

MICRO FINANCE GUIDELINES



2012

KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LTD.

(A Government Of Kerala Undertaking)

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KSBCDC



KERALA STATE BACKWARD CLASSES DEVELOPMENT CORPORATION LTD (KSBCDC LTD.)

The Kerala State Backward Classes Development Corporation Ltd. (KSBCDC) is a private limited company fully owned by the Government of Kerala, registered under the Companies Act 1956 (1 of 1956) on 28/02/1995 with the Registered Office at Thiruvananthapuram. The authorized share capital is ₹ 100 crores.

The Corporation has sufficient infrastructure for the implementation of various schemes for the welfare of backward classes and minorities. The Corporation has offices in all the 14 Districts of the state with the Head Quarters at Thiruvananthapuram.

The major objectives of the Corporation are:

- To promote the comprehensive development of the Backward Classes and Minorities of Kerala by rendering assistance by way of loans and advances for establishing small enterprises in various sectors like agricultural & allied, small business, service, transport, artisans & handicrafts etc.
- To promote schemes, establish institutions for the socio, economic and educational uplift of the members of Backward Classes of Kerala State.
- To assist Backward Classes and Minorities for the up gradation of technical and entrepreneurial skills for efficient management.

Acting as a major State level Channelising Agency (SCA) of National Financing Agencies -National Minorities Development Finance Corporation (MMDFC), National Backward Classes Finance & Development Corporation (NBCFDC) which provides financial assistance to the members of backward and minority communities living below double the poverty line.

Micro credit Schemes

Even though there are many agencies operating in the field of credit, the poorest among poor who need loans of very small amount go to private moneylenders, since their requirement is quick delivery of loan at their doorsteps. The intentions of the money lenders have been to exploit the poor instead of helping them and this rather worsened plight of the poor.

The poor have demonstrated their potential for Self-help to secure greater economic and financial strength and many self-help groups have come into existence spontaneously or with active involvement of Non Governmental Organization (NGOs). NGOs, beyond doubt could do much to improve the income of the poor and their families.

Realising it, the KSBCDC Ltd. is implementing Micro Credit Financing through the Non Governmental organizations. The scheme is being implemented using the assistance provided by the NBCFDC/NMDFC.

Micro credit financing in simple terms can be defined as financing Micro credit needs of the poor. The principles under lining Micro Credit finance are

- a) It should be easily available without any complications of lengthy and time consuming identification and documentation.
- b) It should be available at the required time and place so that valuable time is not lost for taking care of small needs of user beneficiaries and user beneficiaries not thrown into the money lender's clutches.
- c) It should be available at an affordable rate of interest to the Self-Help Groups and at a market driven rate to the user beneficiary so that self-help group can build up a reserve and user beneficiary develops repayment habit and discipline.
- d) The Micro Credit Financing will always have to work through the agency of a Self-help group/Non-Governmental organisation which acts as the co-ordinator and the integrator among the different members of the self-help group and takes collective responsibility for satisfactory credit and repayment management.

Self-help Group:

A self help group can be defined as a small group of (not more than 20) members economically homogeneous, socially cohesive group of rural and urban poor who have voluntarily come together for their individual and collective economic upliftment as the main focus.

Selection of Self-help groups for extending Micro credit Financing:

In order to ensure that Micro Credit Financing serves the objectives for which it is implemented, rigorous criteria of selecting self-help groups for giving them credit for onward lending to individual members, are absolutely essential.

The following guidelines are hereby issued for selecting the self-help groups for the purpose of giving them credit for Micro Credit Financing activity.

- i) The group should have been formed at least 6 months back i.e., it should have completed 6 months from the date of its formation.
- ii) The group should have been conducting regular meetings and maintaining the records of its proceedings. It is difficult to enforce a strict time frame for defining regularity, but in general, a meeting once every four months or earlier will be considered as, "meeting regularly conducted".
- iii) The group members should have been doing regular savings. The regularity of savings is to be judged with respect to time-frame and not to the amount of savings. Every member individually and group collectively, should have been saving the amount every month. On an average, each member should have been saving minimum ₹ 30/- per month with an overall variation of 10%.
- iv) The group must have made efforts for collective decision making in its meeting and it can be judged by the record of proceedings maintained by the group.
- v) The group should have maintained its accounts in a simple and transparent manner. It should be ensured that the group accounts are maintained by one of its members alone and not by an outsider/Accountant etc.

- vi) If the group has already taken up lending activity, the repayment should be minimum 80% as per the repayment schedule.
- vii) The group should have been preferably registered under any of the existing laws or rules for that purpose or it should have articles of association defining its activities.
- viii) The group leadership should have been elected by the group members either through a process of democratic election or through a process of consensus i.e., it should not be a forced leadership.
- ix) The members of the group including its leaders should not have active political affiliation.
- x) The group normally should not exceed twenty members and should not be less than ten members.
- xi) The group must have an operating account in any of the Bank branches for transacting all their financial transactions, which could be either savings or borrowings or repayments.
- xii) The group should not have used its savings for commercial borrowings to any non-member since its formation.
- xiii) The group should be carrying out only socio economic activities for the welfare of its own members or for community as a whole and in no way should be taking part in any other activity.
- xiv) At least 75% of the members of the self-help group should belong to backward classes/ Minorities in the case may be to enable them to avail assistance under Micro Credit Financing.
- xv) The existing groups which fulfill the above criteria shall also be eligible for Micro Credit assistance.
- xvi) The groups having members below the poverty line should be given preference for extending assistance under Micro Credit and only after the groups below the poverty line (BPL) are exhausted, the groups below double the poverty line will be eligible for assistance.

Role of Non-Governmental organization:

The non-Governmental Organizations (NGOs) acts as a linkage between the KSBCDC Ltd. and the poor people by virtue of their spread in the operational area and rapport with the people. The NGOs after provided with credit by the KSBCDC Ltd, can finance the poor people through self-help groups. The experience in Micro Credit all over the world has established that non-governmental Organizations act as useful intermediary between funding agencies and poor people. In view of the above position, the non-governmental Organizations are also channalised to implement the Micro Credit Financing for backward classes/minorities in the state in the sense that KSBCDC will provide them funds for extending Micro Finance to poor people.

Selection of NGOs:

In order to ensure that the NGOs perform the role envisaged for them so that the rural poor get timely Micro Credit at very low/no transaction cost and without harassment, the following guidelines are herein issued for selecting the NGOs for the purpose of giving them credit for Micro Credit Financing activity.

- (1) The NGOs should be registered under one of the existing Acts, Laws or regulations i.e., Societies Registration Act 1860, Companies Act 1956, Kerala Cooperative Societies Act 1969, Public Charitable Trust Act 1882, Travancore-Cochin Literary Scientific and Charitable Societies Act 1955
- (2) The registration should be valid and should be in existence for a continuous period of 5 years as on date of application.
- (3) The NGOs should have experience in Micro Credit Financing for last three years. They should have strong SHGs that is at least 6 months old.
- (4) The NGOs should have necessary professionally competent manpower for implementing the programme in terms of financial management, organizational skill development and capacity building of user groups and individual beneficiaries.

- (5) The NGO should have necessary infrastructure for providing out reach services in operations areas.
- (6) The NGOs should have a proper system of maintaining accounts, which should be duly audited and no irregularities found.
- (7) The office bearers of NGOs should not be office bearers of any political party or government employees.
- (8) The NGO should have a proper system of maintaining accounts and the accounts shall be duly audited by a practicing Chartered Accountant and there should not have any irregularities in the accounts on audit.
- (9) The recovery rate in respect of Micro Credit Financing already taken up by the NGO should be more than 80%.

ACTIVITIES TO BE UNDERTAKEN BY THE NGOs:

- a) The NGOs may implement the Micro Credit Scheme by promoting Self Help Groups (SHG). It would be preferable to have non-formal groups by the borrowers to simplify the procedures.
- b) Submission of proposal for extending credit facility giving details or area of operation, number of self-help groups and beneficiaries proposed to be covered, amount of credit required, the field machinery available for implementation etc.
- c) The Articles of Association of the SHG should specifically indicate whether they belong to Backward Classes/Minorities and living below double the poverty line.
- d) Identification of self-help groups/individual beneficiaries whatever is applicable for extending Micro Credit Financing (after approval of proposal as submitted at (a) above and fixation of credit limit as mentioned in next para).
- e) Giving orientation training to the above identified self-help groups/individual beneficiaries.
- f) Completing documentation prior to extending credit to self help groups/individual beneficiaries (as mentioned vide Annexure I to V) and these documents will be entered into between SHG, and their NGO and a Xerox copy of it may be subsequently filed in office of KSBCDC Ltd.
- g) Extension of credit is subject to the requirements as already mentioned under criteria – Selection of self-help groups for extending Micro Credit Financing

from (i) to (xvi) and the NGO shall ensure compliance of these (Where programme is implemented through self help groups).

h) Submission of monthly information in prescribed proforma.

1) Enlistment of NGOs

NGOs should submit the application in the prescribed format (Annexure IX) and with the following documents. Cost of Application Form shall be ₹ 1000/-.

- i) Annual Report for last three years.
- ii) Certified copy of valid registration certificate./renewal certificate.
- iii) Bank account number and account details
- iv) Certified copy of the financial statements of the organization for last 3 years with Auditor's Report.
- v) Details of Micro Credit Financing activities undertaken.
- vi) Copy of Bank Pass Book of 5 SHGs
- vii) Details of professional people looking after the field operations and financial operations.
- viii) List of office bearers with full addresses.
- ix) Undertaking that office bearers of the NGO is not office bearers of any political party and with other documents, the KSBCDC Ltd. deems fit.

2) Application for obtaining loan:

If the NGO is included in the list of NGOs of KSBCDC, the NGOs will have to submit proposal for obtaining funds indicating the purpose, the estimated number of borrowers and the aggregate amount required for each purpose. Application for loan shall be in the prescribed form (Annexure VI). It shall contain the list of SHGs proposed to be financed by the NGO out of the credit from KSBCDC (Annexure VII). Soft copies of group photograph of all members of the SHGs proposed to be financed also have to be submitted (separate photograph for each SHG). Photograph has to be named with the name of the SHG.

3) Fixation of credit limit:

After the selection the NGOs for implementing Micro Credit Financing activity, the KSBCDC Ltd. will fix credit limit for each NGO on receipt of proposal from the selected NGO. The credit limit will be fixed taking into account the following criteria:

- 1) Area of operation
- 2) Past record in Micro Credit Activity.
- 3) Number of self-help groups promoted by NGO.
- 4) Number of beneficiaries already assisted by NGO.
- 5) Track record in repayment of the loan to different credit institutions.
- 6) The ceiling on credit limit shall be not more than 50% of the Networth of the NGO.

The credit limit will be fixed by the KSBCDC, based on the qualification of the NGO.

4) Execution of Loan Agreement:

The Authorised signatory of the NGO shall execute an agreement in stamp paper worth ₹100/- between NGO and KSBCDC in the form prescribed (Annexure VIII). Processing fee shall be levied at the rate of 0.25% of the loan amount subject to maximum of ₹10,000/-

5) Security :

The loan sanctioned to NGOs will be secured by securities/guarantees as follows:

- a) Pronote and letter of continuity – in the case of NGOs having sufficient network. Network shall be on the basis of the audited balance sheet of the NGO. The asset valuation of the NGO as disclosed in the Balance Sheet and the Annual Accounts be revalued by the Regional/District Manager and a fresh computation is to be done for Network on the basis of such asset valuation after deducting outstanding liabilities.
- b) Collateral security – in the case of NGOs not having sufficient network. It shall be immovable property of NGO or office bearer of the NGOs as the case may be.

Valuation of property shall be made by the District Managers. Value of property shall cover the entire liability of loan amount.

6) Rate of Interest

Rate of interest that can be charged by NGOs from SHGs as well as individual beneficiaries will be fixed by KSBCDC and shall be specified in the loan agreement. NGOs should not levy interest in excess of rates fixed by KSBCDC.

7) Utilization:

The NGOs should utilize the loan within 1 month for the purpose it is drawn from KSBCDC and submit the utilization certificates on the prescribed format (Annexure X) within the stipulated period. Soft copies of utilization certificates also have to be submitted (excel format). The NGOs will also be required to submit annual utilization Certificate at the closing of financial year duly certified by practicing chartered Accountant.

8) Refund of Unutilized Amount of Loans:

In the event of non-utilizing the loan within the stipulated period, NGOs will be required to refund the unutilized amount within one month after the expiry of stipulated time. Any delay in refund of such unutilized amount will carry penal interest @ 12% p.a.

9) Group formations:

The group will be formed voluntarily by the borrowers. However, the NGOs should screen such group after interaction with the prospective group members about their aptitude and skill and the activities to be undertaken. It will be ensured that one or two members of the group are literate or educated, so that one of them can function as a group organizer or group leader.

10) Nature of Disbursement:

The loan amount should be disbursed through third party payment mode by cheque for the assets of beneficiary's choice. It will, however, be ensured that the supplier is a reputed one and the asset is standardized. Due caution should be exercised by the NGOs whenever large amount is sought to be withdrawn by the group. The rate of interest and security requirements would be as per norms of the Corporation. The assets created would also be hypothecated to the NGO. The assets purchased with financial assistance shall prominently display the words financed by KSBCDC and NGO. Also the assets towards the project shall be issued by taking comprehensive insurance policy in the name of the NGO and the beneficiary group.

11) Documentation:

The partners or the members of a group would be jointly and severally responsible for the payment of loan. For this purpose NGOs may prescribe suitable documents.

12) Monitoring Arrangements:

The entire system of group loaning scheme should be monitored by the NGOs and the observations should also be regularly discussed with the SHG. The progress should also be reported periodically to the KSBCDC.

13) Training:

Training may be provided through reputed institution under "Training Scheme" of KSBCDC to the potential beneficiaries in need of project-linked training. It will be ensured that the group members are given adequate training in the activity chosen before disbursement of loan. Pre-sanction formalities should be completed by the NGOs by the time training is over. The objective is that the duration between the initial selection of groups and final disbursement of loan including training period should be minimized

Scheme No.1

MICRO FINANCING SCHEME FOR OTHER BACKWARD CLASSES (OBCs)

Salient Feature of the Scheme :

- | | |
|---------------------------------------|-------------|
| 1. Maximum loan limit per beneficiary | - ₹25,000/- |
| 2. Maximum repayment period | - 36 months |
| 3. Maximum number of persons in SHG | - 20 |

Implementation:

The scheme is to be implemented through NGOs in rural and urban areas by way of financing the beneficiaries preferably in the areas remained uncovered so far under any of such schemes.

Eligibility of the beneficiary

1. Loan should be given only for income generating activity to the members of Backward Classes as notified by Central/State Government
2. Annual family income of the beneficiary should be less than ₹40,000/- in rural area and ₹55,000/- in urban areas. (double-the-poverty line)
3. Atleast 75% of the members in each of the selected SHGs should be OBCs.
4. Atleast 75% of the members availing loan in each of the selected SHGs should be OBCs.

Pattern of Finance

- | | |
|-------------------------------|-------|
| 1. NBCFDC Loan through KSBCDC | - 90% |
| 2. SCA/NGO contribution | - 10% |

Rate of Interest

- | | |
|---------------------------|------------|
| From KSBCDC to NGO | - 3% |
| From NGO to SHG | - 5% |
| From SHG to Beneficiaries | - 5% |
| Gestation period | - 3 months |

Penal Interest @ 6 % for delayed repayments

Scheme No.2

MAHILA SAMRIDHI YOJANA SCHEME FOR WOMEN BELONGING TO OTHER BACKWARD CLASSES (OBCs)

Salient Feature of the Scheme :

- | | |
|---------------------------------------|-------------|
| 1. Maximum loan limit per beneficiary | - ₹25,000/- |
| 2. Maximum repayment period | - 36 months |
| 3. Maximum number of persons in SHG | - 20 |

Implementation:

The scheme is to be implemented through NGOs in rural and urban areas by way of financing the beneficiaries preferably in the areas remained uncovered so far under any of such schemes.

Eligibility of the beneficiary

1. Loan should be given only for income generating activity to the members of Backward Classes as notified by Central/State Government
2. Annual family income of the beneficiary should be less than ₹40,000/- in rural area and ₹55,000/- in urban areas. (double-the-poverty line)
3. All members of the selected SHGs should be women.
4. Atleast 75% of the members in each of the selected SHGs should be OBCs.
5. Atleast 75% of the members availing loan in each of the selected SHGs should be OBCs.

Pattern of Finance

- | | |
|-------------------------------|-------|
| 1. NBCFDC Loan through KSBCDC | - 95% |
| 2. SCA contribution | - 5% |

Rate of Interest

- | | |
|---------------------------|------------|
| From KSBCDC to NGO | - 2% |
| From NGO to SHG | - 4% |
| From SHG to Beneficiaries | - 4% |
| Gestation period | - 3 months |

Penal Interest @ 6 % for delayed repayments

Scheme No.3
MICRO FINANCING SCHEME FOR MINORITIES

Salient Feature of the Scheme :

- | | |
|---------------------------------------|--------------|
| 1. Maximum loan limit per beneficiary | - ₹ 25,000/- |
| 2. Maximum repayment period | - 36 months |
| 3. Maximum number of persons in SHG | - 20 |

Implementation:

The scheme is to be implemented through NGOs in rural and urban areas by way of financing the beneficiaries preferably in the areas remained uncovered so far under any of such schemes.

Eligibility of the beneficiary

1. Loan should be given only for income generating activity to the members of Backward Classes as notified by Central/State Government
2. Annual family income of the beneficiary should be less than ₹ 40,000/- in rural area and ₹ 55,000/- in urban areas. (double-the-poverty line)
3. Atleast 75% of the members in each of the selected SHGs should be Minorities.
4. Atleast 75% of the members availing loan in each of the selected SHGs should be Minorities..

Pattern of Finance

- | | |
|------------------------------|-------|
| 1. NMDFC Loan through KSBCDC | - 90% |
| 2. NGO contribution | - 10% |

Rate of Interest

- | | |
|---------------------------|------------|
| From KSBCDC to NGO | - 2% . |
| From NGO to SHG | - 5% |
| From SHG to Beneficiaries | - 5% |
| Gestation period | - 3 months |

Penal Interest @ 6 % for delayed payments.

ANNEXURES

ANNEXURE - I

(TO BE STAMPED AS A GENERAL POWER OF ATTORNEY)
INTER-SE AGREEMENT TO BE EXECUTED BY THE MEMEBRS OF THE
SELF-HELP GROUP

THIS AGREEMENT made _____ this _____ day
of _____ 20 _____ Between

1. Shri./Smt./Kum./_____ Son / Wife / Daughter
of _____ aged _____ years. Residing at _____
_____ ; and

2. Shri./Smt./Kum./_____ Son / Wife / Daughter
of _____ aged _____ years. Residing at _____
_____ ; and

3. Shri./Smt./Kum./_____ Son / Wife / Daughter
of _____ aged _____ years. Residing at _____
_____ ; and etc.

4.

5.

.

.

20.

Who are members of the _____ group, hereafter referred to
collectively as “The Self-Help Group(SHG) Members”, which expression shall, unless
repugnant to the context or meaning, include every member of the said SHG and their
respective legal heirs, executors and administrators.

WHEREAS all SHG members are residents of _____
Village in _____ Panchayat _____ District of the
State of Kerala are known to each other.

WHEREAS The SHG members above named have joined voluntarily together and formed the SHG with intent to carry savings and credit and other economic activities for mutual benefit subject to the terms and conditions hereinafter appearing:

NOW THEREFORE THIS AGREEMENT WTNESSETH THAT:-

1. Each member of the SHG shall save a sum of ₹_____ (Rupees_____ Only) or such sum as may be decided by the group, on weekly/fortnightly-monthly basis which shall be deposited with the authorized member of the group
2. Each member shall strive for the success of the SHG and shall not act in any manner detrimental to the business interests of the SHG.
3. The SHG members shall be jointly and severally liable for all the debts contracted by the SHG.
4. All assets and goods acquired by the SHG shall be in the joint ownership of all the members of the SHG and shall ordinarily be in the constructive custody of such Member as maybe authorized by the group and shall be kept at the place of business at_____ which shall not be changed without consent of the SHG members.
5. The SHG members hereby duly elect and appoint
Shri/Smt/Kum. _____ As _____
Shri/Smt/Kum. _____ As _____
Shri/Smt/Kum. _____ As _____
(By whatever name designated) to look after and manage the day to day affairs of the SHG's activities and also act in their name and on their behalf in all matters relating thereto. The authorized representatives, may however, be removed at any time by majority vote of the members and new representatives can be elected.
6. Each of the SHG members hereby agrees to abide by and ratify all such act, deeds and things as the authorized representatives may do in the interest of the said activities.
7. The authorized representatives shall take decisions in the day to day working of the SHG and each representative shall actively involve herself or himself and co-operate in looking after the day to day affairs of the SHG activities in particular to attend to the following activities.

Every member of the SHG hereby authorizes the representatives to apply for the loan on behalf of the SHG and execute necessary agreements/documents on behalf of the SHG for the purpose. The authorized representative may collect loan amounts from the financing agency on behalf of SHG, deposit the same in the savings accounts of the SHG for on lending to members in accordance with the decision of the SHG and also deposit recovery of loan installment from members in the loan account/s of SHG with the bank.

8. The SHG members hereby specifically authorize the representatives:
- (i) To open Bank accounts in (_____) bank approved by the SHG and operate the same under the joint signature of any two of the following authorized representatives.

Shri/Smt/Kum. _____
Shri/Smt/Kum. _____
Shri/Smt/Kum. _____
 - (ii) To keep or cause to be kept books of accounts of the savings, made by the SHG Members, loans granted to them and the recoveries made from them and render every year the full accounts to the SHG members for their approval and adoption.
 - (iii) To receive all payments due to the SHG and issue requisite receipts or acknowledgements for and on behalf of the SHG.
 - (iv) To institute and defend on behalf of the SHG members any legal proceedings and safeguard the interests of each member of the said SHG and for this purpose engage or disengage any lawyer or advocate or agent and incur the necessary legal expenses in connection therewith.
9. In the event of death of any of the members of the SHG, his/her legal heirs shall be entitled for the benefits and be liable for the obligations of the deceased member under this agreement.
10. It is agreed that no new person shall be inducted as a member of the SHG without consent of all the existing members.

WITNESS WHEREOF the aforesaid members of the SHG have set their respective hands hereunto at the place _____ and on _____ day of _____ month _____ year first here in appearing.

Name of the member of the SHG

Signature/s / Thump impression

1)

2)

3)

4)

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20)

WITNESSES:-

1.

2.

(Note: The SHG shall not consist of more than 20 persons)

ANNEXURE –II

Specimen of application to be submitted by SHG to NGO while applying for loan assistance

Name of the self-Help Group:

Address

Formed/Established on

Registered: Yes/No

If registered: give number and date:

And furnish true copy of the Certificate of Registration.

Number of members in the Group:

Name of Self Help Promoting Institute/Non Governmental Organization/Voluntary Agency assisting the Group: if any:

To.

Date:

The Executive Director

NGO :.....

(Should be filled up with Particulars of NGO in case Assistance is given through them)

Dear Sir,

Application for Loan

We the duly authorized representatives of the above SHG hereby apply for a loan aggregating ₹_____-/- (Rupees _____only) for on-lending to our Members. The Financial particulars of the groups as on _____ (date) are given in the enclosed sheet.

2. REPAYMENT SCHEDULE:

We agree to repay the loan amount as per the repayment schedule which may be fixed by you.

3. A copy of the Inter-se Agreement executed by all the members of the group authorizing us interalia to borrow on behalf of the SHG is enclosed.

4. We hereby declare that the particulars given above are true and correct to the best of our knowledge and belief.

5. We hereby authorize the NGO (Name to be mentioned) to disclose all or any particulars or details or information relating to our loan accounts with the NGO, to any other financial institution including KSBCDC, Government or any agency as may be considered necessary or desirable by the NGO. It will be in order for the NGO to disqualify the SHG from receiving any credit facilities from the NGO and/or recall the entire loan amount or any part thereof granted on this application, if any of the information pertaining to the group, furnished herewith is found incorrect and/or containing misrepresentation of facts.

Yours faithfully,

1.

2.

(Authorized representative)

ANNEXURE-III

FINANCIAL PARTICULARS OF SELF HELP GROUP

Name of the Self Help Group with Full Address :

Financial Particulars as on _____

Sl.No	Particulars	Amount
1.	Savings from Members:	
2	Seed Money from Non-Governmental Organizations, if any	
3.	Borrowing Outstanding: (Please specify source)	
4.	Loans outstanding against members (Total)	
5	Amount in default, if any, against members (Total)	
6.	Recovery percentage	
7	Cash/Bank balance	

Enclose copy of bank passbook and the outstanding, loan statement (if any) of the Group as a whole.

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ANNEXURE-IV
FORMAT OF ARTICLES OF AGREEMENT FOR USE BY NGOs WHILE
FINANCIANG SELF HELP GROUPS

The Articles of Agreement made on this _____ day of _____
201__ at _____ by and Between.

M/s. _____ (Name of SHG) _____ and
unregistered/registered association of persons/individuals have its office at
_____ represented by its authorized representative

Shri/Smt. _____,
(Name) (Designation)

and Shri./Smt. _____,
(Name) (Designation)

Who are fully authorized by the members of the SHG, (a copy of such Authorization is annexed hereto and forms part of this agreement), hereinafter referred to as the “borrower” which expression shall unless repugnant to the subject or context thereof, mean and include members of the unregistered association of the time being, their respective successors, legal heirs, administrators and assigns of the one part and _____ (name of the NGO) a body corporate constituted under the _____ Act _____ having its Head Office at _____ and the Branches, inter alia, one at _____ hereinafter called “the Bank” which expression shall unless repugnant to the subject or context thereof mean and include its successors and assignees of the second part.

Whereas the borrower is an unregistered/registered association of persons who have inter-se agreed to help each other as self-help group with a view to developing and ameliorating the socio-economic conditions of their members.

Whereas having formed the association as a self help group, the Borrower as per application dated _____ made by the said

Shri/Smt. _____,
(Name) (Designation)

Shri/Smt. _____,
(Name) (Designation)

authorized to borrow in terms of its resolution dated _____(copy enclosed), requested the NGO to grant a loan/extent credit facility of ₹_____/up to the limit of ₹_____/ (Rupees _____ Only) for on ending to its members.

And whereas the NGO has agreed to grant the loan/extend credit facility to the borrower on certain terms and conditions. (delete whichever is not applicable)

And whereas the NGO and the borrower are desirous of reducing the agreed terms into writing.

Now, therefore, this agreement witnessed as follows:

1. The NGO has agreed to grant and the borrower has agreed to borrow by way of term loan/cash credit(clean) unto to the limit of ₹_____/ (Rupees_____only) and the NGO has opened (SPECIFY THE KIND OF LOAN ACCOUNT A/c No._____ of date_____ in the name of the borrower in its book of accounts.
2. In case the facility availed is cash credit the Borrowers will operate the cash credit account satisfactorily and within the limit and the borrower shall repay the outstanding liability in the account inclusive of interest and other charges debited from time to time on demand without demur.
3. In case loan availed in Demand Loan, without prejudice to the right of the NGO to recall the loan on demand the Borrower undertakes to repay the loan with interest and other charges within the period stipulated in terms of sanction.
4. In case the credit facility availed of by the borrower is a term loan the same shall be repayable in installment in the manner specified here below in the repayment schedule (as per, repayment schedule enclosed). Besides the borrower will pay interest at the rates that may be prescribed for such lending by KSBCDC, from time to time.
5. It is clearly understood by and between the parties hereto that in the event of the borrower's failure to utilized the proceeds of the credit facility for the purpose for which the same has been made available by the NGO to the borrower, the borrower shall repay immediately on demand without demur together with interest without prejudice to NGO's right to initiate other legal action.

6. The borrower shall pay interest of the loans to be calculated on the daily balances in the account and be debited there to at quarterly rests or as the NGO may decide.
7. The borrower should utilize the proceeds of the credit facility for the purpose of lending to its members to improve the socio-economic conditions of their members and their families.
8. The borrower shall repay the credit facility availed of together with interest payable as per the interest rates that may be fixed by KSBCDC Ltd from time to time for such lending.
9. The borrower shall be liable to repay the facility on demand together with the interest and other charges payable by the borrower to the NGO in accordance with the rules of the NGO.

Enclosure to ANNEXURE-IV

REPAYMENT SCHEDULE

(The details of the repayment schedule should be indicated here.)

In witness whereof the parties hereto have affixed their signature on the _____ date and the _____ month and _____ year first herein above written.

FOR SHG

1) AUTHORISED REPRESENTATIVE

2) AUTHORISED REPRESENTATIVE

FOR NGO

EXECUTIVE DIRECTOR

PRESIDENT OF NGO

ANNEXURE-V

UNDERTAKING

We, the following members of the _____
(name of the SHG to be mentioned)

Self-Help Group who are residents of _____ Village of _____
_____ Panchayat of the _____ District of Kerala have joined voluntarily together and formed the SHG with intent to carry on savings and credit and other economic activities for mutual benefit, do hereby undertake that we will be collectively responsible to repay the loan taken from NGO (Name to be mentioned) as per the repayment schedule. We also further, undertake that we will be collectively responsible for repayment of the loan in case of default in repayment by any one or more members of the Self-Help Group.

Name of the member of the SHG

Signature/s/Thumb Impression

- 1)
- 2)
- 3)
- 4)
- .
- .
- .
- 20)

Witnesses:-

- 1.
- 2.

(Note: The SHG Shall not consist of more than 20 persons)

ANNEXURE-VI

Specimen of application to be submitted by NGO to KSBCDC Ltd., while applying for loan assistance for on-lending to SHGs

Date:

Name of the NGO :

Address:

Formed/Established on: Registration No.

Type of activities undertaken: (to be specified below)

To:

The Managing Director
KSBCDC Ltd.

Sir,

Sub: Application for Loan

We hereby apply for loan of ₹ _____/-
(Rupees _____) required by us for the purpose of on-lending
to the Members of _____ (No.) _____ Self-Help Groups as per list
enclosed.

2. Repayment schedule

We agree to repay the loan amount as per the repayment schedule which may be
fixed by the KSBCDC Ltd.

3. Particulars of loans extended to SHGs and existing liabilities from other financial institutions/agencies along with audited balance sheet for the last three years is enclosed.

4. We hereby declare that the particulars given above are true and correct to the best of our knowledge and belief.
5. We hereby authorize the KSBCDC Ltd to disclose all or any particulars of details or information relating to our loan accounts with the KSBCDC Ltd., to any other financial institutions, government or any agency as may be considered necessary or desirable by the KSBCDC Ltd. It will be in order for the KSBCDC Ltd to disqualify our Organization from receiving any further credit facilities from the KSBCDC Ltd. and/or recall the entire loan amount or any part thereof granted on this application in case any information furnished herewith is found incorrect and or containing misrepresentation of facts.

Yours faithfully

(President)

(Secretary)

(Also Affix Official Stamp of the Agency)

1. ORGANIZATION DIRECTORY:

- a) Name of the Organization : _____
- b) Address (PIN) : _____
- c) State : _____
- d) District : _____
- e) Block : _____
- f) Phone No.(with STD code) : _____
- g) Fax No. (if any) : _____
- h) Registration No. of the Organization : _____
- i) Date of Registration : _____
- j) Date of Renewal, if any : _____
- k) Area of operation : _____
- l) Name of the Bank of organization : _____
- m) Account No. : _____
- n) Name and Designation of : _____

Chief Functionary:

2. Details of Socio-economic developmental programmes implemented by the organization during last 3 years (year wise)

Year (1)	Name of the Programme (2)	Funded by (3)	Amount received (4)	Achievements (5)

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

3. Experience of the organization in CREDIT Activity during last three years (Year wise)

Years	Activities for which loan given	No.of SHGs	No. of Borrowers	Amount of loan disbursed	Amount which was due for recovery i.e., Demand	Amount Actually Recovered	% age of recovery to Demand 7.6	Source of funds
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

4. Experience of the organization in thrift/savings and formation for SHGs. Please give details as below (position as on _____)

Sl. No .	Name & Address of SHG	Date of formation	No.of members	Savings Mobilized	Loan given out of savings	Amount recovered	Amount of loan outstanding
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

5. Proposed lending programme in the current year:

Sl. No.	Category of loan	Name of Activities	No. of SHGs	No. of Borrowers	Average Amount of loan per beneficiary	Total Amount required (5 x 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Total					

6. Sources available with the Organization

Sl.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.	Savings of SHGs/members			
3.	Recovery of loans from SHGs/members			
4.	Other sources such as grants/donations, etc			
5.	Borrowings (other than this application of KSBCDC)			
	Total :			

7. Financial Assistance required from KSBCDC (ie. para 5-6)

Sl.No.	Category of loan	Name of Activities	No. of SHGs	No. of Borrowers	Average amount of loan per beneficiary	Amount Required from KSBCDC
(1)	(2)	(3)	(4)	(5)	(6)	(7)

8. Financial position of the organization as per Balance Sheet (As on.....)

- (i) Fixed Assets Rs.....
- (ii) Current Assets Rs.....
- (iii) Borrowing (details of borrowings, if any may be given in the Performa below) Rs.....
- (iv) Other Liabilities Rs.....

9. Organizational Set-up and Training

(i) Details of Staff:

No. of Staff with the Organization	Trained	Untrained	Total
(1)	(2)	(3)	(4)
(a) Office/Supervisory Staff			
(b) Field/Extension Staff			
Total:			

(ii) Details of arrangements available with the organization for training of its staff/SHGs.

10. Check List

(Please enclose the following)

Sl.No.	Details of enclosures	Yes/No	Annexure No.
(1)	(2)	(3)	(4)
1.	Attested copy of the original Registration Certificate/Renewals.		
2.	Attested Copy of Memorandum of Association/Bye-laws.		
3.	Indicate the provision to borrow from outside agency (pl. give para/page nos. of bye- laws)	Page No. Para No.	
4.	Main objectives/purpose/background of forming organization – a brief note		
5.	Bio-date of the chief functionary		
6.	Composition of the current Managing Committee with name, designation and address of their members (with relevant copy of resolution of general body)		
7.	Copy of the audited accounts and Balance-sheet of the organization for the last three years.		
8.	Copy of the resolution passed by Management Committee seeking loan (amount Rs.....)from KSB CDC		
9.	Copies of Annual Reports of last three yeas.		
10.	Copies of testimonials received from funding agencies/Government. Departments etc., if any.		

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 & Designation of Chief Executive)

Encls: _____ Sheets

ANNEXURE-VII

Particulars of SHGs Proposed to be assisted

NAME OF THE NGO/HELP PROMOTING INSTITUTION:

Sl. No	Name of the SHG	Address	Date of Formation	No. of members			% of target population	Total savings	Total Lendings Outstanding Against Members	Recovery percentage	Remarks, if any
				Female	Male	Total					
(1)	(2)	(3)	(4)	(5)			(6)*	(7)	(8)	(9)	(10)

Secretary

President

** If NBCFDC scheme loan is requested, target population is OBC and if NMDFC scheme loan is requested, target population is minorities*

** Soft copy of group photograph of all SHGs has to be submitted.*

AGREEMENT – VIII

AGREEMENT

This deed agreement is executed on this _____20 at _____ between M/s _____ a NGO registered as a Charitable Trust under the provisions of _____ having its Registered Office at _____ represented by its President and Co-ordinator, who is duly authorized and empowered under the Rules and bye laws to enter this for and on Behalf of the said NGO, hereafter called the "Borrower" which expression shall, unless repugnant to the subject or context thereof, mean and include their successors/assigns/administrators/executors in the office as the one part and KSBCDC Ltd., a Company incorporated under the Companies Act 1956, having its registered office at TC 27/588 (7) & (8), Sentinel, 2nd Floor, Pattoor, Vanchiyoore PO, Thiruvananthapuram represented by its Managing Director and hereinafter called the "KSBCDC Ltd", which expression shall, unless repugnant to the subject or context thereof, mean and include its successors/assignees/administrators/executors in office as the second part.

Whereas, the borrower which has undertaken to promote and help the self-help groups (SHGs) with a view to developing and ameliorate socio-economic conditions of the members of the SHG and their families.

Whereas the Borrower has requested the KSBCDC to sanction a sum of ₹ _____/- (Rupees _____) for on-lending to the self help groups (SHGs) for meeting the credit requirement of their members as per the SHGs request.

And whereas the KSBCDC has agreed to allow Rs _____/- (Rupees _____) as loan on certain terms and conditions.

TERMS AND CONDITIONS:

I. Utilization:

The borrower should utilize the loan amount, within a reasonable time by way of meeting the credit requirement of SHGs, constituted and functioning as per the guidelines of KSBCDC. The guidelines attached to this agreement will be the part of this agreement.

The borrower should keep proper books of account in time and the officials of KSBCDC can visit and inspect the said books of account on office hours and the borrowers are bound to produce it before the KSBCDC, when the KSBCDC wants.

II. INTEREST

1. The parties mutually agreed to charge interest on loan as follows:

- | | | | |
|----|----------------|---|--------|
| a) | KSBCDC to NGO | - |% |
| b) | NGO to SHG | - |% |
| c) | SHG to Members | - |% |

2. The borrower hereby agreed to pay interest on loan on the daily balances in the loan account and be debited thereto at monthly rates or as the KSBCDC may decide.

III. REPAYMENT

1. The borrower hereby agreed to repay the amount of loan with interest as per the following schedule of repayment irrespective of the basis of repayment by SHGs to NGO.
2. The KSBCDC can charge penal interest at the rate fixed by the KSBCDC from time to time in the event of failure to repay the amount as scheduled above and the mis-utilisation of the loan amount.
3. The KSBCDC can charge the other charges including the incidental expenses from the borrower along with the interest.

For NGO

For KSBCDC

IV SECURITY

The borrower should produce the sufficient security by way of collateral or tangible security to secure and guarantee the repayment for the satisfaction of the KSBCDC Ltd.

V MISCELLANEOUS

1. The guidelines issued by the KSBCDC in connection with the micro-credit scheme and the sanctioning order duly signed and issued by the KSBCDC will also be the part of this agreement.
2. The parties can amend, change, vary, include, or exclude any part of this agreement time to time by way of mutual consent between the parties.
3. The KSBCDC can take legal action against the borrower in case any breach of this agreement committed by the borrower under the due process of law.

For NGO

For KSBCDC

Witnesses :-

(1)

(2)

MODEL REPAYMENT SCHEDULE FOR LOAN AMOUNT OF ₹ 25,000/-

1. Amount of the loan	:	₹ 25,000/-
II. Rate of interest to be charged by NGO from SHG	:	
III. Rate of interest to be charged by SHG from beneficiaries	:	
III. Repayment period	:	
IV. Monthly installment	:	

ANNEXURE – IX

APPLICATION FOR ENLISTMENT OF NGOS
CHECK LIST

Sl. No.	Particulars	Remarks
01	Attested copy of Registration Certificate/Renewal	
02	Memorandum of Association	
03	Main objectives/purpose/background of the organization	
04	Bio-data of the Chief functionary	
05	Composition of the current Managing Committee	
06	Copy of the audited accounts for the last 3 years	
07	Copies of Annual Reports of the last three years (irregularities if any)	
08	Copies of testimonials received from funding Agencies/Government Departments if any	
09	Copy of Bank Pass Book/Bank statement of NGO	
10	Copy of Bank Pass Book/Statement of 5 main SHGs	
11	Certificate showing that office bearers are not elected members of any political party	

1. ORGANIZATION DIRECTORY:

- a) Name of the Organisation : _____
- b) Address : _____

- c) State : _____
- d) District : _____
- e) Block : _____
- f) Phone No. (with STD code) : _____
- g) Fax No. (if any) : _____
- h) Registration No. of the Organisation : _____
- i) Date of Registration : _____
- j) Date of Renewal, if any : _____
- k) Geographical area of operation : _____
- l) Name of the Bank of organization : _____
- m) Account No. : _____
- n) Name and Designation of
Chief Functionary : _____

2. Details of Socio-economic developmental programmes implemented by the organization during last 3 years (yearwise)

Year	Name of the Programme	Funded by	Amount received	Achievements
(1)	(2)	(3)	(4)	(5)

3. Experience of the organization if any in Micro Credit Activity during last three years (Year wise)

Years	Total No. of SHGs	Total No. of Members	Total savings/ thrift	Total Loan disbursed
(1)	(2)	(3)	(4)	(5)

4. Age of SHGs

Age	Number
Up to 01 year	
01 to 02 years	
02 to 03 years	
03 and above	

5. Details of OBCs & Minorities in SHGs

	Number of SHGs	Total no. of members in these SHGs
SHGs in which at least 75% members are OBCs		
SHGs in which at least 75% members are Minorities		

6. Sources available with the Organization (Supporting documents shall be produced)

Sl. 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	Savings of SHGs/members			
3	Recovery of loans from SHGs/members			
4	Other sources such as grants/donations etc.			

5	Borrowings (other than from KSBCDC)			
	Total:-			

7) Financial position of the organization as per Balance Sheet

	Year 1	Year 2	Year 3
Financial Year	2009-10	2010-11	2011-12
(i) Fixed Assets			
(ii) Current Assets			
(iii) Borrowings (details of borrowings, if any may be given in the Performa below)			
(iv) Other Liabilities			

8) Organisational Set-up and Training in Micro Credit

(i) Details of staff:

No. of staff with the organization	Trained	Untrained	Total
(1)	(2)	(3)	(4)
(a) Office/Supervisory Staff			
(b) Field/Extension Staff			
Total:			

(ii) details of arrangements available with the organization for training of its staff/SHGs

CERTIFICATE

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 & Designation of Chief Executive)

Encls: _____ sheets

ANNEXURE X
FORMAT OF UTILISATION CERTIFICATE

Form 1. List of Beneficiaries

Name of SHG	Sl.No	Name & Address of the beneficiary	Father's/ Husband's Name	Gender	Age	Caste	Annual Income	Loan Amount	Name of the scheme

Form 2: List of SHGs

(NBCFDC Fund)

Sl.No	Name of SHG	Total No. of Members	No. of OBC Members	No. of members availed loan	No. of OBC Members availed loan	Loan to SHG

(NMDFC Fund)

Sl.No	Name of SHG	Total No. of Members	No. of Minority Members	No. of members availed loan	No. of Minority Members availed loan	Loan to SHG

Form 3: Overall Consolidation

(NBCFDC Fund)

Particulars	No. of beneficiaries	Loan Amount
OBC beneficiaries		
Others		
Total		
Male		
Female		
Total		
Urban		
Rural		
Total		

(NMDFC Fund)

Particulars	No. of beneficiaries	Loan Amount
Christians		
Muslims		
Others		
Total		
Male		
Female		
Total		
Urban		
Rural		
Total		