

# Nation Lanka Finance PLC - MICRO FINANCE

## Key Facts Document

### 1. Products and Services

NLF ventured into Micro Finance under the product name “Dinawamu Lanka” which was a collective decision of the new Board of Directors as the Company envisaged the potential of using the talents and resources of the rural sector with the expansion in economic activities throughout the country.

The Company assists rural communities to set up enterprises, with a focus on assisting those, engaged in SMEs and agriculture and livestock activities. Micro Finance facilities are only given to women thereby empowering women in rural communities.

### 2. Procedures of obtaining NLF products and Services

Customers are invited to visit the Head Office or any Nation Lanka Finance branches in order to discuss their requirements and the pre-requisites to obtain a MF loan.

#### **GROUP FORMATION**

Before deciding on loan granting, **three meetings** will be held with the customers within **minimum of 15 days**, in order to educate the customers on our product and services, procedures, weekly meetings, recovery procedures, saving deposits and insurance.

NLF service providers will be guiding and instructing the customers to form their own group which should be done under following conditions.

- There should be **3 members in a group**.
- **All three** members of a group **should be in viable businesses** and the members of the same group should have **similar income level**.
- Employed women **are not** accepted.
- **Immediate family members cannot** be in the **same Group**.
- All three members of a group should be from the neighborhoods and trustworthy among them.
- Each one of the group is responsible for their own debts as a borrower and the facilities granted to the other two members as the guarantors.

## **SECURITIES**

**No tangible** securities are taken from the customers.

Customer may provide the certain relevant proof documents if needed or requested by Nation Lanka Finance PLC.

## **CROSS GUARANTORS / GROUP MEMBERS**

To obtain the MF loan the borrower needs two cross guarantors who with the borrower, is considered as a **Group** with **active MF loans obtained** from NLF PLC.

**In case if the borrower fails to pay back** the loan obtained from NLF, the **Cross Guarantors** should **take the full responsibility** of paying back the borrower's total loan outstanding amount, on behalf of the borrower.

## **VISITS TO THE CUSTOMER'S BUSINESS PLACE**

Once the customer has communicated her willingness to obtain a loan from NLF PLC, the service provider may visit customer's business place for the business evaluation purpose.

During the evaluation period the group members also need to be present in the borrower's business place, so that the group members get the opportunity to understand their other group member's business condition, before they sign as guarantors for the borrower's proposed loan.

## **LOAN APPROVAL**

After the submission of all relevant details with a **duly filled application** by the borrower The loan approval processes may **take minimum of 1 to 2 days**. Once Loan has been approved, the cheque will be disbursed after completing the legal processes.

### **3. Fixed Savings Deposits**

After the formation of the center and issuing the first loan, a **savings amount** will be collected **weekly** from the borrower. The **minimum compulsory savings amount is Rs.400/- monthly**.

In addition to this the borrower can deposit any amount within the same month.

This **monthly compulsory saving amount** can be paid as **weekly deposits** as follows;

1<sup>st</sup> week – Rs. 100.00

2<sup>nd</sup> week – Rs. 100.00

3<sup>rd</sup> week – Rs. 100.00

4<sup>th</sup> week – Rs. 100.00

On the settlement of the full loan amount with interest, the borrower can collect back the savings with a small interest added. The **savings amount will be paid back** only on the **borrower's written request**.

When **applying for another new loan after settling the previous one, if in case the savings deposits have been already withdrawn or utilized**; the borrower should deposit the **utilized savings amount back**, so that **'a minimum of 1% (of the new proposed loan amount) for below Rs.100,000/- loans and 5% (of the new proposed loan amount) for 100,000/- and above loans'**, will be remaining as a savings amount in her FSD account.

#### **4. Interest and Commission**

The current effective loan interest rate for the loans **is 18.88% per annum**. The interest rates applicable to the Micro Finance loans **may vary from time to time** according to the instructions of the Regulatory Bodies, Market Conditions and/or Company Director board's decision.

Before receiving our loan services, we advise our customers to consider, NOT only the Interest Rates BUT ALSO the overall cost incurred (interest and other charges too); in order to distinguish our ideal and fair services, provided in favor to our customers.

#### **5. Fees and other charges**

##### **Legal/Document Charges**

Once the loan has been approved, the company may charge the borrower, a nominal payment as follows for the purpose of legal and administration processes.

Documentation Charges	=	up to <b>5%</b> of the loan amount
Stamp Duty	=	up to <b>0.1%</b> of the loan amount

##### **Compulsory Savings Deposit Deduction**

An amount of 5% from the loan amount will be deducted as the Compulsory Saving Deposit which will be credited to the borrower's existing NLF Fixed Saving Deposit (FSD) Account.

##### **Insurance Charges**

An Insurance Premium, **minimum of Rs.250/-** may be collected for the loan protection insurance policy for each loan obtained. The Insurance Premium amount may change according to the loan amount and the period of the loan as shown below.

Loan Amount	Premium (including Tax)	Premium (including Tax)	Premium (including Tax)
	Per annum (48 weeks)	1 ½ Years (72 weeks)	2 Years (96 weeks)
Up to Rs.50,000	Rs.250.00		
Rs.50,001 to Rs.200,000	0.65% on loan amount	0.975% on loan amount	1.3% on loan amount
Rs.200,001 to Rs.300,000	0.75% on loan amount	1.125% on loan amount	1.5% on loan amount
Rs.300,001 to Rs.500,000	1.25% on loan amount	1.875% on loan amount	2.5% on loan amount

Further the above insurance charges **may vary from time to time** according to the Government Regulations or the changes made by the service providers.

During the insurance application processes the name of the person who runs/owns the business should be added to the policy.

## 6. Major Terms and Conditions

- Only female customers **between 18 – 65** years are allowed to obtain the loans.
- All members are requested to participate in the **CSS meetings held weekly. (90% attendance compulsory to get eligible for the next loan)**
- The **loan installments and the compulsory savings** will be collected **during every weekly meeting.**
- A **repayment card and a savings pass book** will be provided to each customer and **payments made by the customers should be updated** to those cards **then and there once payments are made.**

## POST SALES FOLLOW UP ACTIVITIES

### 7. Procedure for resolution of customer complaints

Staffs of Nation Lanka Finance PLC will provide their best services to the customers at any time when customer needs our services. At the same time NLF PLC is very much **concerned about its customer's satisfaction on its services too.** Therefore Customers **can provide their suggestions or any complaints regarding our services in writing or verbally** by contacting us through the following **contact numbers, emails or by posting/visiting directly to the following addresses.**

MICRO FINANCE DIVISION  
NATION LANKA FINANCE PLC  
No.28, Dickmans Road, Colombo 05

T.P No : **011 4760800**

Mobile no:

Email:

Customer's complaints will be handled in an ethical manner and will be sorted out **within 7 days** from complaint received date.

#### **8. Procedure for Recovery of Loan**

The loan installments should be paid on time **during every weekly meeting**.

If the loan installments are **not paid** continuously for **14 days**, a **default charge of 2% per month** will be charged from **the total loan installment amounts which are not paid** on due date.

Along with the above step, if customer is **not paying the rentals continuously for 2 weeks**, the service provider may **visit the borrower's business place /houses** during the **working day hours between 8a.m to 5p.m** or as per the customer's any preferred time, with / **without prior notification**. Meanwhile **Arrears payment will be notified** time to time **within 14 days from the date of rental not paid**, by sending **reminders** to the customers.

If no responses provided by the customers, on the reminders sent, **Legal procedures** will be followed **without any further notifications**.

#### **9. Compensation for premature withdrawal / termination**

If the customer settles the loan **completely**, **six months prior to the maturity date**, she can make a **written request** for a **rebate on the future interest**. In such a situation Micro Finance manager may provide a **rebate maximum up to 1% on future interest** of the loan.