

## **STANDING COMMITTEE ON SOCIAL JUSTICE AND EMPOWERMENT**

### **Review of the Functioning of the National Backward Classes Finance and Development Corporation (NBCFDC)**

#### **THIRTY FIRST REPORT**

##### **CHAPTER I: CONSTITUTION OF NBCFDC**

The National Backward Classes Finance and Development Corporation (NBCFDC) is a **non-profit organization established by the Indian government under Section 25 of the Companies Act, 1956 (now Section 8 of the Companies Act, 2013) to promote economic and developmental activities for the benefit of Backward Classes and to assist the poorer section of these classes in skill development and self-employment ventures** on 13<sup>th</sup> January, 1992. The company is run by the Ministry of Social Justice and Empowerment and has a Rs. 1500 crore approved share capital, of which the department has granted Rs. 1024 crore as of 30.03.2016. By providing concessional financial support for self-employment and skill development, **the NBCFDC aims to take the lead in improving the economic position of the target group of Backward Classes.** Every year, the company signs a Memorandum of Understanding (MoU) with the Department of Social Justice and Empowerment, and the corporation's performance/achievements are measured against the standards established in the MoU.

## CHAPTER II: ELIGIBILITY CRITERIA TO OBTAIN THE NBCFDC LOAN

The following criteria have been setup to obtain loan under the NBCFDC Schemes through State Channelising Agencies (SCAs) :

- The **applicant must belong to the Backward Classes** as defined by the State/Central Government,
- The applicant's annual family income must be **less than Rs. 98,000/- for Rural people and Rs. 1,20,000/-, for Urban people.**
- **People living below the poverty line** can get loans for self-employment ventures in agriculture, small businesses, artisan and traditional occupations, transportation, service, technical and professional trades, and education loans for professional courses.

The SCAs are in charge of disbursing loans for feasible projects based on the requirements and preferences of beneficiaries in the aforementioned major areas. According to Government of India regulations, one person may only get loans under one scheme, and recipients are chosen by SCAs after doing sufficient due diligence.

### CHAPTER III: SCHEMES OF NBCFDC

The NBCFDC conducts two types of activities for the upliftment of the target group :

- Financing schemes
- Skill Development Training Programs (SDTP).

Loans are distributed to recipients under two basic categories under Financing Schemes: **Term Loan and Margin Money Loan Scheme and Micro Finance Scheme.**

Loans are made available under the Term Loan Scheme up to 85% of the project cost, subject to a maximum of Rs. 10 lakh per beneficiary. The **Margin Money Loan Scheme** provides loans up to 40% of the project cost, with the remaining 50% funded by a bank/finance institution and 10% contributed by the SCA/beneficiary.

The **Term Loan Scheme** covers specific schemes such as "New Swarnima" - a particular scheme for women, Education Loan Scheme, Saksham, and Shilp Sampada.

**New Swarnima** is a unique plan for women from backward classes that offers loans of up to Rs. 1 lakh per beneficiary at 5% p.a. with a maximum payback duration of 10 years. The NBCFDC funds 95% of the project.

**The Education Loan Scheme** provides financial help to students from the Backward Classes who earn less than twice the poverty line and wish to pursue general/professional/technical courses or training at the graduate and/or higher levels in India and abroad. The maximum loan limit per student for studying in India is Rs. 10 lakh, subject to a maximum of Rs. 2.5 lakh per year, and Rs. 20 lakh for studying overseas, or actual course expenditures, whichever is less. The interest rate is 4% per year, with female students receiving a special concessional rate of 3.5% per year.

**Saksham** is a unique initiative under the Term Loan initiative that gives loans to young professionals from Backward Classes who want to start their own businesses after finishing professional degrees. The maximum loan amount per recipient is Rs. 10 lakh, and the NBCFDC supports 85% of the project cost. The Rate of interest is @6% for amount up to 5 lakhs and above that it is charged @8%

**Shilp Sampada** is a plan that attempts to improve the technical and entrepreneurial skills of the Backward Classes by giving training and financial aid in the form of Term Loans for self-employment in traditional crafts, among other things. The NBCFDC funds 85% of the project cost and has a maximum credit ceiling of Rs. 10 lakh.

According to the Department, **the interest rate under the Saksham and Shilp Sampada schemes is 6% p.a. for loans up to Rs. 5 lakh, and 8% p.a. for loans over Rs. 5 lakh and up to Rs. 10 lakh.** A cause of concern raised was that if the cost of any project surpasses Rs. 5 lakh by a few thousand rupees, the interest rate would go to 8% p.a., which appears unreasonable and would cause trouble to the beneficiary.

Through its **Skill Development Training Programs (SDTP)** and loan and financial support through its Term Loan and Micro Finance Schemes, NBCFDC provides financial aid to poor people of the backward classes. The NBCFDC conducts the Micro Finance Scheme through Self Help Groups (SHGs) and certified non-governmental organizations (NGOs) to provide credit facilities to the target demographic, which includes women beneficiaries and small and marginal farmers. The maximum loan limit per beneficiary in a SHG is Rs. 50,000, with an interest rate of 5% p.a. Except for the Mahila Samridhi Yojana, which finances 95% of the project cost at a 4% annual interest rate, SCA charges the beneficiary.

The **Krishi Sampada Plan** is a unique Microfinance initiative that gives concessional loans to small farmers and vegetable producers in the target group that want finances urgently during Rabi and Kharif or for any cash crop. The annual interest rate is 4%. The SDTP plan provides financial support to qualified members of backward classes living below double the poverty level for skill development and entrepreneurial skill enhancement.

The NBCFDC has introduced two initiatives, **New Swarnima Scheme for Women** and **Mahila Samridhi Yojana**, to instill the spirit of self-reliance among the target group's female entrepreneurs. However, some states had no beneficiaries under these schemes in 2015-16; therefore, the Department of Social Justice and Empowerment should direct the NBCFDC and State Governments to launch **comprehensive awareness campaigns** to publicize the two important schemes among women, particularly in rural areas of the country, so that they can benefit from them.

Under the NBCFDC's Term Loan Special Schemes, the interest rate is 6% p.a. for loans up to Rs. 5 lakh, and 8% p.a. for loans over Rs. 5 lakh and up to Rs. 10 lakh. The Department should address the issue of graded interest rates because if the project cost surpassed Rs. 5 lakh by a few thousands of rupees, the interest rate would rise by 2% to 8% p.a. for a person from the economically disadvantaged classes, which looks unreasonable and undermines the fundamental goal of assisting the poor.

The Department of Social Justice and Empowerment established a target of 12,500 trainees for skill development in the fiscal year 2015-16, which was exceeded with 15,146 students obtaining training from reputable institutes such as CIPET, NIELIT, NSIC, and CRISP, among others. The training cost, approximately Rs.15.00 crore, of which Rs.4.54 crore was provided by the Department of Social Justice and Empowerment and the remainder was met primarily by the NBCFDC from internal resources with limited Corporate Social Responsibility (CSR) funding from Central Public Sector Enterprises (CPSEs).

Individuals with a family income of less than Rs.98,000/- per year, according to the Department, are exempt. in rural regions, and Rs.1,20,000/- per annum in urban areas. In metropolitan areas, the poverty threshold is doubled, and people aged 18 and above can benefit from the plan, with no maximum age restriction. To improve the SDTP's performance and implementation, the **NBCFDC entered into agreements with various Sector Skill Councils (SSCs) such as the Apparel Made Up and Home Furnishing Sector Skill Council, Indian Plumbing Skills Council, Textile Sector Skill Council, and others to provide skill development training to eligible members of the backward classes.**

The Nursing Course is relatively lengthy and costly, with a budget of only Rs. 8,000/- to Rs.10,000/- per beneficiary, resulting in a shortage. As a result, only the Healthcare Sector Skill Council's Emergency Medical Treatment, General Duty Assistant, and Home Health Aide professions are eligible for SDTPs ranging from two to six months.

NBCFDC sanctioned SDTPs for 14,662 trainees in 28 states through SSCs under the Ministry of Skill Development and Entrepreneurship, Government of India, until June 30, 2016. The Department of Social Justice and Empowerment set an ambitious goal of training 17,500 NBCFDC recipients in 2016-17. To circumvent the financial limitation, the Corporation approached other Public Sector Enterprises about cooperating in Skill Development programs through donations of their CSR money.

**Under the SDTP initiative, qualifying members of the backward classes received training to improve their business abilities.** The NBCFDC spent between Rs. 8,000 and Rs. 10,000 per recipient, with training lasting between two and six months. However, merely two months of training would not offer the intended benefit to the recipients and so requested that the training duration be extended.

## CHAPTER IV: ROLE OF STATE CHANNELIZING AGENCIES

State Channelizing Agencies (SCAs) play an important role in channelising funding from the National Backward Classes Finance and Development Corporation (NBCFDC) to the target population. The NBCFDC theoretically allocates cash to these SCAs depending on the state's total population and annual plans presented by the SCAs. The cash paid to SCAs must be backed up by a Government Guarantee provided by the individual State Governments. **Through these entities, the NBCFDC provides financial aid at low interest rates for different income-generating initiatives to the target categories.**

**Funds are awarded to states based on the overall population of the state/UT in the absence of a lack of people from the Backward Classes, and 10% of the budget is allocated to the North-Eastern States in accordance with Government of India standards.** Based on the Annual Action Plan (AAP), funds are distributed to the states from whom demands are received.

Over the years, some SCAs have failed to return their loan payments on time, resulting in overdues. Some SCAs have a total outstanding balance of Rs.197.82 crore. Similarly, several state governments have failed to give government guarantees, which are required for funds to be disbursed. The Department submitted a statement indicating which states require Government Guarantee for future releases.

In the absence of a Government Guarantee, SCAs are unable to draw allotted cash from the NBCFDC for further distribution to target group beneficiaries. While disbursing loans under the NBCFDC programmes, the SCAs seek income and caste certifications from the recipients. To guarantee the recipients' eligibility, the certificates are invariably issued by authorized authorities as well as the Revenue Authority of the State Government.

The SCAs have noted a delay in the State Governments issuing income and caste certifications, resulting in a delay in loan payment to qualified recipients. The loans are recovered from the beneficiaries by completing the agreement and collecting a surety bond from them, as well as

securing additional documents such as land papers, PDCs, and so on. Some SCAs also use a government employee as a guarantor to issue loans to beneficiaries.

Due to the non-payment of overdues by SCAs or the non-availability of Government Guarantee from the respective State Governments, some populous States with significant OBC populations, such as Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, and Maharashtra, are receiving limited funds, and the financing of beneficiaries of the target group is on hold. The NBCFDC has made every effort to reach out to the highest levels of government in states where NBCFDC funds are not being used. Furthermore, the NBCFDC is finding alternate ways for disbursing loans to members of the Backward Classes in these states. The NBCFDC has signed Memorandums of Understanding (MOUs) with Regional Rural Banks (RRBs) and Public Sector Banks (PSBs) with the goal of channeling NBCFDC money via these banks' branches at a reduced rate of interest.

**NBCFDC inked several Memorandum of Understandings (MoU) to disburse cash to the poor.** The Memorandums of Understanding have been inked with banks in Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, and Maharashtra. Certain actions have been taken to enhance the amount of cash disbursed in non-performing states by signing agreements with Regional Rural Banks (RRBs) and Micro Finance Institutions (MFIs) to function as channeling agents. To recruit MFIs, the NBCFDC is considering raising interest rates.

Due to budgetary restrictions, the NBCFDC has been unable to give administrative assistance to State Corporations in order to develop SCA infrastructure such as computerization, cars for field trips, and so on. The SCAs are given 120 days to use the cash, and if they do not, an increased rate of interest is assessed. The NBCFDC has instructed SCAs to include Jandhan beneficiaries and Aadhar seeding of bank accounts in its coverage.

Certain states have outstanding SCA payments. As of 30.06.2016, the total amount due from SCAs was Rs. 200.74 crore. Regular contact with the State Governments and SCAs of Bihar, Maharashtra, Gujarat, and Uttar Pradesh, have been established, meetings have been arranged to accelerate the repayment of outstanding dues. The State Governments have been asked to advise the SCAs on how to take advantage of the Corporation's One Time Settlement (OTS) Scheme.



Gujarat Backward Classes Development Corporation has begun repayment, which has shown some favorable effects.

**The Department of Social Justice and Empowerment has taken measures to establish adequate coordination between SCAs and the NBCFDC in order to improve scheme implementation. Regional meetings, Management Development Programmes (MDPs), and National Conferences are held to discuss and resolve concerns. MoUs are also being negotiated with RRBs and other alternative agencies.** To deal with non-functional SCAs, the Department holds national level conferences at which State level Ministers dealing with SCs/BCs and relevant Secretaries/Managing Directors are invited. When asked about the current status of the provision of disbursing loans directly into the bank accounts of the beneficiaries, a representative of the NBCFDC testified before the Committee that the Government of India has issued directions that the loans be disbursed into the beneficiaries' Aadhar seeded bank accounts.

**Income and caste certifications are essential for NBCFDC loans,** but the State Governments take an undue amount of time to issue these. The matter should be vigorously pursued as it has been a cause of delay in disbursement of loans. Certain populous states with considerable OBC populations, like Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, and Maharashtra, have been receiving little funding and the financing of target group beneficiaries has been halted. The Department should raise the issue with the State Governments at the highest level in order to establish a simplified procedure for loan repayment by beneficiaries in these States. The total overdue amount from SCAs was Rs. 200.74 crore as of 30.06.2016, and that the NBCFDC has urged that the State Governments advise the SCAs to take advantage of the One Time Settlement Scheme in which loan installments are rescheduled on the request of SCAs.

## CHAPTER V: CONSTRAINTS FACED BY THE NBCFDC

### **Dearth of Funds**

A **lack of funding** is an impediment to the effective implementation of skill development training within the target group. The NBCFDC relies on excess created by internal resources as well as grants-in-aid from the Department of Social Justice and Empowerment. **The target for disbursement of funds and number of beneficiaries to be assisted is assigned in the MoU signed between Department of Social Justice and Empowerment and the NBCFDC each year after approval of Department of Public Enterprises.** In order to enhance the loan disbursed to the individual beneficiaries or Self Help Groups (SHGs), the NBCFDC is dovetailing with other Department and schemes of the States. While efforts are being made in this regard, the same is subject to the budgetary allocation made to the Department by Government of India. The NBCFDC is likewise unrelated to any state government program, despite the fact that several SCAs are implementing NBCFDC schemes in partnership with state government agencies.

### **Limited e-Marketing opportunities**

A limitation encountered by the NBCFDC is the restricted e-Marketing capabilities for the items created by the target group's craftsmen. Despite the corporation's frequent contact with e-Marketing websites, prominent corporations have yet to respond. The NBCFDC, on the other hand, has taken laudable strides to create e-selling portals and has requested expressions of interest from e-portals interested in enabling the selling of items manufactured by the target group's artisans. According to the research, the target group is mostly craftsmen, and the presence of intermediaries or middlemen in the traditional market diminishes the value of their products.

Furthermore, software has been created that will serve as a Job Portal for skilled recipients of the Skill Development Training Programme (SDTP), providing talented persons visibility in the open market. The Committee would want to be kept up to date on the number of beneficiaries

whose information was posted to the Job Portal during the first quarter of the fiscal year 2016-17.

## CHAPTER VI: MONITORING AND EVALUATION

According to the Department, the NBCFDC undertakes assessment studies at regular intervals through independent agencies to monitor and evaluate its schemes implemented by State Channelizing Agencies. **These evaluation studies include practically all of the states where significant funds have been paid to analyze the socioeconomic impact on recipients of NBCFDC programmes. The findings of these research are shared with the relevant State Channelising Agencies in order to enhance their delivery methods and lending policies.**

Assessment studies were conducted by independent organizations such as NABARD Consultancy Services, National Institute for Micro, Small, and Medium Enterprises, Agriculture Finance Corporation, APITCO, and Indian Institute of Entrepreneurship. Furthermore, the **NBCFDC regularly monitors the implementation of its schemes and programs by participating in the SCAs' Board of Directors Meetings, conducting field visits, and sponsoring evaluation studies by independent agencies to evaluate and assess scheme implementation in various States.**

The NBCFDC monitors Skill Development Training Programs by visiting training institutes, interacting with trainees, and cross-checking employment records for legitimacy. To raise awareness of the NBCFDC schemes among the backward classes, the NBCFDC advises SCAs to organize awareness camps in various districts, provides grant-in-aid for such camps, and occasionally includes NBCFDC schemes in the Department's Radio Programme "Sanwarti Jaye Jeevan Ki Rahe" aired on All India Radio, FM Channels in regional languages.

The NBCFDC has not included in its surveys and assessment studies the number of beneficiaries who have accepted loans and climbed from twice the poverty level after receiving loans or undertaking vocational training.

**According to a research done in 2012-13, 87 percent of participants generated assets after benefiting from the NBCFDC programmes.** Nonetheless, assessment studies undertaken in 2013-14 and 2014-15 did not reveal the percentage/number of recipients who developed assets. **The Department should direct the NBCFDC to conduct a specific study on the socioeconomic impact of the NBCFDC's schemes on the target group and determine the actual number of people who have been economically uplifted and risen above the poverty line through the Corporation's schemes in all states.**

## CHAPTER VII: NEW INITIATIVES BY NBCFDC

NBCFDC has launched multiple new efforts to expand the accessibility and effect of its finances.

- **Linkage with RRBs/PSBs:** To streamline money disbursement, the NBCFDC has collaborated with nine Regional Rural Banks (RRBs) and three Public Sector Banks (PSBs), particularly in Northern States where certain State Channelising Agencies (SCAs) have ceased operations. The NBCFDC disbursed Rs.34.33 crore through these channel partners in the last quarter of Fiscal Year 2015-2016 and the first quarter of Fiscal Year 2016-2017 to cover the states of Bihar, Jharkhand, Haryana, and Himachal Pradesh. This approach will also be used to distribute funding to Madhya Pradesh, Punjab, and Uttar Pradesh.
- **One-Time Settlement Policy (OTS):** To encourage early repayment and allow early settlement of outstanding dues, the NBCFDC has developed an OTS Policy that provides SCAs/States with a remission of punitive interest.

- **Information Technology initiatives:** To increase transparency, the NBCFDC has implemented an online registration facility for prospective beneficiaries to apply for loans, which are subsequently given to the SCAs for further processing. The organization has also created an online registration system for Skill Development training institutes, followed by the uploading of beneficiaries' information to act as an employment portal in order to increase the exposure of skilled trainees.
- **Linkages with educational institutes:** The NBCFDC is signing Memorandums of Understanding (MoUs) with various Indian Institutes of Technology (IITs), Indian Institutes of Management (IIMs), and other institutions to leverage their infrastructure and knowledge for specialized skill development, as well as to collaborate on initiatives to develop Incubation Centers to promote startups among the target group of youth.
- **E-Commerce:** To increase the exposure of Backward Class craftsmen and eliminate intermediaries, the NBCFDC is establishing links between artisans and ecommerce platforms so that beneficiaries may receive fair value for their products.