

MASK METHODOLOGY FOR MICRO-CREDIT ASSISTANCE

POLICY

1. Loans in the form of Micro-credit Assistance are given only to the Self-Help Groups (SHGs) and not directly to individuals.
2. Loans will be given to SHGs only after a year of the formation of a group.
3. The group must have an experience of at least six months in internal loaning (i.e. loans from its own resources) before applying for a loan.
4. Conditions for applying for a loan :
 - i. The group's savings, repayment of loans with interest and attendance at their meetings will have to be very regular.
 - ii. The group will have to attend and participate at cluster level meetings, capacity building programmes and meetings, conducted or organized by MASK, either for Presidents and Secretaries or for group members.
 - iii. The group will have to participate in any rallies or protests on social issues organized by the Federation.
5. The group will then have to be rated or assessed on the basis of a NABARD (National Bank for Agriculture and Rural Development) format. If the group secures 75 % and above it would be eligible for a loan. The results of the assessment will be valid only for a period of six months. Therefore, if a group has not been assessed within the six months preceding the date of the application for the loan, a fresh assessment will have to be done.
6. Loans will be given for a maximum period of three years.
7. The quantum of loan will be to the tune of 1: 4 of the group's total capital. For the first time loan will be given up to a limit of Rs. 10,000/- for the second time in the ratio of 1:3 and the third time in the ratio of 1:4. The maximum limit will be that of 1:4
8. The application for a loan, signed by all members of the group, will have to be made in the prescribed format of MASK giving the following details:

- Profile of the Group
 - Financial Status of the group for the preceding month.
 - Purpose / purposes and amount of the loan
 - History of previous loans and their repayment.
9. The following documents will have to be submitted along with the application:
 - i. A True copy of the resolution to apply for the loan, passed by the group at its monthly meeting. The true copy will have to be attested by the President and Secretary of the group.
 - ii. A Financial Statement (Balance Sheet) of the group, as at the month preceding the date of the loan application, along with Schedule 'A' (Details of each member's savings) and Schedule 'B' (Details of members loans)
 - iii. A Declaration in the prescribed format, forming part of the application form, signed by all the members.
 10. Loans are given by cheques. Only in emergencies like hospitalization etc, loans are given in cash on a verbal request made by the President or Secretary of the group and the Area Coordinator and the formalities are completed later.
 11. Loans are repaid in installments as per the Demand and Repayment Schedule.
 12. No loans will be given a second time to those groups who delay in paying installments and interest without justifiable reasons and to those groups who would misuse the loan.
 13. The area coordinators committee of MASK is the sanctioning authority. Two governing Body Members of MASK, along with the area coordinators representing cluster of SHGs, form the area coordinators committee. The President or the Vice-President or the Secretary of MASK will be on the committee, along with any other Governing Body Member of MASK.
 14. The area coordinators committee will have the authority to sanction loans up to Rs. 1,00,000/- (Rupees One Lakh) only.
 15. Any application for a loan above Rs. 1,00,000/- will be decided by the Governing Body of MASK.

PROCEDURE

1. The application will have to be submitted to the area coordinator of the respective cluster.
2. The area coordinator will hand over the application to a field staff of MASK.

3. The field staff will in turn submit a report (in the given format , included in the application form) on the functioning of the group and its records and registers after interacting with the members and inspecting the books of accounts and records and registers of the group.
4. The field staff will then return the application form with her / his report and comments, to the respective area coordinator.
5. The area coordinator will then present the application along with her /his comments at the area coordinator's committee meeting which is held once a month.
6. The members present at the area coordinators committee meeting will seek for explanations and clarifications after which the application will be discussed and a resolution taken.
7. In case the group has not been assessed in the six months preceding the date of the loan application, the group will have to be assessed or evaluated in the prescribed format of MASK, based on the NABARD format. However, a loan could be sanctioned conditionally, pending the results of the assessment.
8. The area coordinator of the respective group will inform the group of the area coordinator's decision.
9. In case the loan is sanctioned, the President and Secretary of the group will have to collect the cheque from the office of MASK, within a week, on any working day between 9 to 11 am.
10. Before receiving the loan all the members of the group will have to sign a Promissory Note in the prescribed format, as given in the Terms and Conditions below.
11. The President and Secretary will have to affix their stamp and sign on the reverse of the cheque, on the payment voucher of MASK and on the Demand and Repayment Schedule of MASK.

TERMS AND CONDITIONS

1. **Repayment Schedule :** The loan will have to be paid in installments, or the total amount after a fixed period of time, as per the demand schedule agreed upon and mentioned in the application form.
2. **Interest:** Interest will be charged at the rate of Rs. 0.50 ps. per month for every Rs. 100/- which works out to 6 % interest per annum. Interest will be paid on quarterly basis.
3. **Service Charge :** The service charge for services rendered by MASK, -for supervising and monitoring the functioning and progress of groups and for conducting ongoing training programmes and other such services, will be Rs. 0.50 ps. per month

for every Rs. 100/- which works out to 6 % interest per annum. Service charges will be paid along with the interest, on quarterly basis.

4. **Fine:** In case of any default of payment of installment as per the demand schedule, a fine of Rs. 1/- will be charged on every Rs. 100/- that has to be paid as installment during that month, which works out to 12 % per annum.
5. **Default of Installments or Interest:** In case the installments or interest are not paid as per the Loan Demand Schedule or in case the loan amount is misused, MASK has the right to recover any dues by confiscating either the assets purchased from the loans or any other personal assets belonging to any or all of the SHG members to recover the amount of the dues.
6. **Misuse of Loan:** The loan shall be used only by those members of the group whose names are mentioned in the application form and only for the purpose or purposes as mentioned in the application form and the purpose or purposes for which the loan is sanctioned. In case the loan is taken for a common group activity, it shall be used only for the activity mentioned in the loan application. No amount of the loan shall be used for lending outside the group, to any person / persons or group, who are not members. In case of misuse of the loan, MASK would have the right to demand immediate repayment of the loan with interest.
7. **Declaration :** A group receiving the loan, shall give the following declaration signed by all the members of the group.

“We, the undersigned members of _____
(SHG) do hereby solemnly declare that all the information given in the application form is true to the best of our knowledge and belief. We jointly and severally undertake to pay the quarterly interest and service charges due and to repay the loan in installments on the terms and conditions as stated in the application form. Any alterations or changes in the terms and conditions or changes in the rates of interest and service charges, made by MASK, from time to time, with regard to loans, will be agreeable to us and binding on us. MASK is not bound to inform us personally, of any such alterations or changes that will be made. MASK has the right to inspect our books of accounts our minutes book and any other records or registers maintained by the group. MASK also has the right to assess or evaluate the group at any time. In case the loan is misused by any member or the group, MASK would have the right to demand full and immediate repayment of the loan with interest and service charges and we undertake to repay on demand the total amount due along with interest and service charges. In case we fail to pay any dues demanded, MASK has the right to confiscate any assets of the group or assets of any individual member or assets of all the members of the group, to recover any dues of the loan.”

8. **Promissory Note** : The format for the Promissory Note to be signed by all the members of the group before receiving the loan is as given below:

“On demand we the members of _____
(SHG) of _____ (address
of the group) jointly and severally promise to pay ‘Mahila Shakti
Kendra’ (MASK) or order, the sum of Rupees (in words)
_____ together with interest and service charges, on such sum from this date,
at the rate of six percent interest and six percent service charge per
annum, with quarterly rest for the value received”

Date : 21 February, 2006

Place : Balipara

FOR MAHILA SHAKTI KENDRA

Eliza Boro
Secretary