

**Scheme for Financing the SHGs/Minority  
Artisans/Individuals through  
NGOs/Co-operative Societies/Trusts**



**NMDFC**

NATIONAL MINORITIES DEVELOPMENT AND FINANCE CORPORATION (NMDFC)

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# **NATIONAL MINORITIES DEVELOPMENT & FINANCE CORPORATION**

## **Scheme for Financing the SHGs/Minority Artisans/Individuals through NGOs/Co-operative Societies/Trusts**

### **1. Introduction**

National Minorities Development and Finance Corporation (NMDFC) under the aegis of Ministry of Minorities Affairs, Government of India is working to promote economic development of the notified minorities. "Minorities" includes those communities that are notified as such by the Central Govt, under the National Minorities Commission Act, 1992 viz. Muslims, Christians, Sikhs, Buddhists, Jains and Parsis.

The Corporation is a Public Sector Undertaking, incorporated on 30<sup>th</sup> Sept., 1994 under Section 25 of the Companies Act, as a Company not for profit. The main objective of NMDFC is to promote economic and developmental activities for the benefit of "Backward Section" amongst the minorities, preference being given to the occupational groups and women.

### **2. Objective of the Scheme**

- i. Extending concessional credit to Minority Artisans/SHGs/Individuals involved in traditional activities. The Minority Artisans/SHGs/Individuals will also be considered for up-skilling/re-skilling of their traditional art & supported for marketing of their handloom/handicraft items.
- ii Financing will be through NGOs/Co-operative Societies/Trusts herein after termed as "Entities" in areas/states where NMDFC schemes are not operational due to dysfunctional SCAs.
- iii, Loaning part will be administered directly by NMDFC to these entities while developmental support of "Skilling & Marketing" is to be provided through MANAS.
- iv. Persons from Minority community with annual family income of up to Rs.6.00 lacs p.a. will be considered for loan & other benefits.

### **3. Purpose of Loan**

To extend financial assistance, accompanied with up-skilling/re-skilling, to Minority Artisans/Master Trainers/Individuals involved in traditional activities such as Block printing, Lac bangle making, Jute bag making, Weaving, Zari-zardozi work, Kantha work, Applique work, Chikan work, Ari work, Carpet & Dari weaving, Hair styling, Dairy business, etc leading to improvement in their technical/skill base and also socio-economic status.

### **4. Quantum of Loan**

- a). Micro-Credit up to maximum limit of Rs.1.50 lacs per beneficiary [member of Self Help Groups (SHGs)] & maximum of Rs.30.00 lacs per SHG (with 20 members) will be available under the scheme. However, emphasis has to be to provide smaller loans repeatedly so that the beneficiary can avail the same and come above the poverty line.
- b). Individual Loans upto Rs.10.00 lacs for undertaking any economically viable venture & Educational Loan.
- c). Minimum loan of Rs.1.00 crores & maximum loan of Rs.5.00 crores per NGO would be sanctioned under the scheme. Loan disbursements would be in two equal installments after monitoring of 1<sup>st</sup> installment released by NMDFC.

## **5. Financing Pattern**

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|---|--------------|
| a) Funds from NMDFC :   | 90% of Loan  |
| b) By NGO from its own resources or from beneficiaries by way of compulsory thrift: | 10% of loan. |

## **6. Rate of Interest**

Funds from NMDFC to Entity:	4% p.a
NGO to SHG/Beneficiary:	12% p.a

- The interest charged by RMK & other banks range from 12% to 18% p.a. For the purpose of financing by NMDFC, lower limit of 12% has been considered under the scheme.
- NMDFC will get margin of 4% p.a to meet expenditure on up-skilling/re-skilling of Minority artisans/Master Trainers/Individual beneficiary & in extending marketing assistance.
- Whereas the margin for Entity will be 8% p.a & this will take care of the Guarantee commission of 1-4% required to be paid by them to banks for getting bank guarantee against FDs/Property respectively.

## **7. Security for Loan**

Due to high incidence of default by the NGOs, NMDFC has introduced the policy of obtaining concrete security on the loan being extended to the NGOs.

a). 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. The bank guarantee/pledging of FDs shall be equivalent to the loan amount plus the interest portion for a period of 4 years.

b). A confidential feedback would also be obtained from the Financial Institutions/Banks/Ministries/Departments from where the 'Entities' 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.

## **8. Insurance Cover**

Adequate insurance in terms of individual cover for Loanees/Loans/Assets is to be obtained for loans advanced by NMDFC.

## **9. Eligibility of Beneficiary**

- The beneficiary must belong to minority community. "Minorities" means those communities that are notified as such by the Central Government under the National Minorities Commission Act, 1992.
- The beneficiaries with existing annual family income of Rs.81,000 & Rs.1.03 lacs for rural & urban areas respectively, as well as newly introduced annual family income criterion of upto Rs.6.00 lacs, as used to identify the "Creamy Layer" amongst the OBC community by Government of India, will be considered under this scheme.
- The borrower should preferably be a regular member of a Thrift and Credit Group (SHG) however, individual beneficiaries are also to be considered under the scheme.
- For the purpose of financing 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 that the other members (i.e. up to 40%) belong to weaker sections including Scheduled Castes/Scheduled Tribes, Other Backward Classes and Disabled.
- Preference will be given to women beneficiaries belonging to the notified minority community.
- Preference will be given to those who are already engaged in

- running/managing/operating House Hold enterprises and are willing to upskill/upgrade their own existing skills, for better productivity and management of their enterprise.
- f) Those who are willing to undertake Entrepreneurship & Skill Development Program (E&SDP) of MANAS for setting up of their own enterprise, either working individually or in groups and are preferably in the age group of 30+ having exhausted other avenues for livelihood like employment in Government/organized sector.
  - g) Those who want to switch over from their existing trades/skills to new ones due to market imperatives.
  - h) Those who have already received EDPs training from various organizations like RUDSETTI'S/RSETIs, NIESBUD, DIC of Industries Deptt. of various States etc. and are willing to undertake relevant skills training, and soft loans from NMDFC, to set up their own businesses/enterprises.
  - i) Those who are school dropout, and after availing the E&SDP training under MANAS are willing to take up self-employment ventures.
  - j) Others, with greater emphasis on women centric skills, for self-employment.

#### **10. Eligibility Criteria of Entities**

- i) The applicant entity should have been registered for at least three years and it should have good reputation / credibility of work in the area of its operation.
- ii) The bye laws of the entity should have an enabling clause to borrow funds for the purpose of providing loans to the poor.
- iii) It should have broad based objectives, serving the social and economic needs of the weaker sections of the society. Preference will be given to organisations working for the welfare of minorities.
- iv) It should have necessary flexibility, professional competence, basic financial management capability and organisational skills to implement lending programs. It must have outreach services in the operational areas.
- v) Its office bearers should not be elected members of any political party.
- vi) It should have a proper system of maintaining accounts. Accounts should have been audited for the last three years. There should not have been any serious irregularities observed in the audit, and its accounts should be published.
- vii) It should be running on sound lines and should not have incurred losses during the last three years.
- viii) 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 approximately 90%.

#### **11. Procedure For Obtaining Loan**

- a). Apply directly to NMDFC based on the application form available on the website of NMDFC ([www.nmdfc.org](http://www.nmdfc.org)) The entity will enclose all the required documents with the application form.
- b). Once the application is received in NMDFC/SCA, feedback is obtained about the entity in a confidential manner, from the Registrar of Co-operative Societies or Authority with whom the entity is registered. The registrar/authority is also requested to guide NMDFC whether the law under which the entity is registered, permits it to undertake micro-financing activity.
- c). On receiving good feedback about the entity from the Registrar/Authority & if the Act permits the entity to undertake financing activity, the application submitted by the entity would be considered for preliminary scrutiny viz-a-viz the eligibility criterion.
- d). Based on the information provided by the entity, the NMDFC has two options:
  - I. An officer from NMDFC/Monitor empanelled with NMDFC will visit the entity, make a detailed inspection report based on the information provided by the entity and field visit.
  - II. The report of the officer of NMDFC/Monitor will be examined and the suitability of the entity for implementation of NMDFC's financing scheme and its capacity to handle

number of beneficiaries viz- a-viz the amount of loan, will be considered while sanctioning of loan by NMDFC.

- III. The sanction letter will be issued to the entity giving details of terms and conditions for the financial assistance including utilisation period, recoveries, penal interest, re-payment schedule etc.
- IV. For drawl of funds, the entity will have to execute the prescribed documents such as guarantee deed & memorandum of agreement on stamp paper, demand pro-note, post dated cheques & concrete security i.e., Bank Guarantee / Fixed deposit pledged in favour of NMDFC.

## **12. Release of Funds**

On completion of pre-disbursement formalities by the entity, sanctioned amount will be deposited in an 'Escrow' account. The loan will be released directly from the Escrow account in the account of the beneficiary/SHG through RTGS/NEFT, on the recommendation of the entity.

## **13. Utilisation & Validity of Loan**

- i) The funds from the Escrow account can be drawn by the entity within the credit limit sanctioned by NMDFC, as per the requirement, based on the list of beneficiaries/SHGs submitted to NMDFC, along with the NEFT/RTGS & Loan account detail of the beneficiaries/SHGs.
- ii) The first drawl from the Escrow account must be made not later than one month from the date of transfer of funds in Escrow account, by NMDFC. If the lending operations do not commence within the stipulated time of one month then, NMDFC will be at liberty to cancel the sanction or vary any of the terms and conditions.
- iii) The validity of the sanction will generally be for one year period, from the date of the sanction order issued by NMDFC. Fund earmarked for the entity & lying un-utilised in the Escrow account at the end of 1 year period, will be withdrawn by NMDFC and the account will stand closed.
- iv) The entity shall have to submit the utilisation certificate within one month from the date of disbursement to the SHG/beneficiary from the Escrow account, based on recommendation of the entity. The entity will be required to send monthly utilisation report in the prescribed format.

## **14. Repayment of Loan**

- i) Repayment of loan shall be in quarterly installments after the moratorium of three months from the date of release of funds from the Escrow account. The repayment period under different schemes is as follows:-

Sr Nos	Name of Scheme	Repayment Period
1	Micro-Finance Scheme	3 years (12 quarters)
2	Term Loan/Education Loan Scheme	5 years (20 quarters)

- ii) Terms and conditions for repayment of loan by the beneficiary/SHGs will be determined by the entity, based on the quantum of loan and the nature of the project financed. Repayment of the loan can be made either weekly, monthly, quarterly, etc. however, NMDFC would be recovering from the entity on quarterly basis.

## **15. Default in Repayment & En-cashing of Bank Guarantee**

Recovery proceedings would be initiated, if the entity defaults in making repayments for two subsequent quarters to NMDFC. The Bank Guarantee would be en-cashed to the extent of default made by the entity.