


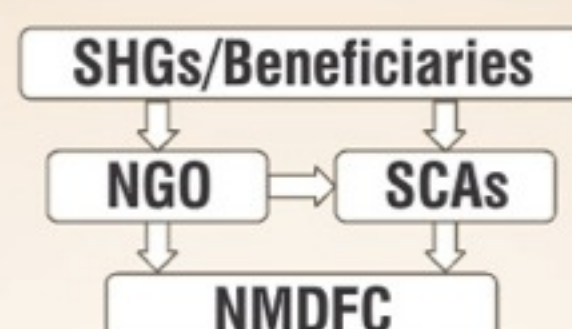
**Guidelines  
for implementation of  
Micro Financing Scheme  
of NMDFC**



Under the Micro Financing Scheme, loan is provided to members of weaker sections amongst the Minorities organized into Self Help Groups (SHGs) for starting or augmenting income generating activities. The scheme is implemented through the State Channelising Agencies (SCAs) of NMDFC and Non-Governmental Organizations (NGOs) having prior experience of channelizing micro credit. Application form for availing loan assistance under Micro Credit Scheme is enclosed as annexure-I (page no. 5). The details of Micro Financing Scheme are as follows:-

## 1. CHANNELS TO REACH THE TARGET GROUPS

NMDFC follows two channels to reach to the target groups. First channel is the State Channelising Agencies (SCAs) which are nominated by the respective State Governments / UT Administrations for implementing the programs of NMDFC in the respective States/UTs. At present, NMDFC has 37 State Channelising Agencies, spread all over the country. The other channel is Non-Governmental Organisations (NGOs), which can channelize micro credit to the Self Help Groups (SHGs)/Beneficiaries.



## 2. PURPOSE OF LOAN

Micro credit can be availed by the members of SHGs for setting up / augmenting of any income generating activity. The activity can be undertaken in a group by the SHG or individually by the members of SHG. An illustrative list of income generating activities is as given below:-

- Small business/Trade viz. petty/ general shop, tea stall, meat/chicken shop, fish vending, pan shop, vegetable and fruit selling, vending of readymade garments, cloth shop, carpentry, cycle repairing etc.
- Tiny/Cottage or service activity viz. candle making, papad and vadi making, wet grinder, bakery, processing of dry fish, shoe shop, motor rewinding, etc.
- Artisan activities viz. block printing, lac bangle making, jute bag making, weaving, aari - zardosi work, kantha work, applique work, etc.
- Agricultural and allied activities viz. poultry, goat rearing, sheep rearing, duck rearing, piggery, dairy, etc.

## 3. QUANTUM OF LOAN

Under the scheme of Micro Financing, loan up to maximum of Rs.1,50,000/- per beneficiary [member of Self Help Groups (SHGs)] is available. However, emphasis is given to provide smaller loans repeatedly so that the beneficiary can avail the same and rise above the poverty line. The details of Micro-Finance scheme under Credit Line -1 & Credit Line -2 are as follows:-

S. No.	Parameters	Scheme Details as per Credit Line -1	Scheme Details as per Credit Line -2
1.	Eligibility criteria for beneficiary	Annual Family Income Up to Rs. 98,000/- in rural areas Up to Rs.1,20,000/- in urban areas.	Annual Family Income Up to Rs. 6.00 Lacs
2.	Loan Amount Limit	Up to Rs. 1.00 lac per member of SHG Up to Rs.20.00 lacs for a group of 20 members in one SHG	Up to Rs. 1.50 lac per member of SHG Up to Rs.30.00 lacs for a group of 20 members in one SHG
3.	Rate of Interest charged from SCAs/NGOs by NMDFC	1% p.a.	4% p.a. for male beneficiaries 2% p.a. for women beneficiaries
4.	Rate of Interest charged from SHGs by SCAs	7% p.a. (Margin for SCA 6%)	10% p.a. for male beneficiaries (Margin for SCA 6%) 8% p.a. for women beneficiaries. (Margin for SCAs 6%)
5.	Rate of Interest charged from Beneficiaries/SHGs	7% p.a.	10% p.a. in case of male beneficiaries 8% p.a. for women beneficiaries.
6.	Rate of interest charged from NGOs by NMDFC	1% p.a. (Margin for NGO 6% p.a.)	4% p.a. for male beneficiaries (Margin for NGO 6%) 2% p.a. for women beneficiaries (Margin for NGOs 6%)
7.	Rate of interest charged by SCA from NGO	2% p.a. (Margin for NGO 5% p.a.)	5% p.a. for male beneficiaries (Margin for NGO 5%) 3% p.a. for women beneficiaries (Margin for NGOs 5%)
8.	Moratorium period	3 months	3 months
9.	Repayment period for the Beneficiaries	3 years	3 years
10.	Repayment period for the SCAs/NGOs	4 Years / 3 Years	4 Years / 3 Years
11.	Utilization Period for the SCAs/NGOs Means of Financing	3 months / 1 month	3 months / 1 month
12.	NMDFC : SCA/NGO/ Beneficiary (by way of compulsory thrift with minimum 5% beneficiary share)	90:10	90:10

#### 4. ELIGIBILITY CRITERIA FOR BENEFICIARIES

- a) The beneficiary must belong to one of the six notified minority communities viz. Muslim, Christian, Sikh, Buddhist, Parsi & Jain.
- b) The annual family income of the beneficiary should be up to Rs.98,000/- p.a. for rural areas and Rs.1,20,000/- p.a. for urban areas under credit line-I and up to Rs. 6.0 Lakhs p.a. under the credit line-II.
- c) The borrowers already covered under any other scheme of financing sponsored by Central or State Government or financing institutions and having outstanding loans against their names, shall not be eligible.
- d) The borrower should preferably be a regular member of a Thrift and Credit Group [Self Help Group (SHGs)]. Under micro financing scheme, groups of individuals belonging to the minorities will include such groups in which predominantly (75% and above) members belong to minority community. In very exceptional cases, this may also include those groups where up to 60% of the members belong to minority community, provided other members belong to weaker sections including Scheduled Castes/Scheduled Tribes, Other Backward Classes and Disabled.
- e) Preference will be given to women & occupational groups belonging to the notified minority community.

#### 5. ELIGIBILITY CRITERIA FOR NGOS

- a) The applicant NGO should have been registered for at least three years and it should have good reputation / credibility of work in the area of its operation.
- b) The bye-laws of the NGO should have an enabling clause to borrow funds for the purpose of providing loans to the poor.
- c) It should have broad-based objectives, serving the social and economic needs of the weaker sections of the society. Preference will be given to organizations working for the welfare of minorities.
- d) It should have necessary flexibility, professional competence, basic financial management capability and organizational skills to implement lending programs. It must have outreach services in the operational areas.
- e) Its office bearers should not be elected members of any political party.
- f) It should have a proper system of maintaining accounts. Its accounts should have been audited & published for the last three years without any serious irregularities observed in the audit.
- g) It should be running on sound financial lines and should not have incurred losses during the last three years.
- h) It should have experience of Thrift and Credit administration through Self Help Groups (SHGs) of at least six months and its recovery performance should be of the order of 90% and above.

#### 6. CHARACTERISTICS OF GOOD SELF HELP GROUPS

It has been experienced that certain characteristics of Self Help Groups make the functioning of SHGs successful. Some of these characteristics are regular group meetings, attendance, savings, annual rotation of leadership, high Internal rotation of group funds, good repayment rate, properly maintained records, homogenous members, membership between 15–20, adherence to rules and regulations, high member participation in activities, efficient loan processing and basic literacy skills of members. The NGOs / SCAs may select SHGs on the basis of higher rating of SHGs on above parameters

#### 7. FINANCING PATTERN

The funds provided to NGOs / SCAs should be utilized by observing, in general the following financing pattern:-

- a) Funds from NMDFC: 90%
- b) 10% contribution by NGO / SCA from its own resources or from beneficiaries by way of compulsory thrift with minimum 5% beneficiary share.

#### 8. SECURITY FOR LOAN

The NGOs desirous of availing funds directly from NMDFC are required to furnish concrete security by way of Bank Guarantee or Pledging Fixed Deposits with NMDFC of an equal value as that of proposed loan amount. NMDFC funds routed through the SCAs are however secured with 100% guarantee of the respective State Governments/UT administrations.

NMDFC would also obtain a confidential feedback from the Financial Institutions /Banks /Ministries /Departments from where the NGO has received financial assistance in the past. The application for loan will be considered only on receipt of positive feedback from all the funding agencies.

#### 9. PROCEDURE FOR OBTAINING LOAN

- a) The NGO having nurtured Self Help Groups with members from minority community seeking micro credit may either apply directly to NMDFC or to the State Channelising Agency (SCA) of NMDFC in their respective State.
- b) In case the NGO applies to the State Channelising Agency, the application should be addressed to Managing Director of the State Channelising Agency in the respective State. The SCA would then scrutinize the application based on the guidelines of NMDFC. A checklist for submission of application by NGOs is enclosed as annexure-III (pg. 9).
- c) In case the NGO is desirous of implementing Micro Financing Scheme and wants to obtain loan directly from NMDFC, then they may apply directly to NMDFC in the prescribed application form (Annexure-I, page-5).
- d) Once the application is received in NMDFC/SCA, feedback is obtained about the NGO in a confidential manner, from the Registrar of Co-operative Societies or other authority with whom the NGO is registered. The registrar/ authority is also requested to guide NMDFC whether the law under which the NGO is registered, permits it to undertake micro-financing activity.
- e) On receiving satisfactory feedback about the NGO from the Registrar/authority & if the Act permits the NGO to undertake Micro-financing, the application submitted by the NGO would be considered for preliminary scrutiny. Along with the application, the NGO will submit copies of annual reports, Balance Sheets and Audited Accounts for the last three financial years.

- f) Based on the information provided by the NGO, an authorized representative of NMDFC will visit the NGO, and make a detailed inspection report based on the information provided by the NGO and field visit. The detailed field verification report with recommendations would be considered as a pre sanction report.
- g) This report will be examined for suitability of the NGO for implementation of NMDFC's Micro Finance Scheme. Further its capacity to handle number of beneficiaries would also be examined vis-à-vis the amount of loan proposed while sanctioning of loan by NMDFC.
- h) The application along-with further information, if any, submitted by the NGO and Pre Sanction Study report will be examined and submitted for consideration to the competent authority, for sanction.
- i) The sanction letter will be issued to the NGO giving details of terms and conditions for the financial assistance including utilization period, recoveries, penal interest, re-payment schedule etc. Before any draws are made/allowed, the NGO will have to execute the prescribed documents including furnishing of concrete security, memorandum of agreement, postdated cheques etc.

## 10. RELEASE & UTILIZATION OF FUNDS

- a. In principle, NMDFC releases funds to the NGOs against the sanction accorded in two equal installments.
- b. The NGO has to submit the application for drawl in prescribed format & submit General Loan Agreement.
- c. The NGO to whom loan has been sanctioned can make the drawl of funds within the credit limit sanctioned, which generally will be valid for one year.
- d. The first drawl should be made not later than one month from the date of sanction unless the limit is extended by NMDFC. If the lending operations do not commence within the time stipulated then, the NMDFC will be at liberty to cancel the sanction or vary any of the terms and conditions.
- e. Before release of fund, NMDFC shall inform the sanction details to all the members of the managing committee of the NGO & obtain their consent for availing loan & their commitment to repay loan either individually or severally, in case of default in repayment, for any reason whatsoever, by the NGO.
- f. The funds made available to any NGO are to be utilized within a period of one month from the date of release of funds by NMDFC. The NGO will be required to send monthly report on utilization of funds in the prescribed format given at Annexure- II (page 8). The funds remaining un-utilized due to any reason, must be refunded within a fortnight on expiry of the utilization period indicated in the sanction letter. Any delay in refund of such amount will carry penal interest at the rate of 8% per annum.
- g. The NGO would be required to approach NMDFC for drawl of 2nd installment along with utilization details of the first installment.
- h. NMDFC would conduct the post disbursement verification by authorized representative of NMDFC, at an early date to assess proper utilization of the 1st installment.
- i. Only on satisfactory utilization of the 1st installment by the NGO, release of the 2nd installment will be considered by NMDFC.
- j. At any stage of implementation, if deviation of guidelines prescribed by NMDFC or improper utilization by the NGO is found, NMDFC would be at liberty to initiate the process of blacklisting the NGO and recalling the funds, including invoking of the concrete security / guarantee furnished by the NGO.

## 11. INSURANCE COVER

Adequate insurance cover needs to be obtained in respect of assets acquired by beneficiaries out of loans advanced by NMDFC.

## 12. BOOKS OF ACCOUNTS/INSPECTION

The NGO shall maintain separate books of accounts in respect of the funds provided by NMDFC. Annual audited accounts will be submitted within four months after closure of the accounting year of the NGO with the statement of lending and recoveries during the year. Any other information required will also have to be submitted as and when requested.

## 13. REPAYMENT OF THE LOAN

- a) NGOs whether dealing directly with NMDFC or with SCAs will repay the Principal amount of the loan along with the interest as applicable, over a period of three years after the moratorium of three months from the date of disbursement of funds. The same will be applicable to SHGs dealing directly with the SCAs.
- b) SCAs will make repayments to NMDFC over a period of four years from the date of utilization of the funds. The SCAs will repay the loan including interest, in quarterly equated installments.
- c) Terms and conditions of repayment of loan by the beneficiary to the NGO/SHGs will be determined by the NGO/SHG. This will depend upon the quantum of loan and the nature of the project the beneficiary has adopted. NMDFC gives a moratorium of 3 months to start the repayment. However, it would depend on the NGO/SHG to decide about the moratorium period in view of the field reality. Further, repayment of the loan can be made either weekly, monthly, quarterly, etc. However, NMDFC would recover the loan from the NGO on quarterly basis.
- d) The NGO will submit post-dated cheques for the repayment of quarterly dues as indicated in the sanction letter. These post-dated cheques will be kept by NMDFC/SCA only as a security and the NGO will keep on paying quarterly demands of repayments by way of Demand Drafts/RTGS/NEFT.
- e) On receipt of repayment from the NGO, the post-dated cheque of the respective quarter will be returned along with an acknowledgement of the fund so received. Thus, the post-dated cheques that have been obtained from the NGO will not be utilized by NMDFC/SCA in the normal course (i.e. when NGO promptly pays the demand in full). However, when the NGO commits a default and delays the repayment, NMDFC/SCA will exercise its option of encashing postdated cheques and take suitable action against the defaulting NGO, if the cheque bounces. The waiting period, before the cheque is sent for encashment, will ordinarily be of two continuous quarters.

## NATIONAL MINORITIES DEVELOPMENT AND FINANCE CORPORATION APPLICATION FORMAT FOR AVAILING MICRO FINANCE SCHEME

### 1. Organization Directory

- a) Name of the Organization : \_\_\_\_\_
- b) Address : \_\_\_\_\_
- c) State : \_\_\_\_\_
- d) District : \_\_\_\_\_
- e) Block : \_\_\_\_\_
- f) Phone No. (STD Code) & Mobile No. : \_\_\_\_\_
- g) Email Address(s) & Website Address : \_\_\_\_\_
- h) Nearest Railway Station : \_\_\_\_\_
- i) Registration No. of the Organization : \_\_\_\_\_
- j) Date of Registration : \_\_\_\_\_
- k) Date of Renewal, if any : \_\_\_\_\_
- l) Area of Operation : \_\_\_\_\_
- i) As per Memorandum of Association (MOA) : \_\_\_\_\_
- ii) For implementation of this program : \_\_\_\_\_
- m) Name and branch of the Bank from where the NGO operates : \_\_\_\_\_
- n) Bank Account No. : \_\_\_\_\_
- o) Name, Designation and contact Mobile No. of Chief Functionary : \_\_\_\_\_

**2. Details of socio-economic development programs implemented by the organization during the last three years (year-wise):-**

Sr. No	Year	Name of the Program	Funded by	Amount received	Achievements
1	2	3	4	5	6

Note: Please enclose a copy of your annual reports of last three years.

**3. Experience of the organization in Credit activity (year-wise):-**

a) Through SHG's

(Amount in Rs.)

Sr. No.	Years	Name of Activities for which loans given	No. of SHGs	No. of Borrowers	Amount of loan disbursed	Amount which was due for recovery i.e. Demand	Amount actually recovered i.e. repayment	%age of Recovery to Demand column (8/7)x100	Source of funds
1	2	3	4	5	6	7	8	9	10

b) Directly to borrowers

(Amount in Rs.)

Sr. No.	Years	Name of Activities for which loans given	No. of Borrowers	Amount of loan disbursed	Amount which was due for recovery i.e. Demand	Amount actually recovered i.e. repayment	%age of Recovery to Demand column (7/6)x100	Amount outstanding at the end of the year	Source of funds
1	2	3	4	5	6	7	8	9	10

**4. Details of the SHG's already formed (Status as on .....)**

Sr. No.	Name of the SHG	Name & address of the leader of SHG	Name of Village	No. of total Member * (No. & classification separately)		Period since when formed i.e. Date of formation	Whether bank a/c has been opened and number alongwith Name of bank/branch	Saving per member per month (Rs.)	Total Saving Collected by the group (Rs.)	Total credit to the group members from its own savings (Rs.)	Total amount due to be recovered till date (Rs.) i.e. demand	Total amount recovered till date (Rs.) i.e. repayment	% of recovery column (13/12) x 100	Proposed amount of loan for the group from NMDFC for the group members
				No.	Class									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Note: \*No. of total member of every SHG is to be classified into the categories as mentioned below:  
M- Minority, S- SC & ST, D-Disabled and OBC- Other Backward Class.

**5. Proposed lending programme in the current year**

(Amount in Rs.)

Sr. No	Name of Activities	No. of SHGs	No. of Borrowers	Average Amount of Loan per beneficiary	Total amount required
1	2	3	4	5	6= (4x5)

**6. Resources/Funds available with the Organisation**

(Amount in Rs.)

Sr. No	Source	Balance at the beginning of year	Amount expected during the current year	Total amount
(1)	(2)	(3)	(4)	(5)
1.	Own sources			
2.	Saving of SHG's/Members			
3.	Sources such as grants/donations etc.			
4.	Borrowings (other than this application to NMDFC)			
5.	Total			

**7. Micro Credit required from NMDFC (i.e. para 5-6)**

(Amount in Rs.)

Sr. No	Amount	Name of Activities	No. of SHG's	No. of borrowers	Average amount of loan per beneficiary	Amount required from NMDFC
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i)	As per para-5					
ii)	minus (-) as per para-6					
iii)	Balance required from NMDFC					

**8. Please indicate for NGOs & SHGs terms and conditions for each type of lending in terms of:**

- a) Maximum amount per beneficiary
- b) Rate of interest charged and provision for penal interest
- c) Security, margin money, if any, taken from the member
- d) Repayment period; and
- e) Type of documents taken under each category from the borrower

(Amount in Rs.)

**9. Financial position of the organization as per the Balance Sheet**

(As on .....

- i) Fixed Assets Rs .....
- ii) Current Assets Rs .....
- iii) Borrowings Rs .....  
(Details of borrowing if any, may be given in the proforma below)
- iv) Other Liabilities Rs .....

**10. Check List:->**

(Please enclose the following)

S.No.	Details of enclosures	Yes/No	Page No.
(1)	(2)	(3)	(4)
1.	Attested copy of the original Registration Certificate/Renewals		
2.	Attested copy of Memorandum of Association/Bye-laws	Page No...	
3.	Indicate the provision to borrow from outside agency (pl. give para/page No. Bye laws)	Page No...	
4.	Main objectives/purpose/background of forming the organization – a brief note		
5.	Bio-data of the chief functionary		
6.	Composition of the current Managing Committee with name, designation, contact phone nos. & emails; address of the members (with relevant copy of resolution of general body)		
7.	Photographs and signatures of the members of the current Managing Committee duly attested with date		
8.	Copy of the audited accounts and Balance Sheet of the organization for the last three years		
9.	Copy of the resolution passed by Management Committee seeking loan (amount Rs.....) from NMDFC		
10.	Copies of Annual Report of last three years		
11.	Copies of testimonials received from funding agencies/Govt. Departments etc., if any		
12.	Willingness to provide concrete security		

**11. DECLARATION: Copy given below:->**(ON LETTER HEAD OF NGO)  
**DECLARATION**

I \_\_\_\_\_ (full name with designation) certify that the facts and figures furnished in the application form and the Annexures are correct and tally with the records of our organization.

Place:

Date :

(Signature with official stamp)

Name &amp; Designation of Chief Executive

Encls: \_\_\_\_\_ sheets.

**ANNEXURE – II**

**NATIONAL MINORITIES DEVELOPMENT & FINANCE CORPORATION  
FORMAT FOR UTILISATION CERTIFICATE UNDER MICRO FINANCE SCHEME**

1. Date of submitting the information : \_\_\_\_\_
2. Name & Address of NGO : \_\_\_\_\_  
\_\_\_\_\_
- Tel./Fax No./Email/Website Address : \_\_\_\_\_
3. Disbursement Detail : \_\_\_\_\_
- (i) By NMDFC : Installment No. I/II/III \_\_\_\_\_  
Date of release : \_\_\_\_\_  
Amount released : \_\_\_\_\_
- (ii) By NGO : NMDFC Share: Rs. \_\_\_\_\_  
NGO/SHGs share: Rs. \_\_\_\_\_
4. Un-utilised funds, if any : \_\_\_\_\_
5. No. of beneficiaries financed : \_\_\_\_\_

No. of SHGs	No. of beneficiaries	Beneficiary Detail							
		Rural / Urban	No.	Amt.	Gender	No.	Amt.	Community	Amt.
		Rural			Male				
		Urban			Female				
		<b>Total</b>			<b>Total</b>				

**Signature of the Authorised Officer**  
of the NGO with official seal

**Note:**

- The above statement should be submitted within 30 days after the last date prescribed for utilization of funds, drawn from NMDFC. No further release of funds will be allowed unless utilization certificate of earlier loan has been received by NMDFC.
- A complete list giving name/address, Aadhaar Nos., Mobile no. and amount advanced to each borrower must be furnished separately.

ANNEXURE – III

### CHECK LIST FOR SUBMISSION OF APPLICATION BY NGO UNDER MICRO FINANCE SCHEME OF NMDFC

A checklist has been compiled mentioning the major areas of information which should be ensured by the NGO while furnishing the proposal so that it can be processed easily. Points for consideration while applying (wherever applicable):-

- Applicant NGO has to ensure that there is specific borrowing clause in their Memorandum of Association/Bye-laws for outside borrowing. The Memorandum of Association/Bye-laws of applicant NGO should provide the clause for undertaking economic activities. These points should be highlighted while submitting the relevant documents along-with the proposal.
- The reason of deficit in any financial year out of the three previous financial years should be explained in detail giving justification.
- The application for credit limit has to be submitted strictly as per the prescribed format.
- Applicant NGO has to ensure that specific resolution of the governing body regarding availing of credit from NMDFC has to be submitted. The resolution is to be signed by all the members of the applicant NGO.
- Recovery percentage of loan given by applicant NGO has to be specified as this is an important criterion.
- Applicant NGO has to give details of year-wise resources of funds utilized for credit business during the last three years.
- It is observed that the details regarding thrift and credit business conducted by the applicant NGO during the past two-three years are not reflected properly in the audited accounts/balance sheet of the applicant NGO, which should be taken care of by the applicant.
- The organization's infrastructure for promoting Self Help Group may be given as per the following format.

Sl. No.	Name of Staff	Gender	Date of Joining	Qualification	Total years of Experience in Micro Credit	Designation	Salary P.M. (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

- Applicant NGO may submit its year-wise experience in self-employment income generation activities aimed at economic empowerment of poor target groups.
- If an applicant NGO has received financial assistance for promotion of self help groups from any other Financial Institution, Cooperative Banks, RMK/SIDBI/NABARD, etc. details regarding receipt and Current status of utilization/recovery may be submitted.
- Applicant NGO should submit a brief description of the area where groups are supposed to be formed; in terms of population of minorities and activities practiced for employment, what has been the outcome, etc.
- Applicant NGO should submit the details regarding preliminary work done in the direction of formation of proposed minority SHGs, so far.
- Applicant NGO should specify the occupation of each of the members of the governing body.
- Applicant NGO has to state about the organizational structure whether it is democratic set-up or a non-elected trust.
- Applicant NGO has to state the details of Books of Accounts maintained at NGO as well as at SHG's level.
- Applicant NGO has to give details regarding the duration/frequency of meeting of SHG's i.e. monthly, weekly etc.
- System of thrift/credit mechanism followed by NGO/SHG's should be commented upon by the applicant NGO.
- A legible copy of the documents should be submitted along-with the application. In case the documents are in a local language, then an authenticated English translation must be provided.
- Application form along-with relevant documents may please be submitted in English/Hindi Version only.
- Willingness to provide Concrete security by way of Bank Guarantee/Pledging of Fixed Deposit in favour of NMDFC.