

Scheme for writing off of loans/ Dues of SCAs in the Event of Non-receipt of loan from Beneficiaries due to Death, disability and Natural Calamity

Objective of the Scheme

NMDFC is engaged in social lending for poverty alleviation through State Channelising Agencies (SCAs) nominated by the respective State Govt. NMDFC loan is secured against the Govt. Guarantee provided by the SCAs and in turn loan advanced by the SCAs to beneficiaries is generally secured by some sort of security measure taken by the SCAs. Despite of this, there bound to be some NPA in the event of death or disability or suffering from natural calamities by the beneficiaries. The objective of the scheme is to consider writing-off of loans/ dues of the SCAs of NMDFC in the event of non receipt of loan from the beneficiaries due to death, disability and natural calamities.

Definition of Events

Death means natural, accidental or incidental death. Natural death could be due to age or unavoidable disease and accidental/ incidental death could be due to road accident or any other incident.

Disability means full or partial disability (physical/ mental) of permanent nature, minimum of 40%, due to accident or disease.

Calamities include natural or accidental calamities. Natural calamities could be flood, cyclone, earthquake or drought. Accidental calamities could be fire or riots. Damages arising out of theft of the assets are excluded.

Eligibility Criteria

All affected beneficiaries of SCAs having outstanding loans/ dues.

In case of death, where the running of the income generating unit is adversely affected and the legal heir/ family of the beneficiary are not in a position to carry on the business or repay the outstanding loan/ dues.

In case of disability, where the beneficiary has suffered a permanent disability, thereby affecting the performance of the business activity and reducing the income generation/ repayment capacity.

In case of calamities, where beneficiary/ unit has suffered an irretrievable loss or damage to the working tools / equipments / productive assets purchased out of NMDFC loan and used for self-employment/ income generation.

Identification of Affected Beneficiaries

The SCAs would identify and carry out detailed verification/ assessment of the loss/ damage to the affected beneficiaries' consequent to the occurrence of events specified above. Based on the assessment report, the SCAs will submit their claims/ proposals for writing-off of loans/ dues of the affected beneficiaries.

Documents Required With the Claim/ Proposal

In case of death, death certificate issued by the registrar in the District or Municipality will be required.

In case of disability, certificate issued by the Medical Board with regard details of disability including percentage disability of the beneficiary will be required. The basis of percentage of disability will be the disability certificate issued by the Medical Board as per the provisions of the notification dated 01.06.2001 (for all types of disability except mental illness) and the notification dated 18.02.2002 (for mental illness) issued by the ministry of Social Justice & Empowerment. These notifications are published in the Gazette of India, Extraordinary, Part I, Section I dated 13.06.2001 and dated 23.02.2002 respectively.

In case of loss due to calamities, certificate with regard to the extent of damage to the beneficiary issued by the District Authorities will be required.

After verification/ assessment of the loss/ damage to the beneficiaries as per the above-mentioned supporting documents and relief required thereof, the SCA would prepare claim/ proposal to be submitted to NMDFC. The claim/ proposal of the SCA would consist of beneficiary-wise details with all supporting documents.

Procedure for Settlement of Claims

The SCA would apply for write-off of loans/ dues in the prescribed format as per the Annexure – I after the event had occurred and verification/ assessment of the damage had been made. SCA shall submit a Fact Finding report as per the format at Annexure – II. SCA shall also submit a certificate from Chartered Accountant for outstanding Dues and Verification of the Beneficiary as per the format at Annexure – III.

On receipt of the application from SCA, NMDFC would appraise the same and intimate its decision about the amount to be written-off to the SCA at the earliest. As per the decision of NMDFC, amount written-off would be credited to concerned SCA's loan / dues account and communicated to the SCA for adjustment in its accounts. NMDFC is already making provision for bad and doubtful debts and the amount written-off under this scheme would be adjusted against this cumulative provision. In any case, NMDFC will waive/write off a loan (including interest/Penal interest) to the extent it has actually charged on SCAs.

Extent of Write-Off of Loans Dues

In case of death, writing-off of 100% loan/ dues would be considered.

In case of disability, writing-off of loan/dues would be done on the basis of percentage disability mentioned in the certificate. Assets may continue to remain with the beneficiary and used by the family members for income generation.

In case of calamities, since the beneficiary gets compensation from Government agencies and insurance companies, writing-off of loan/ due by NMDFC would be by way of adjusting all repayments made by the beneficiary till the date of occurrence of the event in the loan/ principal amount. This would nullify the liability towards interest due up till the occurrence of event and reduce the liability towards principal repayment to the extent of interest already paid by the beneficiary. Further, the beneficiary would be eligible for a fresh loan from the SCA for restarting the business unit.

Benefits of the Scheme

In case of death, the successor of the beneficiary would not face any liability for repayment of loan/dues. The beneficiaries facing disability subsequent to availing NMDFC loans would also get relief

as major portion of their liability is written-off and the beneficiaries affected by the calamities (natural or accidental) would be in a position to restart their activities by availing fresh loans.

The SCAs would be benefited as their liability towards repayment of NMDFC dues would be reduced to the extent of amount written-off by NMDFC. In turn SCAs, at their level, would also be in a position to waive/ write-off loans/ dues of the beneficiaries with genuine problems. As a result this would help shedding NPAs and improving grass-root level recoveries.

Application Format for Availing Write-Off of Loans/ Dues

1. Name of the SCA/ State: _____

2. Details for Writing-Off of Loans/ Dues of Beneficiaries (Attested Copies of Supporting Documents Required)

(a) To be Written-Off for Death of Beneficiaries

S.No.	Name, Age & Address of the Beneficiary	Activity Undertaken & Whether Assets Taken Over by the SCA	Outstanding		Total	Natural Death/ Accidental Death (Supporting Documents Required)	Amount Proposed for Written-Off	
			Loan	Interest			Loan	Interest
1	2	3	4	5	6	7	8	9

Total (a) (8+9): Rs. _____

(b) To be Written-Off for Disability of Beneficiaries

S.No.	Name, Age & Address of the Beneficiary	Activity Undertaken	Outstanding		Total	Nature / % of Disability (Accidental/ Disease) (Supporting Documents Required)	Amount Proposed for Written-Off	
			Loan	Interest			Loan	Interest
1	2	3	4	5	6	7	8	9

Total (b) (8+9): Rs. _____

(c) To be Written-Off for Beneficiaries Affected by Calamity

S.No.	Name, Age & Address of the Beneficiary	Activity Undertaken	Outstanding		Total	Nature of Calamity (Natural/ Accidental) (Supporting Documents Required)	Interest Payment Adjusted Against Principal & Waived	Whether Fresh Loan Applied
			Loan	Interest				
1	2	3	4	5	6	7	8	9

Total (c)(8): Rs. _____

Grand Total (a+b+c): Rs. _____

It is to certify that the information given above is correct and the cases for writing-off of loans/ dues have been recommended after due verification/ assessment of the actual loss/ damage to the affected beneficiaries in line with the guidelines given in the scheme of NMDFC.

Managing Director

Date :

State Channelising Agency

Format for Making a Fact Finding Report

1. Name of the Beneficiary:
2. Date & Amount of Loan Taken under NMDFC Programme:
3. Activity for which the Loan was taken:
4. Status of the Beneficiary and the Value of Assets before the happening of Event (Death/ Disability/ Calamity):
5. Date of happening of the Event (Death/ Disability/ Calamity):
1. Details of the happening of the Event (Death/ Disability/ Calamity):
7. Status of the Beneficiary or Family of the Beneficiary (in case of death) and Value of the Assets after the happening of the Event (Death/ Disability/ Calamity):
8. Any other Remark or Justification in support of Write-off of Dues:

It is to certify that the information given above is correct as per the documents and the verification conducted by the undersigned on _____ (Date).

Verified by

Name, Designation and Signature of Officer of the SCA

Date :

Place:

Format for Auditors' / Chartered Accountant's Certificate for Outstanding Dues and Verification of the Beneficiary

1. Name of the Beneficiary:

2. Date & Amount of Loan Taken under NMDFC Programme:

3. Activity for which the Loan was taken:

4. Outstanding Dues of the Beneficiary with regard to Principal and Interest as on the date of Claim:

Date of Claim:

Total Outstanding:

Principal Outstanding:

Interest Outstanding:

5. Enclose copy of loan ledger of the beneficiary.

It is to certify that the above information is correct as per the verification and compilation done from the records maintained by the SCA.

Verified and Certified by

Name of the Partner, Seal and Signature on Behalf of Firm of the Chartered Accountants

Date :

Place: