (1250 + 14.06) = INR 1264.06/- is determined as below:

1. SGST Tax on this Fee @9% is 1264.06\*9% = INR 113.76/-
2. CGST Tax on this Fee @9% is 1264.06\*9% = INR 113.76/-

Total Tax is summation of CGST and SGST = 113.76 + 113.76 = INR 227.53/-

**If the state of MLI operation is Not Maharashtra**:

Then as per GST policy, IGST will be applicable in the tax calculation.

The formula is as below:



| Skill Loan Scheme Parameters |  |
| --- | --- |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 4,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5000.00 |
| Sanctioned Loan Amount | 1,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

**Scenario 1:** Tax Calculation for Non Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

| Outstanding Loan Amount | 1,00,000.00 |
| --- | --- |

Thus, in case of the example cited above, Guarantee Fee = 100,000 \* (0.5%/4)

Which equals to INR 125/-

There is no penalty levied on this loan. Thus, Penalty = INR 0/-

Taxation on INR 125/- is determined as below:

1. IGST Tax on this Fee @18% is 125\*18% = INR 22.50/-

Total Tax is = INR 22.50/-

**Scenario 2:** Tax Calculation for Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for Jul-Aug-Sep 2015. One of the loan account has the following outstanding:

| Outstanding Loan Amount | 1,25,000.00 |
| --- | --- |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till Quarter 4 of 2014. However, its guarantee cover has lapsed since Quarter 1, Quarter 2 and Quarter 3 of 2015 (i.e. Number of Lapsed Quarters = 3).

Post release of the lapse, MLI sends the request to continue the CG. Refer scenario 3 in section 1.6.3.2.2 above. As per this scenario CG Fees for Current Quarter is 312.50/-, CG Fees for Lapsed Quarter is 937.50/- and Total CG Fees is 1250/-

Based on this CG Fees for current quarter, penal interest for Lapsed Revival is calculated as (312.5 \* (6.0% / 4) \* 3) = INR 14.06/-

Taxation is calculated on INR (1250 + 14.06) = INR 1264.06/- is determined as below:

1. IGST Tax on this Fee @18% is 1264.06\*18% = INR 227.53/-

Total Tax = INR 227.53/-

### **Demand Advice for Guarantee Charges**

For guarantee charges demand to continue the guarantee cover, system generates the DAN as specified below.

### **CGDAN – Demand Advice: Existing Guarantee Cover - Individual**

The demand for CG Charges is raised to MLI by generating CGDAN. Refer section 1.5.6.1 for details on CGDAN.

### **BATCHDAN – Demand Advice: Existing Guarantee Cover - Batch**

Batch DAN Format for Batch of eligible records – Continuity of Credit Guarantee Batch:



### **Payment of CG Charges**

Till the point MLI makes the payment of CG Charges, system will identify these CG’s as ‘Provisional’ by means of below mentioned status codes:

* Current CG Status – 30036
* Previous CG Status – 30036

Refer the document - ‘Payment Mechanism’ for more details on payment process.

**(Note: - Provided UTR update access same like MLI maker to NCGTC creator also. MLI maker and NCGTC checker both can enter the payment details i.e. Update the UTR in system. If MLI maker update the UTR details for same Input file/CGPAN NCGTC maker can’t update and Vice-versa).**

### **Payment of CG Fees/Taxes/Penalty in Stipulated Time**

Payment of CG Fees in stipulated time makes the guarantee active, and the Guarantee Status is updated as ‘In Force’ with below mentioned status codes:

| S. No. | Record Details In Input File for Loan Account in Consideration | State of Latest Record in SURGE for Corresponding Loan Account’s CG | Satus Codes Provided by System for the New Entry |
| --- | --- | --- | --- |
| 1 | Loan Account is Standard | Current State – 30010 | Current State – 30010  Previous State – 30036 |
| 2 | Loan Account is NPA | Current State – 30010 | Current State – 30020  Previous State – 30036 |
| 3 | Loan Account is Standard | Current State – 30020 | Current State – 30010  Previous State – 30036 |
| 4 | Loan Account is NPA | Current State – 30020 | Current State – 30020  Previous State – 30036 |
| 7 | Loan Account is Standard | Current State – 30038 | Current State – 30010  Previous State – 30036 |
| 8 | Loan Account is NPA | Current State – 30038 | Current State – 30020  Previous State – 30036 |
| 9 | Loan Account is Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30005  Previous State – 30036 |
| 10 | Loan Account is NPA & Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30005  Previous State – 30036 |

SURGE allows following operations for active (In Force) guarantees:

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Queries for Claims & Resolution
* Claims Reject/Approve
* Claim Settlement (1st and Final)
* Post Claim Recoveries
* Close (by MLI user)
* Close (by NCGTC user)
* Lapse (by System)
* Release of Lapse (by NCGTC user)
* Modify Specific Fields (by MLI User)

Note:

In case of marking the CG as NPA or Standard or Closed: – if Loan Account has been specified with NPA fields and Close fields together – then – CG status provided will be for Closed and not as NPA.

### **Non Payment of CG Charges in Stipulated Time**

On non-payment (due to partial payment or No payment by MLI) of CG Charges in stipulated time, system is unable to issue the guarantee, thus, the guarantee status remains as ‘Lapsed’, with below mentioned status codes:

| S. No. | Record Details In Input File for Loan Account in Consideration | State of Latest Record in SURGE for Corresponding Loan Account’s CG | Satus Codes Provided by System for the New Entry |
| --- | --- | --- | --- |
| 1 | Loan Account is Standard | Current State – 30010 | Current State – 30013  Previous State – 30013 |
| 2 | Loan Account is NPA | Current State – 30010 | Current State – 30013  Previous State – 30013 |
| 3 | Loan Account is Standard | Current State – 30020 | Current State – 30013  Previous State – 30013 |
| 4 | Loan Account is NPA | Current State – 30020 | Current State – 30013  Previous State – 30013 |
| 7 | Loan Account is Standard | Current State – 30038 | Current State – 30013  Previous State – 30013 |
| 8 | Loan Account is NPA | Current State – 30038 | Current State – 30013  Previous State – 30013 |
| 9 | Loan Account is Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30013  Previous State – 30013 |
| 10 | Loan Account is NPA & Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30013  Previous State – 30013 |

Note:

* The above mentioned lapsed status codes are provided by the Service/Job which is executed at a predefined interval. Thus, marking a provisional CG as ‘Lapsed’ is a system controlled function.
* No further operations are allowed on Lapsed CG.
* In case of marking the CG as NPA or Standard or Closed: – if Loan Account has been specified with NPA fields and Close fields together – then – CG status provided will be for NPA Guarantee Lapse.



## **Disbursement**

After New CG

### **Summary - Preparing & Uploading the Input File**





### **Eligibility Criteria Check**



* The loan account number in the disbursement file will be the same as the New CG File.
* The Disbursement date will be between the sanctioned date and NPA date.
* The Disbursement amount is same as sanction amount or less than the sanction amount.

## **Persisting the Loan Account Information in CG Table**

### **New Credit Guarantee Information**

The New Loan Account information (or New CG) if found eligible, is saved in Credit Guarantee table (i.e. CG table). It is important to note that, all the loan information value provided by MLI is saved in the table along with Credit Guarantee status (as explained in above section) and along with below mentioned specific field values:

* File Type – 1 (which indicates that this is a batch transaction for New CG)
* Transaction Mode – 120001
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – Refer Section 1.5.7.1 Payment of CG Charges in Stipulated Time

### **Continue Credit Guarantee Information**

The Loan Account information provided for continuity of CG if found eligible, is saved in Credit Guarantee table (i.e. CG table). It is important to note that, all the loan information value provided by MLI is saved in the table along with Credit Guarantee status (as explained in above section) and along with below mentioned specific field values:

* File Type – 2 (which indicates that this is a batch transaction for Continue CG)
* Transaction Mode – 120001
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – Refer Section 1.6.5.1 Payment of CG Charges in Stipulated Time.

### **Lapsed Credit Guarantee Information**

A system job will ‘Lapse’ the CG’s as a request for Continuity and request for New CG’s. For CG Continuity the CG’s will be Lapsed if:

* Non-payment of Full Fees in Timely manner
* Non provision of continuity request (MLI does not provide data for CG continuity)

New CG’s will be Lapsed if:

* Non-payment of Full Fees in Timely manner

This job will make an entry in the CG database with following fields:

* File Type – 99 (which indicates that this is a System Transaction)
* Transaction Mode – 120005
* Loan Account No. – Same loan account no. of original record
* MLI Id - Same MLI Id of original record
* Schemes Id - Same Schemes Id of original record
* Is Active Flag – Active
* Created By – System Id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – Refer Section 1.6.5.2 Non Payment of CG Charges in Stipulated Time.

### **Closure of Credit Guarantee Information On Account of Recurring Lapse**

A system job will auto close recurring lapsed CG’s. A job will make an entry in the CG database with following fields:

* File Type – 99 (which indicates that this is a System Transaction)
* Transaction Mode – 120007
* Loan Account No. – Same loan account no. of original record
* MLI Id - Same MLI Id of original record
* Schemes Id - Same Schemes Id of original record
* Is Active Flag – Active
* Created By – System Id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – 30018

### **Non-Issuance of Credit Guarantee Information On Account of Non Payment of CG Charges**

A system job will make the provisional CG’s as Not Issued in case payment for the same are not received in time. A job will make an entry in the CG database with following fields:

* File Type – 99 (which indicates that this is a System Transaction)
* Transaction Mode – 120005
* Loan Account No. – Same loan account no. of original record
* MLI Id - Same MLI Id of original record
* Schemes Id - Same Schemes Id of original record
* Is Active Flag – Active
* Created By – System Id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – Refer Section 1.5.7.2 Non Payment of CG Charges in Stipulated Time.

### **Revoke Credit Guarantee**

System will generate a revoke transaction for that specific loan account with following fields and values:

* File Type – 99 (which indicates that this is a system generated transaction)
* Transaction Mode – 120006
* Customer Id – Customer Id of the record for which this revoke transaction is generated
* Loan Account – Loan Account of the record for which this revoke transaction is generated
* CGPAN - CGPAN of the record for which this revoke transaction is generated
* MLI ID – MLI Id of the record for which this revoke transaction is generated
* Schemes Id – Schemes Id of the record for which this revoke transaction is generated
* Current State - 300018
* Is Active Flag – Active
* Created Date – DateTime of Record insertion

Prepared by Mastek Ltd. For National Credit Guarantee Trustee Company Ltd.

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