

## Micro Financing Scheme

### **National Minority Development & Finance Corporation, New Delhi**

Under this scheme loan @ of 3% per annum at a maximum of Rs. 25,000/- is provided to helpless and extremely poor minorities with a view to give chance to earn their bread after starting small business / shops this loan is provided to the minority either directly through the corporation or through the NGOs without obtaining and guarantee or mortgage. This program has been introduced for the first time in the financial year 2007- 08 till date this scheme has been implemented through the NGOs only. To bring self-reliant among these down-trodden minorities self-help groups are formed and on the basis of their activity and also thrift and credit the NGO, who is interested in serving such people, and agreement is make with the corporation so that the loan amount provided could be secured. The recovery of this loan is made by the NGOs mostly on daily basis, which is ultimately repaid to the corporation on quarterly basis.

**FORMAT OF SANCTION LETTER TO NGOs**  
**UNDER MICRO FINANCING**

FILE NO.:-----

NMDFC/NGO/-----

DATED: -----

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Sub: SANCTION OF CREDIT LIMIT

**Dear Sir/ Madam,**

Please refer to your letter No.-----dated ----- forwarding the captioned application for financial assistance byway loans for our consideration. We are pleased to advise that we are agreeable to sanction a total Credit Limit of Rs.------(Rupees -----only) to your organization to be implemented within a period of one year from the date of sanction as per details given hereunder:

VII) a. Sanction Details

Sr. No.	Name of the project	NMDFC Loan (90%)	NGO/ beneficiary share (10%)	Total
1.Financial assistance sanctioned by NMDFC				

VIII) b. Rate of Interest

- |      |  |               |
|------|--|---------------|
| i .  | Rate of Interest on NMDFC Finance from NGO to NMDFC                      | 1% per annum  |
| ii . | Rate of Interest on loans to be given by the NGO to SHGs / beneficiaries | 5.% per annum |

## IX) c. Repayment Period

Loan will be repayable in quarterly installments in maximum of 36 months. After providing moratorium of 3 months after disbursement of Loan.

- 1) The sanction is subject to the special and general terms and conditions contained in appendix I & II hereto attached and execution of loan agreement and Guarantee Deed ( Performa enclosed ) by your Authorized Officer (s) in favour of NMDFC on a Stamp paper of Rs. 10/- each or according to the stamp duty rules in your state for such documents.
- 2) The provision of the agreement referred to in Para 2 above have to be observed and followed by your organization and these conditions shall be deemed to form part of this sanction letter.
- 3) Finance / Refinance will not be admissible to the NGO/ Organisation against loans recovered or fallen due at the time of release of finance / refinance by NMDFC.
- 4) This sanction will become effective only after receipt of the followings: -
  - I. NGO'S application in the prescribed Performa for the first drawl together with the loan agreement and guarantee deed duly executed by your authorized officer(s), demand pro note and resolution of the managing committee as per Performa (s) enclosed.
  - II. Your confirmation in writing that the terms and conditions of this sanction are acceptable.
  - III. Certificate that NGO had necessary borrowing power signed by the competent Authority.

Please acknowledge receipt of this sanction letter. Assuring of our best cooperation.

**You're faithfully,**

**(MANAGING DIRECTOR)**

**Enclose: Appendix I to VII of which the NGO has to send Appendix III to VII for drawl of funds.**

<b>i) Special terms &amp; conditions</b>	<b>Appendix I</b>
<b>ii) General Terms and conditions</b>	<b>Appendix II</b>
<b>iii) Format of drawl application with appendix</b>	<b>Appendix III</b>
<b>iv) Format of the Loan Agreement to be executed on stamp paper</b>	<b>Appendix IV</b>
<b>v) Format of the guarantee deed to be executed on stamp paper</b>	<b>Appendix V</b>
<b>vi) Format of the demand promote for the amount</b>	<b>Appendix VI</b>
<b>vii) Format of resolution to be passed by the</b>	<b>Appendix VII</b>

**Managing Committee**

**NATIONAL MINORITIES DEVELOPMENT AND FINANCE CORPORATION****SPECIAL TERMS AND CONDITIONS**

1. Names and Address of the :-----

NGO/ Organisation :-----

2. Credit Limit sanctioned :-----

By NMDFC :-----

3. Period of Implementation :

The sanctioned amount should be drawn and utilized by the NGO within a period of one year  
From the date of sanction i.e. up to -----.

4. Area of Operation

The scheme will be implemented in the following areas:

Name of the area			Proposed number of Beneficiaries to be assisted	Details/ names of the Proposed activities
State	Dist.	Block		
		<b>Total</b>		

**5. APPROVED UNIT COST**

Loans- Need based Maximum up to Rs. 25,000/ per beneficiary.

**6. SPECIAL CONDITIONS**

- i) Drawals under the Credit Limit of this sanction will be allowed only after the borrowing NGO has firmed up the list of SHGs & borrowers, purposes of loans and the amount Proposed to be advanced to each of the borrowers. The process of disbursement of loans to such ultimate borrowers should be completed by the borrowing NGO/ Organisation within 30 days from the date of remittance of funds by the NMDFC and unutilized amount, if any, should be refunded to NMDFC immediately within a fortnight.

Any delay in refund of such amount will carry penal interest @ 8% per annum (c. f. condition no. 2 in appendix – II attached to the sanction letter.)

- ii.) Draws up to Rs. \_\_\_\_\_ (i.e. \_\_\_\_\_% of sanction) will be allowed initially after completing the formalities mentioned in Para 5 of the sanction letter. Further draws in excess of the above amount if any, will be allowed only after a study has been done by NMDFC, of the quality of lending and a satisfactory performance in proper utilization etc. of the amount disbursed earlier.
- iii) the minimum amount of drawl will not be less than Rs. One lakh on any one occasion, unless specially allowed.
- iv) all loan drawn from NMDFC will be used by the NGO/ Organisation for financing income generating activity of borrower.

## **7. SUGGESTIONS FOR POST- SANCTION FOLLOW - UP**

- (a) Strengthening of field staff to ensure the implementation of the NMDFC assisted scheme.
- (b) Arrange training of staff / field. Staff in credit management, maintenance of accounts, record and other procedures etc.
- (c) NGOs may provide repeat loans to the beneficiaries up to three times and during this period they should be educated to avail the facility of credit incase they require further loans from the existing normal system i.e. bank / financial institutions etc. this is necessary to ensure that fresh beneficiaries can benefit under NMDFC scheme.
- (d) The NGOs are requested to keep photographs on their record of each beneficiary to whom the loan has been given, so as to make it easy for identification and monitoring of programme.
- (e) The NGO will submit post- dated cheques for the repayment of quarterly dues as indicated below. This post – dated cheques will be kept by NMDF Conley as a security and the NGO will keep on paying quarterly demands of NMDFC by way of demand drafts. On receipt of the demand draft from the NGO, NMDFC will return the post- dated cheques of the respective quarter along with an acknowledgement of the demand draft so received. Thus, the post dated cheques that have been obtained from the NGO will not be en- cashed by NMDFC in the normal course i.e. when the NGO commits a default and delays the repayment. NMDFC will exercise its option of en- cashing post-dated cheques and take suitable action against the defaulting NGO. The waiting period, before the cheques is sent for en- cashment, will be the last date of the quarter that is following the quarter for which the demand has been raised. Thus for example, if the repayment of the demand of quarter ending 30.09.2003 is not received by 31.12.2003, the post – dated cheques of that quarter (30.09.2003) will be sent for encashment.

