Abstract

This document summarizes functional needs of credit guarantee business for new guarantee issuance & their updates for Mudra loan scheme.  
This scheme is a portfolio scheme. Intention is to collate & track functional specifications of underlying business processes for Mudra loan guarantee business and provide a firm base for further interpretations of software requirements & specifications.

Business Requirement Document

Mudra Loan – Portfolio Credit Guarantees

**Document Version History**

|  |  |  |  |
| --- | --- | --- | --- |
| Version No. | Remarks | Date | Author |
| 1.0 | Baseline | 18-May-2019 | Sachin Patange |
| 2.0 | Surge Enhancements | 27-02-2024 | Supriya Shinde-Dhuri |
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**Table of Content:**

[**1.1** **Introduction** 5](#_Toc160211558)

[**1.1.1** **Fund & Docket Construct** 5](#_Toc160211559)

[**1.2** **Input File Layout** 6](#_Toc160211560)

[**1.2.1** **Layout: Input File – New Loan Information** 6](#_Toc160211561)

[**1.2.2** **Layout: Input File – Update Loan Details for Covered Loans** 7](#_Toc160211562)

[**1.3** **Input File Format Processed By SURGE** 7](#_Toc160211563)

[**1.4** **Preparation of Input File** 7](#_Toc160211564)

[**1.4.1** **New Loan Information – For Inclusion in Portfolio during Base Period** 8](#_Toc160211565)

[**1.4.2** **Update Loan Details for Covered Loans - For Inclusion in Portfolio during Base Period & Currency Period** 8](#_Toc160211566)

[**1.4.3** **Summary - Preparing & Uploading the Input File** 9](#_Toc160211567)

[**1.4.4 Process Flow- Input File and Payment Management** 10](#_Toc160211568)

[**1.5** **Portfolio Management** 11](#_Toc160211569)

[**1.5.1** **Portfolio Creation** 11](#_Toc160211570)

[**1.5.1.1** **Portfolio Status Values** 12](#_Toc160211571)

[**1.5.1.2** **Portfolio Transitions** 13](#_Toc160211572)

[**1.5.2** **Allotting Credit Guarantee Unique Identifiers - CGPAN** 17](#_Toc160211573)

[**1.5.3** **Portfolio Risk Assessment** 18](#_Toc160211574)

[**1.5.4** **Portfolio Cancellation** 18](#_Toc160211575)

[**1.6** **Inclusion of New Loan Information in Portfolio during Base Period** 18](#_Toc160211576)

[**1.6.1** **Input File Content to Staging Area** 19](#_Toc160211577)

[**1.6.2** **Eligibility Criteria Checks** 19](#_Toc160211578)

[**1.6.2.1** **Eligibility Criteria Checks for SHGs Portfolio** 19](#_Toc160211579)

[**1.6.3** **Deduplication Criteria Checks** 21](#_Toc160211580)

[**1.7** **Inclusion of Update Loan Information in Portfolio during Base Period &/or Currency Period** 21](#_Toc160211581)

[**1.7.1** **Eligibility Criteria Checks** 22](#_Toc160211582)

[**1.7.2** **Input File Content to Staging Area** 27](#_Toc160211583)

[**1.7.3** **Deduplication Criteria Checks** 27](#_Toc160211584)

[**1.7.4** **Demand Advice for Guarantee Charges** 27](#_Toc160211585)

[**1.7.4.1** **BATCHDAN – Demand Advice: New Guarantee Cover - Batch** 28](#_Toc160211586)

[**1.7.4.2** **CGDAN – Demand Advice: New Guarantee Cover - Individual** 28](#_Toc160211587)

[**1.7.5** **Payment of CG Charges** 28](#_Toc160211588)

[**1.7.5.1** **Payment of CG Charges in Stipulated Time** 29](#_Toc160211589)

[**1.7.5.2** **Non-Payment of CG Charges in Stipulated Time** 29](#_Toc160211590)

[**1.8** **Portfolio Billing** 29](#_Toc160211591)

[**1.8.1** **Base Period Billing Cycle** 30](#_Toc160211592)

[**1.8.1.1** **CG Fees Calculation for Single Loan Account for Base Period Billing** 30](#_Toc160211593)

[**1.8.1.2** **Calculating Tax on Credit Guarantee Fees for Single Loan Account** 32](#_Toc160211594)

[**1.8.1.2.1** **Calculation based on GST** 32](#_Toc160211595)

[**1.8.1.3** **Calculating Total Credit Guarantee Charges for Single Loan Account** 32](#_Toc160211596)

[**1.8.2** **Yearly Billing Cycle** 33](#_Toc160211597)

[**1.8.2.1** **CG Fees Calculation for Single Loan Account for Yearly Billing** 33](#_Toc160211598)

[**1.8.2.2** **Calculating Tax on Credit Guarantee Fees for Single Loan Account** 36](#_Toc160211599)

[**1.8.2.2.1** **Calculation based on GST** 36](#_Toc160211600)

[**1.8.2.3** **Calculating Total Credit Guarantee Charges for Single Loan Account** 37](#_Toc160211601)

[**1.9** **Persisting the Loan Account Information in CG Table** 37](#_Toc160211602)

[**1.9.1** **New Credit Guarantee Information** 37](#_Toc160211603)

[**1.9.2** **Update Credit Guarantee Information** 37](#_Toc160211604)

[**1.10** **Billing for Claim lodged Cases** 39](#_Toc160211605)

[**1.11** **Selection of Risk Premium Rate for Calculation** 40](#_Toc160211606)

[**1.12** **Points Pending for Further Clarification** 41](#_Toc160211607)

**Glossary**

Glossary of Important Terms used in this document.

|  |  |  |
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| 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. |
| 17 | FDD | Date of First Disbursement |
| 18 | LAFDD | Date of First Disbursement in Loan Application Table (main table related to CG’s in SURGE) |
| 19 | TVFDD | Date of First Disbursement in Temporary Validation Table (staging table related to CG’s in SURGE) |
| 20 | SHGs | Self Help Group |

## **Introduction**

For purpose of guaranteeing payment against default in micro loans extended to eligible borrowers by Banks/NBFCs /MFIs / Other financial intermediaries – this scheme of guarantees - Credit Guarantee Fund for Micro Units (CGFMU) has been designed.

SHGs as defined by NABARD under two schemes of GoI – Deendayal Antodaya Yojana National Rural Livelihood Mission or DAY-NRLM/SRLM and National Urban Livelihood Mission or NULM.

This guarantee scheme is particularly Portfolio credit guarantee scheme – wherein the portfolio building period is known as ‘Base Year’ or ‘Base Period’ (and is one year duration). This portfolio is crystallized at the end of financial year (31st March). Three complete financial years from the end of the date of crystallization of the portfolio is known as ‘Currency of Portfolio’.

* Self Help Group (SHGs):- Loans sanctioned to Self Help Groups (SHGs) above Rs.10 lakh and Rs. 20 lakh during FY 2020-21 and thereafter would also be eligible for coverage under CGFMU, irrespective of the availability of group guarantee of SHG members, from the date of this notification.
* Guarantee Fees for SHGs- 0.25% p.a(on pro rata basis for the period remaining in the year) and thereafter on renewals at 0.5% p.a on outstanding balance.
* Guarantee Coverage: - 75% of amount in default. No cap on maximum pay out. Risk premium as per applicability.
* SHG loans sanctioned on or after April 01, 2020 under the SHGs module.

### **Fund & Docket Construct**

Currently it is being envisaged that this scheme has one docket. These dockets have codes - ‘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 Loan Information**

Input file layout for new loan information for CGFMU ‘SHG’ scheme to be included in the portfolio during the Base Period:

Refer the spread sheet - Mudra Scheme - New and Update Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

**Note:**

* Customer ID has been included in layout.
* There will be scenarios where once customer ID has multiple associated Loan Accounts (which are either Term Loan Or Composite Loan OR Limit in nature)

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### **Layout: Input File – Update Loan Details for Covered Loans**

Input file layout for existing loan information included in the portfolio with supplementary information during the Base Period and Currency of the Portfolio:

Refer the spread sheet - Mudra Scheme - New and Update 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.

Refer - CGFMU ‘SHGs’ scheme - Sample XML Layout for New Credit Guarantee Request and CGFMU ‘SHGs’ scheme - Sample XML Layout for Updating Credit Guarantee Request – for XML layout of the file – in which MLI’s will need to send their loan information data to NCGTC for requesting new CG or updating the loan information of existing CG.

## **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 TWO separate files, each having a different layout. The purpose of these two files is:

1. New Loan Information – Loan Details for including in Portfolio during the Base Period only.
2. Update Loan Details for Covered Loans – update details of the loans already included in the portfolio (during base period and/or currency of portfolio). MLI needs to send this data if there are any updates to the loan account. It is agreed that – MLI’s will need to send these updates as per the window time notified by NCGTC.

### **New Loan Information – For Inclusion in Portfolio during Base Period**

As a part of MLI’s loan business at their end, they will sanction and disburse CGFMU ‘SHGs’ scheme Account holders. 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 Mudra Guarantee Scheme.

As a part of this scheme, MLI’s are advised to send their requests to NCGTC for inclusion in the portfolio during the base period only of a given portfolio in following steps:

1. At regular frequency (indicated above) MLI’s needs to extract the loan information from their IT system for all those loan accounts for which they need new CG in a file, called as ‘New Loan Details for CG’. Information to be extracted in the layout mentioned in section 1.2.1 and in the format mentioned in section 1.3. Refer section 1.4 while preparing this file and when to upload this file.
2. MLI’s need to select the portfolio in which these updates are applicable (either in retrospective or current portfolio).
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.
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. Final submission of the ‘Approved’ input file will be effective once MLI accepts to the ‘Management certificate - Terms & Conditions’. Post the approved state – the input file is sent for approval by NCGTC user.
6. After final verification of the input file by MLI approver user account (created by their own MLI Administrator), and NCGTC user the state of the input file is changed as *‘Processed’* state.
7. Processed state of input file also means the loan information is inserted in the selected portfolio.

### **Update Loan Details for Covered Loans - For Inclusion in Portfolio during Base Period & Currency Period**

Status of the loans which are included in the portfolio may undergo change. To update these changes in the portfolio – NCGTC will accept file - Update Loan Details for Covered Loans and follow these steps:

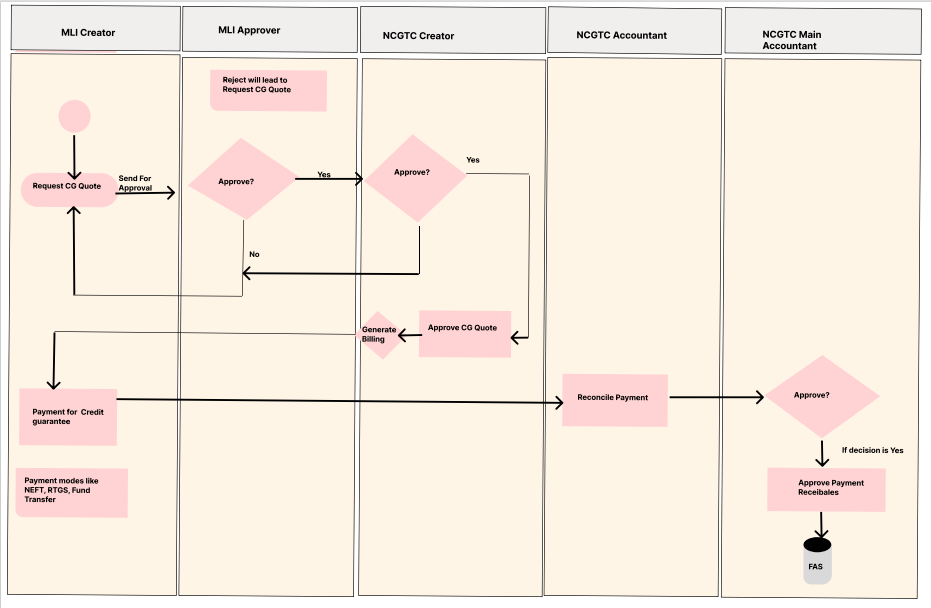
1. At regular frequency (indicated above) MLI’s needs to extract the loan information from their IT system for all those loan accounts whose details they wish to update in a file, called as ‘Update Loan Details for Covered Loans’. Information to be extracted in the layout mentioned in the section 1.2.2 and in the format mentioned in section 1.3. Refer section 1.4 while preparing this file and when to upload this file.
2. ~~MLI’s need to select the portfolio in which these updates are applicable (either in retrospective or current portfolio).~~
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.
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 Update loan account information multiple times and in *‘Non Approved’* state.
5. Final submission of the ‘Approved’ input file will be effective once MLI accepts the ‘Management certificate - Terms & Conditions’. Post the approved state – the input file is sent for approval by NCGTC user.
6. After final verification of the input file by MLI approver user account (created by their own MLI Administrator), and NCGTC user the state of the input file is changed as *‘Processed’* state.
7. Processed state of input file also means the loan information is inserted in the selected portfolio.

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

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

**Note**: - In Home Page at NCGTC side – Two additional fields provided as **Portfolio ID and Portfolio Status** and user can export to excel home page data. Wherever the Home page available these details will display, and users can export data in excel.

### **1.4.4 Process Flow- Input File and Payment Management**

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## **Portfolio Management**

This section provides information on the activities which can be performed on the portfolio.

### **Portfolio Creation**

Portfolio needs to be created for the MLI registered with NCGTC and enrolled for this scheme. On creation of portfolio – its portfolio ID is created, this unique identification number is used for traceability and management of portfolio in SURGE system.

**Portfolio Management:** For this new loan type, NCGTC will create new Portfolio. SHGs records will be part of new portfolio for that particular financial year. Portfolio Identifier follows a same format, except append ‘SHG’ at the end.

Portfolio Identifier follows a specific format:

Rules for Portfolio Creation:

1. MLI Code - Can be any 4-character string. No duplicates allowed for this code.
2. Financial Period: Only one portfolio can be created as SHG portfolio.
3. SHGs Portfolio – This identifier has two values ‘SHGs’.
4. When a portfolio is created – apart from Portfolio ID – a CGPAN is allotted to this portfolio. Refer section 1.1.2 for format of CGPAN. (*since creation of retrospective portfolio has a rule till what previous years it will be created, hence it needs to know the ‘From’ year which is defined by current portfolio – hence there is a business need to create the current portfolio first*)

Illustration:

Consider the following chart:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year of MLI Registration |  | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| 2020-21 |  | BP | CP1 | CP2 | CP3 | CP4 | CP5 | CP6 | CP7 |  |  |  |  |  |
| 2021-22 |  |  | BP | CP1 | CP2 | CP3 | CP4 | CP5 | CP6 | CP7 |  |  |  |  |
| 2022-23 |  |  |  | BP | CP1 | CP2 | CP3 | CP4 | CP5 | CP6 | CP7 |  |  |  |
| 2023-24 |  |  |  |  | BP | CP1 | CP2 | CP3 | CP4 | CP5 | CP6 | CP7 |  |  |
| 2024-25 |  |  |  |  |  | BP | CP1 | CP2 | CP3 | CP4 | CP5 | CP6 | CP7 |  |
| 2025-26 |  |  |  |  |  |  | BP | CP1 | CP2 | CP3 | CP4 | CP5 | CP6 | CP7 |

If a MLI is enrolled for this scheme in year 2022-23, then NCGTC needs to create portfolios as below:

|  |  |  |
| --- | --- | --- |
| **S. No.** | **Portfolio Type** | **Portfolio Name** |
| 1 | SHG | MUDVBGH20222023SHG |

### **Portfolio Status Values**

Each Portfolio will have a specific status assigned by the system to denote its position in its life-cycle.

Status assigned during Base Period:

|  |  |  |
| --- | --- | --- |
| S. No. | Portfolio Status | SHGs Portfolio |
| 1 | Base Period – Q1 | * When the portfolio is created in current FY Quarter 1 (i.e. in month Apr-to-June)   OR   * When the portfolio is created in current FY Quarter 2 (i.e. in month Jul-to-Sep) |
| 2 | Base Period – Q2 | * When the portfolio is created in current FY Quarter 3 (i.e. in month Oct-to-Dec) |
| 3 | Base Period – Q3 | * When the portfolio is created in current FY Quarter 4 (i.e. in month Jan-to-Mar) |
| 4 | Base Period – Q4 | * When the portfolio is created in Quarter 1 of next FY (i.e. in month Apr-to-June) |
| 5 | Crystallized | Post ‘Base Period – Q4’ |

Status assigned during Currency Period:

|  |  |  |  |
| --- | --- | --- | --- |
| S. No. | Portfolio Status | SHGs Portfolio | Migrated Portfolio |
| 1 | Currency Period I | Post ‘Crystallized’ state |  |
| 2 | Currency Period II | Post ‘Currency Period I’ |  |
| 3 | Currency Period III | Post ‘Currency Period II’ |  |
| 4 | Currency Period IV | Post ‘Currency Period III’ |  |
| 5 | Currency Period V | Post ‘Currency Period IV’ | Migrated Portfolio |
| 6 | Currency Period VI | Post ‘Currency Period V’ | Migrated Portfolio |
| 7 | Currency Period VII | Post ‘Currency Period VI’ | Migrated Portfolio |

### **Portfolio Transitions**



Each Portfolio is transited to its next state by NCGTC User. There are however following pre-conditions for the respective transitions:

(**Note: -Set Rules for Transition of Portfolio: -**

1. **For (Base period 4 i.e Q4 to all Currency periods) - Transition not possible for payments are pending for portfolio.**
2. **In case data is not uploaded for Base period 4 to all Currency periods and user transit the portfolio system will prompt alert to be displayed.**
3. **Transition of Portfolio to be allowed Only Billing and payment done for previous portfolio Periods.**

|  |  |  |  |
| --- | --- | --- | --- |
| S. No. | Portfolio Status | | Pre-Conditions |
| Pre-Transition Status | Post-Transition Status |
| 1 | Base Period – Q1 | Base Period – Q2 | * Update Data (if applicable) is received within stipulated time * Input Data for New CG Request is received within stipulated time * Billing Cycle is executed – Refer 1.8.1 section * Payment is received from MLI |
| 2 | Base Period – Q2 | Base Period – Q3 | * Input Data for New CG Request is received within stipulated time * Update Data (if applicable) is received within stipulated time * Billing Cycle is executed – Refer 1.8.1 section * Payment is received from MLI |
| 3 | Base Period – Q3 | Base Period – Q4 | * Update Data (if applicable) is received within stipulated time * Input Data for New CG Request is received within stipulated time * Billing Cycle is executed – Refer 1.8.1 section * Payment is received from MLI |
| 4 | Base Period – Q4 | Crystallized | * Input Data for New CG Request is received within stipulated time * Update Data (if applicable) is received within stipulated time * Billing Cycle is executed – Refer 1.8.1 section * Payment is received from MLI * In case data is not uploaded for particular quarter (Base Period) then alert prompt to be displayed. |
| 5 | Crystallized | Currency Period I | * No data updating * No Billing Cycle is executed * No Payment is received from MLI |
| 6 | Currency Period I | Currency Period II | * Update Data (if applicable) is received within stipulated time * Billing Cycle is executed – Refer 1.8.2 section * Payment is received from MLI * Set for Transition where transition of Portfolio to be allowed only Billing and payment of Currency Period and approval on previous currency period is pending. |
| 7 | Currency Period II | Currency Period III | * Update Data (if applicable) is received within stipulated time * Claim Lodgment (Interim) & Settlement * Firstly, Billing Cycle execution and charge CG Fees only on “Standard” and “NPA” loan account numbers. Consider Accounts with state “Guarantees in-force” state i.e. 30010 for billing.1   “NPA Guarantee in-force “state i.e. 30020 for billing.1   * Billing Cycle is executed – Refer 1.8.2 section * Payment is received from MLI * Set for Transition where transition of Portfolio to be allowed only Billing and payment of Currency Period and approval on previous currency period is pending. |
| 8 | Currency Period III | Currency Period IV | * Update Data (if applicable) is received within stipulated time * Claim Lodgment (Interim) & Settlement * Billing Cycle is executed – Refer 1.8.2 section * Payment is received from MLI * ~~Claim Lodgment & Settlement~~ * set for Transition where transition of Portfolio to be allowed only Billing and payment of Currency Period and approval on previous currency period is pending. |
| 9 | Currency Period IV | Currency Period V | * Update Data (if applicable) is received within stipulated time * Payment received from MLI if portfolio is migrated by MLI. For Cp4 billing should be done on all standard accounts as on 31st March of the CP3 period) * Claim lodgment and settlement should happen (CP4 billing is not required to lodge the Final Claim). * set for Transition where transition of Portfolio to be allowed only Billing and payment of Currency Period and approval on previous currency period is pending. |
| 10 | Currency Period V | Currency Period VI | * Update Data (if applicable, only those accounts which were considered for CPIV billing) is received within stipulated time * Claim Lodgment (Interim) & Settlement * Billing Cycle is executed – Refer 1.8.2 section * Payment is received from MLI * set for Transition where transition of Portfolio to be allowed only Billing and payment of Currency Period and approval on previous currency period is pending. |
| 11 | Currency Period VI | Currency Period VII | * Update Data (if applicable, only those accounts which were considered for CPIV billing) is received within stipulated time * Claim Lodgment (Interim) & Settlement * Billing Cycle is executed – Refer 1.8.2 section * Payment is received from MLI * ~~Claim Lodgment & Settlement~~ * set for Transition where transition of Portfolio to be allowed only Billing and payment of Currency Period and approval on previous currency period is pending. |
| 12 | Currency Period VII | Close | * Update Data (if applicable, only those accounts which were considered for CPVI billing) is received within stipulated time * No Billing on Update file. * Final Claim lodgment and settlement. |

* Portfolio remains in the state of Base Period for One FY in which it is created. Thus, it may have existence with full four quarters or less than four quarters (depending on when it is created). After the fourth quarter of Base Period, the portfolio needs to be *CRYSTALLIZED* and transited to currency periods (Cp1 to Cp7). There are three such currency period in this scheme: Currency Period I, Currency Period II, Currency Period III, Currency Period IV, Currency Period V, Currency Period VI and Currency Period VII. After Currency Period IV, portfolio migrated in Currency Period V and after Currency Period VII the portfolio is closed and settled.
* No input file for ‘New CG Request’ is accepted after Crystallized state of portfolio except for the ‘Update’ file for the existing loan information in the portfolio will be accepted.
* Post Closure of Portfolio, only recoveries to the claim lodged is permitted. No input file for updates will be accepted.

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

System allocates a unique identification number to the portfolio, 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.

For SHG – CGPAN will be allotted by the system at the time of creation. Internally it is provided to all the loan records for a particular portfolio.

### **Portfolio Risk Assessment**

For each portfolio created in the system, there will be a provision to provide inputs for:

* Risk premium on Credit Rating / Grading
* Risk premium on NPAs in guaranteed portfolio
* Risk premium on Claim Payout Ratio

### **Portfolio Cancellation**

NCGTC user can cancel any approved portfolio, which does NOT have any records/transactions within it.

## **Inclusion of New Loan Information in Portfolio during Base Period**

System initiates processing of input file to the portfolio 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 in the NEW LOAN INFORMATION FILE to ascertain their eligibility for issuing credit guarantees.

### **Eligibility Criteria Checks for SHGs Portfolio**

Approved Input file will be processed for each record and the record will be *REJECTED if*:

|  |  |  |
| --- | --- | --- |
| S. No. | Rule/Criteria | Description |
| 1 | Duplicate Loan A/c in CG Database | Check on Loan Account and MLI if they exist in the credit guarantee database. If exists, then Reject.  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 duplicate record is rejected and another record gets validated and entire file is not rejected. |
| 2 | Duplicate Loan A/c in Input file | The ‘Loan Account Number’ for a particular Loan Account specified in same input file presented by MLI - If Only Loan Account No. matches, then – this loan account will be rejected as duplicate. |
| 3 | Maximum Limit and Minimum Limit for SHG Loan | Following steps are followed for this rule:   * Determining ‘Total Sanction Amount’ for the given customer ID, a summation of ‘Sanctioned Loan Amount’ of all the loan records existing for a particular MLI (across all of his portfolio’s) having ‘Loan Category’ as ‘SHG’, is determined first. It is important to note that while doing this this summation, system considers the latest update record (if any) and its ‘Modified Sanction Amount’. (This check is for given Customer, MLI, Scheme and in LoanApplication table). If update records do not exist in the portfolio, then, the system considers ‘Original Sanction Amount’. * Determining ‘Verify Sanction Amount’ - To this ‘Total Sanction Amount’ (determined as in step above) the sanction amount specified for the given customer ID is added up. Note here that while deriving the summation, any errored record from the same file (i.e TempValidation & TempValidationError table) is also considered. * If the ‘Sanctioned Loan amount’ limit not above 10 lakh to 20 lakh. Reject Loan accounts with sanctioned amount not in the specified range. For such rejections, all the loan a/c for the selected customer id is also rejected. |
| 4 | First Time MLI and Sanctioned Loan Date | Following steps are needed for this condition - ‘First Time MLI Sanctioned Loan Date’ (First time means – MLI is undertaking an upload for first time on newly created SHG Portfolio):   * Portfolio is created in Q2 of the FY and has status as ‘Base Period Q1’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st April and 30th June of the FY as specified in the start FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st July – 7th July of the start FY)  * Portfolio is created in Q3 of the FY and has status as ‘Base Period Q2’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st April and 30th September of the FY as specified in the start FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st Oct – 7th Oct of the start FY)  * Portfolio is created in Q4 of the FY and has status as ‘Base Period Q3’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st April and 31st December of the FY as specified in the start FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st Jan – 7th Jan of the start FY)  * Portfolio is created in Q1 of the next FY and has status as ‘Base Period Q4’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st April of the FY as specified in the start FY of the portfolio created and 31st March of the FY as specified in the end FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st April – 7th April of the end FY) |
| 5 | NOT First Time MLI and Sanctioned Loan Date | Following steps are needed for this condition - ‘NOT First Time MLI Sanctioned Loan Date’ (First time means – MLI is undertaking an upload for first time on newly created Current Portfolio) -   * Portfolio is having status as ‘Base Period Q1’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st April and 30th June of the FY as specified in the start FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st July – 7th July of the start FY)  * Portfolio is having status as ‘Base Period Q2’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st July and 30th September of the FY as specified in the start FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st Oct – 7th Oct of the start FY)  * Portfolio is having status as ‘Base Period Q3’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st October and 31st December of the FY as specified in the start FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st Jan – 7th Jan of the start FY)  * Portfolio is having status as ‘Base Period Q4’ –  1. Sanctioned Loan Date of the loan record in consideration is NOT between 1st January and 31st March of the FY as specified in the end FY of the portfolio created. (As per New Loan Accounts Input Window the window will be opened from 1st April – 7th April of the end FY) |
| 6 | Date of First Disbursement | * NULL/SPACES(s) |
| 7 | Loan Closure | Loan closed is ‘Y’ |
| 8 | Date of Loan Closure | This date IS NOT NULL/SPACE(s). |
| 9 | Loan A/c is NPA | NPA is ‘Y’ |
| 10 | Date of NPA | This date IS NOT NULL/SPACE(s). |
| 11 | Total Sanctioned Loan Amount/Limit | This amount IS EQUAL OR LESS THAN Zero. |
| 13 | Outstanding Loan Amount | * Greater than 1.25 times of sanctioned amount. * Less than Zero. |
| 14 | First Disbursement Amount | * Is zero, Outstanding amount is greater than zero. * First disbursement amount and First disbursement date is null. Reject such account |

**Note:** For closed account Outstanding Loan Amount schedule be zero.

**Note:**

1. New Loan Information to the Portfolio are not allowed after portfolio is crystallized.
2. If due to any of the above rule, the loan a/c is rejected, then all the associated loan a/c in the same input file for that customer will be rejected.

### **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.

## **Inclusion of Update Loan Information in Portfolio during Base Period &/or Currency Period**

Updates to loan information are allowed during the Base Period as well as during the Currency Period of the Portfolio.

Steps involved in the batch execution for including updates to the loan information are as below:

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

For every record in the portfolio, system keeps track of state which essentially depends on its pervious state as depicted below:

By default all loan records in the portfolio will be in ‘In Force’ state.

Scenario 1:

System Generates Portfolio CG Charges

MLI makes Payment

System continues the record with Status as ‘**In Force**’

Loan Record Exists as **‘In Force’**

Scenario 2:

MLI Uploads Loan Account Information of ‘**NPA – In Force**’ CG

System Generates Portfolio CG Charges

MLI makes Payment

System Continues CG.

Status of CG as:

‘**NPA – In Force**’ – if NPA persists OR ‘**In Force’ -** if not an NPA

Updates to the Portfolio are not allowed after portfolio closure.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts in the UPDATE LOAN INFORMATION FILE to ascertain their eligibility for issuing credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if* (applicable for SHG(s) Portfolio):

|  |  |  |
| --- | --- | --- |
| S. No. | Rule/Criteria | Description |
| 1 | Existence of Loan A/c in CG Database | Check on Loan Account and MLI and Portfolio and Customer Id and Scheme (i.e. SHG Scheme). if the A/c does NOT exists in the credit guarantee database then, Reject. |
| 2 | Duplicate Loan A/c in Input file | The ‘Loan Account Number’ for a particular Loan Account specified in same input file presented by MLI - If Only Loan Account No. matches, then – this loan account will be rejected as duplicate. (Note that in this case ALL the records provided in the input file for this loan account will be rejected) |
| 3 | Duplicate Loan A/c in CG Table | 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.  [here the check is on - MLI + Loan A/c No. + Scheme + Status] |
| 4 | Date of Loan Closure (for each individual loan a/c) | * If ‘Loan Closed’ is N and Valid date is Provided * If ‘Loan Closed’ is Y and Date of Loan Closure is NULL/Space * If ‘Loan Closed’ is Y:   + If for the given loan account, there is FDD/FDA present in the CG table, 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.   + If for the given loan account, there is NO FDD/FDA present in the CG table, then system checks the availability of FDD/FDA in the same input file. Then:     - If present - The ‘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.     - If NOT present in CG Table and same input file – Then, the date of original sanction (in CG table i.e. with file type 1) is compared with FDD and CSD (Current System Date) such that – [Date of Loan Closure is LATER THAN Original Sanction Date (in CG table)] AND [Date of Loan Closure is EARLIER THAN OR EQUAL TO CSD] |
| 5 | First Disbursement Amount (FDA) (for each individual loan a/c) | * If it is Less than zero (for all cases whether first time or subsequent times!) * If for the given loan account, there is NO FDD/FDA present in the CG table, then, For Term Loans Only - If it is Greater than zero AND Greater than Modified Sanctioned Amount of the same loan record. |
| 6 | First Disbursement Date (FDD) (for each individual loan a/c) | * If FDA is Zero, and FDD is NOT NULL/SPACES (for all cases whether first time or subsequent times!) |
| 7 | First Disbursement Date (FDD) (for each customer id of loan a/c) | * FDD is More than system date (for all cases whether first time or subsequent times!)  |  |  |  |  |  | | --- | --- | --- | --- | --- | | S. No. | Latest Record in CG Database for Given Loan Account1 | | Record In Input File | | | **First Disbursement Amount** | **First Disbursement Date** | **First Disbursement Amount** | **First Disbursement Date** | | 1 | ZEROES | NULL/SPACES | A1 | Earlier to Original Sanction Date (of File Type 1) |   For identifying the CG records in database, system, will use further filter of Scheme Id (i.e. SHG Scheme), Portfolio, MLI Name, Customer Id and A/c No and Transaction Mode – 120001 |
| 9 | Same NPA parameters (for each customer id of loan a/c) | * System will check if the NPA flag, NPA date and NPA Category information provided in ALL the NEW record for a given customer (Customer ID) are SAME. If NOT then ALL these records for that customer will be rejected. This check for all the loan accounts in same input file. |
| 8 | Date of NPA (for each customer id of loan a/c) | System, identifies immediate previous records NPA Flag 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 for:   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **S. No.** | **Latest Record in Existing in Database for Given CG1** | | **Record In Input File**  ***(Any one of the NPA information is considered, since all the NPA information across the provided update information is/are common)*** | | | **NPA Flag** | **Date** | **NPA Flag** | **NPA Date** | | **1** | N | Null | N | NOT Null | | **2** | N | Null | Y | * If for the given loan account, there is FDD/FDA present in the CG table (for that customer id which is Latest), then, then, the NPA date provided in the update information is NOT between this first disbursement date and current system date (inclusive of current system date only) then reject. [here the latest FDD is being considered] * If for the given loan account, there is NO FDD/FDA present in the CG table, then, system checks FDD/FDA present in the same input file (for that loan account), if present, then, the NPA date provided in the update information is NOT between this first disbursement date and current system date (inclusive of current system date only) then reject. * If for the given loan account, there is NO FDD/FDA present in the CG table AND Not present in the input file, then error. | | **3** | N | Null  (Such that there is previous NPA Y record with NPA date as D1) | Y | Date provided is NOT Later than D1 OR EXCEEDS current system date | | **3** | Y | Valid Date - D1 | N | NOT NULL | | **4** | Y | Valid Date - D1 | Y | * NOT SAME AS D1 * Earlier to D1 * Later than Current System   Date | | **5** | Y | Valid Date - D1 | Y | NULL/SPACES |   For pt. 2 and 6, system first determines if the a/c in the system had NPA as Y, if yes, then the NPA = Y details provided in the input file along with the date for update is not being provided for first time (i.e. there has been an earlier occurrence where this account has become NPA). Thus, the check mentioned in pt. 6 will be applied on NPA date. Else, check mentioned in pt. 2 will be applied.  For identifying the CG records in database, system, will use further filter of Scheme Id (i.e. Mudra Scheme), Portfolio, MLI Name, Customer Id and A/c No and Transaction Mode – 120001 |
| 9 | Modified Sanctioned Loan Amount/Limit (for each customer id of loan a/c) | * IS EQUAL OR LESS THAN Zero. |
| 10 | Modified Sanctioned Loan Amount/Limit (for each customer id of loan a/c) | 1. If Loan is a Term Loan, then, this amount is Greater than the Sanction/Modified Sanction Amount of the Latest Record in CG Database.   For identifying the CG records in database, system, will use further filter of Scheme Id (i.e. SHG Scheme), Portfolio, MLI Name, Customer Id and A/c No and Transaction Mode – 120001   1. If Loan is a Working Capital Loan and the amount is Zero, and, Loan Closed is ‘N’ |
| 11 | Date of Modified Sanctioned Loan Amount/Limit (for each customer id of loan a/c) | |  |  |  |  |  | | --- | --- | --- | --- | --- | | S. No. | Latest Record in CG Database for Given Loan Account1 | | Record In Input File | | | **Modified Sanction Amount** | **Modified Sanction Date** | **Modified Sanction Amount** | **Modified Sanction Date** | | 1 | A1 (Where A1 is valid amount) | Valid date – D1 | Same as A1 | * Earlier than D1 * EXCEEDS current system date * NULL/SPACES | | 2 | A1 (Where A1 is valid amount) | Valid date – D1 | NOT Same as A1 | * Earlier than D1 * EXCEEDS current system date * NULL/SPACES |   For identifying the CG records in database, system, will use further filter of Scheme Id (i.e. SHG Scheme), Portfolio, MLI Name, Customer Id and A/c No and Transaction Mode – 120001 |
| 12 | Accepted CG Status Code | The credit guarantee exists in system having its latest Current Status Code as:   * 30036-Guarantee Issuance Provisional * 30011 -Guarantee(s) Not Issued * 30013-Guarantee(s) Lapsed * 30005-Guarantee Close By MLI * 30018-Guarantee Close By NCGTC * 30019-Guarantee Invoked   For identifying the CG records in database, system, will use further filter of Scheme Id (i.e. Mudra Scheme), Portfolio, MLI Name, Customer Id and A/c No. |
| 13 | A rule to limit the modified sanction amount of all loan accounts for a customer Above 10 lakh to 20 lakh only. Only For SHG Loan Types. | Following steps are followed for this rule:   * Determining ‘Total Sanction Amount’ for the given customer ID, a summation of ‘Sanctioned Loan Amount’ of all the loan records existing for a particular MLI (across all of his portfolio’s) having ‘Loan Category’ as ‘SHG’, is determined first. It is important to note that while doing this this summation, system considers the latest update record (if any) and its ‘Modified Sanction Amount’. (This check is for given Customer, MLI, Scheme and in LoanApplication table). If update records do not exist in the portfolio, then, the system considers ‘Original Sanction Amount’. Also while calculating the summation, loan accounts or CG’s which are closed (by MLI and/or NCGTC) are not considered. * Determining ‘Verify Sanction Amount’ - To this ‘Total Sanction Amount’ (determined as in step above) the sanction amount specified for the given customer ID is added up. Note here that while deriving the summation from the same file (i.e TempValidation table only) is also considered.   If the Sanctioned Loan amount limit not above 10 lakh to 20 lakh. Reject Loan accounts with sanctioned amount not in the specified range. For such rejections, all the loan a/c for the selected customer id is also rejected. |
| 14 | Date of NPA is before to CG Request Date | 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 1.9.3.* |
| 15 | Outstanding Amount | * Maximum outstanding amount allowed is 1.25 times of Sanctioned amount. Any value greater will be rejected.   .  • Less than Zero. |
| 16 | First Disbursement Amount | * Is zero, Outstanding amount is greater than zero. |
| 17 | Pan Number | * Pan number format check. |
| 18 | ~~JLG Category~~ | * ~~Sanctioned amount is more than 10 lacks~~ |

**Note: - Validation Rule**

* 1. For one customer Id having multiple loan account of type SHGs: If the summation of sanction increases to more than Maximum Limit which is 20 Lakh in this case will reject such loan records with message ‘Breach of Sanction Limit for Small & Micro Loans. These loan accounts will be revoked’. 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 these CG’s of this particular customer and thus no billing consideration.
  2. For one customer Id having multiple loan account of different types: If a customer Id is associated with multiple loan type and with SHG, then system should accept all the loan accounts associated with that customer id.

### **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.

### **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.

### **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 BATCHDAN – Batch 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.

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

Payments from MLI will be accepted at portfolio level and not at the eligible records submitted by him. To achieve this, system calculates CG charges for the entire portfolio and raise the demand. A unique demand advice number called as ‘BATCHDAN’ is allotted to the portfolio for all the eligible records in it in the format as below:

**Batch DAN Format for the Portfolio:**

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

This is actually a demand advice number for each loan record (or guarantee cover). However, in case of portfolio guarantees, there is no requirement of issuing this number for each record as the CG charges processing for portfolio guarantees is not at each loan level but at portfolio level.

It is suggested to use CGDAN to use as a marker to identify those loan records (and the update records for that particular loan account) – which has been considered for CG charge calculation. It is also suggested to use this maker only after the payments has been received from MLI and same has been reconciled by NCGTC main accountant.

CGDAN follows a specific format:

**CGDAN Format:**

*GC – Guarantee Charge.*

### **Payment of CG Charges**

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

**(Note: - Under Payment Management Module additional fields has been provided: Portfolio Id, Currency Period).**

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

Payment of CG Charges in stipulated time makes the portfolio guarantees active, and the Guarantee Status is updated (only for New CG Cases).

The CGDAN marker is updated with appropriate CGDAN value in the system.

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

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Claims Reject/Approve
* Claim Settlement (1st, 2nd and Final)
* Post Claim Recoveries
* Close (by MLI user)
* Close (by NCGTC user)
* Modify Specific Fields (by MLI User)

Note:

**Guarantee Start Date and Validity:**

1. Guarantee is included in the Portfolio. However, billing for CG occurs at instant of loan disbursement from the date of first disbursement.
2. This guarantee is valid till end of third currency period (Portfolio Longevity).

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

The portfolio will not be settled if payments are not done. No specific handling from surge platform has been envisaged.

## **Portfolio Billing**

In case of portfolio guarantees there is no requirement of calculating the credit guarantee cover (all loan records in the portfolio has full cover), but, the charges to issue this cover for the loan records which have cleared the eligibility criteria checks mentioned in section 1.6.2 and 1.7.1.

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

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

Portfolio Guarantee has two billing modes: Base Period Billing and Yearly Billing.

* Base Period Billing is used to calculate CG Fees, Taxes at end of each quarter.
* Yearly Billing is used to calculate CG Fees, Taxes for each year in advance.

**Special Note: - Outstanding amount consideration for Billing’s for all loan type.**

* **For All Loan Types :- (Base period-Quarterly Billing and Currency Period- Yearly Billing)**
  + - Practically, while disbursing Loans for all loan types, MLI’s tend to disburse the loan amount partially. Billing or CG Fees calculation is happening on **Outstanding loan amount** for New guarantee and for renewal guarantees on Outstanding Loan.
    - Charge CG Fees for First year (Base Period Q1, Base Period Q2, Base Period Q3 and Base Period Q4) at 0.25% of outstanding amount for that particular loan account. **CGFees = 0.25% of Loan account outstanding amount.**
    - Charge CG Fees from second year onwards (CP1, CP2, CP3, CP4, CP5, and CP6) at 0.5% of outstanding amount for that particular loan account.

**CGFees = 0.5% of Loan account outstanding amount.**

Charge Full year CG Fees if loan account is not in claims.

If claimed, then charge Pro rate CG Fees until claim lodgment date.

### **Base Period Billing Cycle**

### **CG Fees Calculation for Single Loan Account for Base Period Billing**

Credit Guarantee Fee is based on Sanctioned Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ along with Risk Premium on Rating, Risk Premium on NPA and Risk Premium on Claims which is configured for each portfolio. Refer the formulae below:

* Guarantee Fee on SBR= (UpdatedOutstandingLoanAmount\* (SHGSQuarterCGFeesRate)/ (noofdaysinfinancial)\*(noofdaysleft))
* Guarantee Fee for all Premiums = [(Risk Premium – CG Rating + Risk Premium – NPA + Risk Premium – Claim)] \* Guarantee Fee on SBR
* Total CG Fees = Guarantee Fee on SBR + Guarantee Fee for all Premiums

**Note:**

**Here, For all loan types billing will be calculated on Outstanding Loan Amount.**

**- Charge CG Fees for First year (Base Period Q1, Base Period Q2, Base Period Q3 and Base Period Q4) at 0.25% of outstanding amount for that particular loan account.**

CGFees = 0.25% of Loan account outstanding amount

***Note*** *:- The latest available risk premium value of NPA/Claim/CG-Rating in the risk premium master table is selected for further calculation of CG Fees.*

**Scenario 1: Billing for Portfolio in ‘Base Period Q1 or Q2 or Q3 or q4’’ AND For all Loan Types AND Disbursement date is in Base period 1:**

|  |  |
| --- | --- |
| **Mudra Scheme Parameters** |  |
| Annual Guarantee Fee (%) | 0.25% |
| Outstanding Loan Amount | 350000 |
| Risk Premium – NPA | 5% of SBR |
| Risk Premium – Claim | 5% of SBR |
| Date of First Disbursement | 07-April-2020 |

MLI uploads and approves the input file on SURGE system in Portfolio having status as Base Period Q1. Billing cycle is executed on 20th July 2020.

Thus, in case of this scenario, Guarantee Fee calculation will be based on **Outstanding Loan Amount** and for 359 days since 07-April-2020 till 31-March-2021(inclusive of end day).

CG fee will be calculated 0.25% of Outstanding Amount for number of days from the First Disbursement date to end of the financial year.

**CGFees Calculation** = (UpdatedOutstandingLoanAmount\* (SHGSQuarterCGFeesRate)/ (noofdaysinfinancial)\*(noofdaysleft))

**Guarantee Fee on SBR** = 350000 \* (0.25%/365) \* 359 = 860.62/-

**Guarantee Fee for all Premiums** = 860.62 \* 10% = 86.06/-

**CGFees**= 860.61 + 86.06 = 946.68/-

**Which equals to INR 946.68/-**

### **Calculating Tax on Credit Guarantee Fees for Single Loan Account**

### **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:

Tax on Guarantee Fee = (Credit Guarantee Fee \* CGST Rate Defined in SURGE) + (Credit Guarantee Fee \* SGST Rate Defined in SURGE)

Consider scenario 1 in section 1.8.1.1 above.

Taxation on INR **946.68/-** is determined as below:

1. CGST on this Fee @9% is 946.68/-\*9% = INR 85.20/-
2. SGST on this Fee @9% is 946.68/-\*9% = INR 85.20/-

Total Tax summation = INR 170.40/-

**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:

Tax on Guarantee Fee = (Credit Guarantee Fee \* IGST Rate Defined in SURGE)

Consider scenario 1 in section 1.8.1.1 above.

Taxation on INR **946.68/-** is determined as below:

1. IGST on this Fee @18% is 946.68/-\*18% = INR 170.40/-

Total Tax = INR 170.40/-

### **Calculating Total Credit Guarantee Charges for Single Loan Account**

Tax on Credit Guarantee Charges is determined based on CG Fees calculated in section 1.8.1.1 and on taxes calculated on 1.8.1.2.

Total Credit Guarantee Charges = CG Fees + Total Taxes on CG Fees

Consider scenario 1 in section 1.8.1.1 above and taxes calculates as in section 1.8.1.2.

Total CG Charges is – 946.68 + 170.40 = 1117.08/- (tax is calculated as per service tax regime)

### **Yearly Billing Cycle**

### **CG Fees Calculation for Single Loan Account for Yearly Billing**

Credit Guarantee Fee is based on Sanctioned Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ along with Risk Premium on Rating, Risk Premium on NPA and Risk Premium on Claims which is configured for each portfolio. Refer the formulae below:

**CP1 to CP7 period (Disbursement date in Base period)**:

* CG fee will be calculate 0.25% of number of days from First Disbursement date to end of Financial year of Base period + Full year 0.5% for CP period.
* **CGFees Calculation =** ((UpdatedOutstandingLoanAmount) \* (SHGSQuarterCGFeesRate)/ (100\*noofdaysinfinancial)\*(noofdaysleft)) + (((UpdatedOutstandingLoanAmount) \* (SHGSYearlyCGFeesRate)\*noofdaysleft)/100)
* Guarantee Fee for all Premiums = [(Risk Premium – CG Rating + Risk Premium – NPA + Risk Premium – Claim)] \* Guarantee Fee on SBR
* Total CG Fees = Guarantee Fee on SBR + Guarantee Fee for all Premiums

**CP1 to CP7 period (Disbursement date in same Currency period):**

- CG fee calculated 0.5% from the date of First Disbursement to the end of the financial year.

- **CGFees Calculation =** (UpdatedOutstandingLoanAmount\* (SHGSYearlyCGFeesRate) /(100\*noofdaysinfinancial)\*(noofdaysleft) )

* Guarantee Fee for all Premiums = [(Risk Premium – CG Rating + Risk Premium – NPA + Risk Premium – Claim)] \* Guarantee Fee on SBR

Total CG Fees = Guarantee Fee on SBR + Guarantee Fee for all Premiums

**CP1 to CP7 period (Disbursement date updated in CP1 to CP7 period**

* **CGFees Calculation** = (UpdatedOutstandingLoanAmount\*(SHGSYearlyCGFeesRate) / 100)
* Guarantee Fee for all Premiums = [(Risk Premium – CG Rating + Risk Premium – NPA + Risk Premium – Claim)] \* Guarantee Fee on SBR

Total CG Fees = Guarantee Fee on SBR + Guarantee Fee for all Premiums

**Note:**

**Here, For all loan types billing will be calculated on Outstanding Loan Amount.**

**- Charge CG Fees for First year (Base Period Q1, Base Period Q2, Base Period Q3 and Base Period Q4) at 0.25% of outstanding amount for that particular loan account.**

*Note - The latest available risk premium value of NPA/Claim/CG-Rating in the risk premium master table is selected for further calculation of CG Fees.*

**Scenario 1: Billing for Portfolio in ‘Currency Period 1 to Currency Period 7’’ AND For all Loan Types AND Disbursement date is in Base period:**

|  |  |
| --- | --- |
| **Mudra Scheme Parameters** |  |
| Annual Guarantee Fee (%) | 0.25% |
| Outstanding Loan Amount | 150000 |
| Risk Premium – CG Rating | 0 |
| Risk Premium – NPA | 0 |
| Risk Premium – Claim | 0 |
| Date of First Disbursement | 21-May-2020 |

MLI uploads and approves the input file on SURGE system in Portfolio having status as Currency Period 1. Billing cycle is executed on 20th May 2022.

Thus, in case of this scenario, Guarantee Fee calculation will be based on **Outstanding Loan Amount** and for 315 days since 11-May-2020 till 31-March-2021(inclusive of end day).

CG fee will be calculate 0.25% of number of days from First Disbursement date to end of Financial year of Base period + Full year 0.5% for CP period.

**CGFees Calculation =** ((UpdatedOutstandingLoanAmount) \* (SHGSQuarterCGFeesRate)/ (100\*noofdaysinfinancial)\*(noofdaysleft)) + (((UpdatedOutstandingLoanAmount) \* (SHGSYearlyCGFeesRate)\*noofdaysleft)/100)

**Guarantee Fee on SBR(Querterly)** = 150000 \* (0.25%/365) \* 315 = 323.63/-

**Guarantee Fee on SBR(Yeraly)** = 150000 \* 0.5\*2/100 = 1500.00/-

**Guarantee Fee for all Premiums** = 1823.63\*0% \* 0% = 0.00/-

**CG Fees= 1823.63 + 0 =1823.63/-**

**Which equals to INR 1823.63 /-**

**Scenario 2 : Billing for Portfolio in ‘Currency Period 1 to Currency Period 7’’ AND For all Loan Types AND Disbursement date is in same currency period 3:**

|  |  |
| --- | --- |
| **Mudra Scheme Parameters** |  |
| Annual Guarantee Fee (%) | 0.25% |
| Outstanding Loan Amount | 150000 |
| Risk Premium – CG Rating | 0 |
| Risk Premium – NPA | 0 |
| Risk Premium – Claim | 0 |
| Date of First Disbursement | 12-April-2023 |

MLI uploads and approves the input file on SURGE system in Portfolio having status as Currency Period 3. Billing cycle is executed on 25th May 2023.

Thus, in case of this scenario, Guarantee Fee calculation will be based on **Outstanding Loan Amount** and for 355 days since 12-April-2024 till 31-March-2024(inclusive of end day).

CG fee calculated 0.5% from the date of First Disbursement to the end of the financial year.

**CGFees Calculation =** (UpdatedOutstandingLoanAmount\* (SHGSYearlyCGFeesRate) /(100\*noofdaysinfinancial)\*(noofdaysleft) )

**Guarantee Fee on SBR** = 150000 \* (0.5%/366) \* 355\*1 = 727.46/-

**Guarantee Fee for all Premiums** = 727.46\*0% \* 0% = 0.00/-

**CG Fees= 727.46 + 0 = 727.46/-**

**Which equals to INR 1823.63 /-**

**Scenario 3 : Billing for Portfolio in ‘Currency Period 1 to Currency Period 7’’ AND For all Loan Types AND Disbursement date updated in Currency period 1 to 7 period:**

|  |  |
| --- | --- |
| **Mudra Scheme Parameters** |  |
| Annual Guarantee Fee (%) | 0.25% |
| Outstanding Loan Amount | 200000 |
| Risk Premium – CG Rating | 0 |
| Risk Premium – NPA | 0 |
| Risk Premium – Claim | 0 |
| Date of First Disbursement | 29-April-2024 |

MLI uploads and approves the input file on SURGE system in Portfolio having status as Currency Period 3. Billing cycle is executed on 25th May 2024.

Thus, in case of this scenario, Guarantee Fee calculation will be based on **Outstanding Loan Amount** and for 355 days since 12-April-2024 till 31-March-2024(inclusive of end day).

CG fee calculated 0.5% .

**CGFees Calculation** = (UpdatedOutstandingLoanAmount\*(SHGSYearlyCGFeesRate) / 100)

**Guarantee Fee on SBR** = 200000\* 0.5%= 1000.00/-

**Guarantee Fee for all Premiums** = 1000.00\*0% \* 0% = 0.00/-

**CG Fees= 1000.00 + 0 = 1000.00/-**

**Which equals to INR 1000.00 /-**

### **Calculating Tax on Credit Guarantee Fees for Single Loan Account**

### **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:

Tax on Guarantee Fee = (Credit Guarantee Fee \* CGST Rate Defined in SURGE) + (Credit Guarantee Fee \* SGST Rate Defined in SURGE)

Consider scenario 1 in section 1.8.2.1 above.

Taxation on INR **1823.63**/- is determined as below:

1. SGST on this Fee @9% is **1823.63**/-\*9% = INR 164.13/-
2. CGST on this Fee @9% is **1823.63**/-\*9% = INR 164.13/-

Total Tax summation = INR 328.25/-

**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:

Tax on Guarantee Fee = (Credit Guarantee Fee \* IGST Rate Defined in SURGE)

Consider scenario 1 in section 1.8.2.1 above.

Taxation on INR **1823.63/-** is determined as below:

1. IGST on this Fee @18% is 1823.63/-\*18% = INR 328.25/-

Total Tax = INR 328.25/-

### **Calculating Total Credit Guarantee Charges for Single Loan Account**

Tax on Credit Guarantee Charges is determined based on CG Fees calculated in section 1.8.2.1 and on taxes calculated on 1.8.2.2.

Total Credit Guarantee Charges = CG Fees + Total Taxes on CG Fees

Consider scenario 1 in section 1.8.2.1 above and taxes calculates as in section 1.8.2.2.

Total CG Charges is – 1823.63 + 328.25 = 2,151.88/- (tax is calculated as per service tax regime)

## **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
* The CG Status code will be as below:

|  |  |  |  |
| --- | --- | --- | --- |
| 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 |

### **Update 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 – 3 (which indicates that this is a batch transaction for Update 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
* The CG Status code will be as below:

|  |  |  |  |
| --- | --- | --- | --- |
| 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 – 30010 |
| 2 | Loan Account is NPA | Current State – 30010 | Current State – 30020  Previous State – 30010 |
| 3 | Loan Account is Standard | Current State – 30020 | Current State – 30010  Previous State – 30020 |
| 4 | Loan Account is NPA | Current State – 30020 | Current State – 30020  Previous State – 30020 |
| 5 | Loan Account is Closed | Current State – 30010 | Current State – 30005  Previous State – 30010 |
| Current State – 30020 | Current State – 30005  Previous State – 30020 |
| 6 | Loan Account is NPA & Closed | Current State – 30010 | Current State – 30005  Previous State – 30010 |
| Current State – 30020 | Current State – 30005  Previous State – 30020 |

* *Note: if loan a/c information provided, specifies, the loan a/c as closed, it will be marked as closed.*

|  |  |
| --- | --- |
| **CG State** | **Description** |
| 30010 | Guarantee In Force |
| 30020 | NPA Guarantee In Force |
| 30018 | Guarantee Close By NCGTC |
| 30036 | Guarantee Issuance Provisional |
| 30005 | Guarantee Close By MLI |
| 30119 | CGFMU Claim 1 |
| 30219 | CGFMU Claim 2 |
| 30319 | CGFMU Claim 3 |

## **Billing for Claim lodged Cases**

Billing for claim lodged cases is handled in specific manner. In order to prevent refund calculations and the associated functionality, it is decided to undertake billing of the claim lodged case till lodgment of claims and NOT for the entire financial year.

System will follow the steps below and the formula for this calculation:

1. A change in billing is suggested for resetting the billing flags till the billing cycle if the update is being provided as STD or NPA record and its earlier status has been claimed i.e. either 30119,30219 or 30319 – so that it is considered for billing. As mentioned in section 1.8.
2. The flags will be resettled in such a way that billing is not allowed if the update is provided as Closed/Revoked and its earlier status has been claimed i.e. either 30119,30219 or 30319 – so that it is NOT considered for billing.
3. From the fees determined – per day fee is determined. (note that the fee determined in pt. 1 above is for entire financial year, from this fee the per day fee is determined) (Let’s say this as ‘PDF’)
4. The duration between the first day of the financial year or the first disbursement date (as the case may be) and claim lodged date is determined. (Let’s say this as ‘D’). The claim lodged date is the date when MLI Approver approves the Batch Claim file. This date of approval is considered as ‘Claim Lodgment Date’ (or in specific approves the claim for that loan record/CG in SURGE system). If the record is claimed i.e. either 30119/30219/30319 then, consider it for prorate billing such that till the date of new claim and billing flags set so that no further billing is allowed.
5. The total fees for claim lodged cases:

* Guarantee Fee SBR for claim lodged case = [PDF \* D]
* Guarantee Fee for all Premiums = [(Risk Premium – CG Rating + Risk Premium – NPA + Risk Premium – Claim)] \* Guarantee Fee SBR for claim lodged case
* Total CG Fees = Guarantee Fee SBR for claim lodged case + Guarantee Fee for all Premiums

*Note:*

* *For determining ‘PDF’ system will use the ‘Guarantee Fee SBR’ as explained in section 1.8*

1. The tax calculations and subsequently the total guarantee charges is calculated in the same way as explained in 1.8.
2. Claimed account billing Scenarios:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Scenario** | **Previous State** | **Current Status** |  | **CG Fee** |
| 1 | Claimed (NPA + 6 Months) | STANDARD | MLI has to provide updates to mark “Standard” | CG should be charged prospective for the entire year |
| 2 | Claimed (NPA + 6 Months) | NPA with new date |  | CG fee should be charged prospective for full year if NPA date is less than 6 months.  If NPA date + 6 months, and lodge in claim file, CG fee will not be charged.  In case it has NPA+ 6 months but not provided in claim file, CG fee should be charged prospective for full year |
| 3 | Claimed (NPA + 6 Months) | NPA with same NPA date of previous claim file | If MLI provide details of accounts claimed in previous file in addition to new accounts | No CG Fee will be charged on previous claimed accounts.  CG Fee for additional accounts would be charged till lodgment |
| 4 | Claimed (NPA + 6 Months) |  | MLI has to provide updates to mark “Closed” | No CG fee |

## **Selection of Risk Premium Rate for Calculation**

The Risk Premium parameters are saved in the respective masters. For billing purpose of CG cases, the selection of particular risk premium value (for NPA, Claim etc.) depends on - the current system date. The current system date should be between the ‘Start Date’ and ‘End Date’ of a particular risk value (inclusive of these dates).

## **Points Pending for Further Clarification**

Following points will need clarification from NCGTC:

|  |  |  |
| --- | --- | --- |
| S. No. | Point for Further Clarification | Contemplations |
| - | - | - |

On receipt of further clarification from NCGTC team, the current document will undergo revision