

MICRO CREDIT SCHEME

1. INTRODUCTION

National Handicapped Finance and Development Corporation (NHFDC) has been set up to promote economic and development activities undertaken by Persons with Disabilities. The Corporation assists them by providing loans for self-employment and other economic ventures. The majority of disabled population is constantly in need of small loans for sustaining their existing employment, for generation of further employment as also for meeting varied personal and social needs. The poorest among the poor need loans of very small amount but their requirement is quick delivery of loan at their doorsteps. Traditionally, private money lenders have been playing this role but their intention has been to exploit the poor instead of helping them and this rather worsened plight of the poor. Over a period of time, the significance of provision of credit as an instrument of socio economic change and development is being realized and many international and national organizations including the nationalized banks have come up to provide soft loans to the poor in order to free them from the clutches of private money lenders. However, the task is gigantic and a wide gap persists in meeting the credit needs of the poor. With this in mind, the NHFDC has decided to implement the **Micro Credit Scheme** as per details given in the following pages.

2. MAIN FEATURES OF THE SCHEME

2.1. Purpose of Loan

Purpose of the loan is to provide financial assistance to weaker section of the disabled for starting or augmenting income generation activities. The illustrative nature of income generating activities is given below:

- i) Small business/trade
- ii) Tiny/cottage industry or service activity
- iii) Artisan activities
- iv) Agricultural and allied activities
- v) Transport sector activities.

2.2 Quantum of Loan

The maximum amount of loan shall be as under;

- i) No upper limit of loan in case the scheme is implemented by the SCA itself for further disbursement by it to PwDs.

ii) In case of loan to NGO either through SCA or directly by NHFDC, the maximum loan amount shall be limited to Rs.10.0 lakh (Rupees Ten Lakh only). However, the NGO may be sanctioned repeated loan considering its previous performance, repayment record, utilization of loans etc. However, at any given time, the principal amount outstanding against the NGO will not exceed Rs. 10.0 lakh. NHFDC would provide 100% funding of the sanctioned projects.

iii) In both cases (i) and (ii) above, the maximum amount of loan to a beneficiary will be limited to Rs.50,000/- (Rupees Fifty Thousand only).

2.3. Interest & Rebate

i) Interest payable by the beneficiaries shall not exceed 5% per annum.

ii) The lending rate of NHFDC to the SCA will be 2% per annum.

iii) The interest spread of 3% may be divided between the SCA and NGO as per their mutual agreement.

iv) In cases where the loan is directly extended by NHFDC to NGO/SHG, interest payable by the beneficiaries shall not exceed 5% per annum.

v) A rebate of 1% per annum on interest rate will be admissible to women beneficiaries. In this case, the lending rate of NHFDC to the SCA will be 1% per annum.

vi) In addition to (v) above, a further rebate of 0.5% per annum on interest rate will be admissible to PwDs under VH/HH/MR category.

3. Eligibility Criteria of Beneficiaries

i) Any Indian Citizen with 40% or more disability

ii) Age above 18 years.

iii) 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.

iv) The borrowers should preferably be regular member of Thrift and Credit Group (Self Help Group).

v) Preference will be given to women beneficiaries.

vi) Relevant educational/ technical/ vocational qualification, experience and background.

4. Eligibility Requirement of NGO

i) The applicant NGO should have been registered for at least three years and it should have good reputation.

ii) An NGO intending to implement Micro Credit Scheme should have the objective of serving the social and economic needs of the weaker sections or the Persons with Disabilities.

iii) It should have the necessary flexibility, professional competence and basic financial management capability and organization skills to implement the lending program. It must have outreach services in the operational areas.

iv) Its office bearers should not be elected members of any political party.

v) It should have a proper system of maintaining accounts. Accounts should have been audited. There should not have been any serious irregularities observed in the audit, and its accounts should be published.

vi) It should be running on sound lines and preferably have experience of Thrift and Credit administration of at least three years and its recovery performance during the last three years should be approximately 90% or more.

5. Security

i) Fund under Micro Credit Scheme will be released only to those SCAs who have executed the General Loan Agreement and provided adequate Block Government Guarantee.

ii) The SCA will be free to decide on the security from the NGO implementing the scheme through it.

iii) Where the loan is extended by NHFDC directly to the NGO, it would be required to deposit an amount equal to 30% of the total sanctioned amount pledged as FDR or Bank Guarantee for 30% of loan amount.

6. Financing Patterns

NHFDC would provide 100% of the project cost.

7. Utilization of Loan and Refund of Un-utilized Loan

i) The SCAs to which funds have been sanctioned can make the drawl of funds as per requirement within the credit limit sanctioned, which generally will be for one year.

ii) The first drawl will be made not later than one month from the date of sanction unless the limit is extended by the NHFDC. If the lending operations are not so commenced, NHFDC will be at liberty to cancel the sanction or vary any of the terms and conditions.

iii) Funds made available to an SCA under the scheme are to be utilized within a period of 90 days from the date of release of funds. The SCA will be required to submit the utilization of funds in the prescribed format. The funds

remaining unutilized due to any reason, will be required to be refunded within a fortnight on expiry of utilization period indicated in the sanction letter.

iv) Unutilized funds, if not refunded to NHFDC within due date, the same shall be charged with penal interest as prescribed at clause 18 of the lending policy.

v) Where loan under the scheme is extended by NHFDC directly to the NGO/SHG, the same is to be utilized within a period of 30 days from the date of release of funds. Utilization report be furnished with NHFDC in the prescribed format immediately thereafter.

Funds remaining unutilized due to any reason, will be required to be refunded within a fortnight on expiry of utilization period (30 days as stated above).

Penal interest will be charged as under, in the event of failure to refund unutilized funds, beyond the due date of refund as stated above:

i) 3% p.a. over and above the normal rate of interest will be charged for first 30 days of default.

ii) Thereafter, the unutilized amount shall carry additional penal interest @ 2% per annum till the date of refund.

8. Repayment

Term loans drawn from NHFDC will be required to be repaid within a period of 36 months in quarterly installments. The installments of term loan and interest shall be repayable to NHFDC on 30th June, 30th September, 31st December and 31st March every year or on such other dates as agreed to by NHFDC. Six days grace period will be admissible for payment of any installment to NHFDC.

9. Liquidated Damages

Defaults in the repayment of NHFDC dues (principal as well as interest) shall attract liquidated damages as prescribed at clause 17 of the lending policy.

10. Grant for promotion/training

A grant of Rs. 2,000/- for every block of loan amount of Rs. 1.0 lakh, will also be provided by NHFDC to the NGO for training, orientation/ motivation of the beneficiaries, capacity building and organizing SHGs, awareness creation and administrative expenses. There will be no ceiling of the amount of grant to an NGO.

11. Books of Accounts/Inspections

The SCAs/NGOs shall maintain separate accounts in respect of the funds provided by NHFDC. The SCAs should also inspect the beneficiaries of the NHFDC under Micro Credit Scheme and submit the quarterly progress report.

Any other information required will also to be submitted as and when requested.

12. Procedure for Obtaining Loan

Under the Micro Credit Scheme, following procedure shall be followed:

A) In the event of NGO/SHG intending to implement MCS through the SCA; the following process shall follow:

- i) Application shall be made by the NGO to the respective SCA (State Channelizing Agency) in which it is situated, in prescribed application form along with all relevant details & documents.
- ii) SCA shall be scrutinize the application and verify credentials of NGO in order to satisfy itself regarding the suitability of the NGO for implementation of the Scheme.
- iii) The SCA may sanction loan up to Rs. 2.0 lakh to an NGO for further financing to Self-Help Group (SHGs) of disabled persons or beneficiaries.
- v) Application of an NGO for loan amounting to more than Rs. 2.0 lakh (Rupees Two Lakh only) will be scrutinized by the SCA and forwarded to NHFDC for sanction with due recommendation and credential verification report of the NGO.

B) In case where the NGO submits application for financial assistance under the scheme directly to NHFDC, the following process shall follow:

- i) Credentials of the NGO would be verified in such manner as CMD,NHFDC may think fit.
- ii) Suitability of the NGO for implementation of Micro Credit Scheme shall be examined and the decision of CMD, NHFDC in this regard shall be final.
- iii) In case loan assistance is sanctioned to the NGO, no amount shall be released to it unless the NGO accepted the terms & conditions of sanction and convey the same to NHFDC.