**Palli Karma-Shahayak Foundation (PKSF)**

Plot: E-4/B, Agargaon Administrative Area

Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh

**Lending Procedure (LP)**

Palli Karma Sahayak Foundation (PKSF), as an apex second tier organization, does not lend money directly to the program participants at the field level. It chooses appropriate pro-poor institutions as Partner Organizations (POs) to channelize its funds to the end recipients. So this document illustrates the lending procedures at both PKSF to POs as well as POs to program participant level.

**PKSF to POs**

Based on the loan demand accumulated from the field level the POs will apply for loans (both for sanction and disbursement) under the different loan programs stated in the lending policy of PKSF. The operations department of PKSF will be responsible for dealing with the loan demand application submitted by the POs. The LP follows the following cycle-

1. **Application of Loan Sanction from POs:**

The lending procedure will start with the submission of application for loan sanction by the POs. Based on the field demand received from the branch offices the PO will consolidate the overall loan demand for the next one year. Based on their own assessment and future plan the PO will then finalize the overall demand and send the loan sanction application to PKSF in the prescribed format. Normally the POs will apply for loan sanction for the next financial year. But in case of any emergency demand or cessation of the existing sanction the PO can also apply any time during the year.

1. **Assessment of Loan Sanction Application:**

The respective panel of the operations department will then assess the loan sanction demand based on the past performance trend, overall capacity of the PO, scope of operation etc. After assessing the loan sanction application the panel will forward its proposal for the approval of the respective departmental head in order to take it up to the Loan Committee (LC).

1. **Approval of Loan Sanction:**

Once the proposal is approved by the respective departmental head then it will be taken to the LC as a Loan proposal memo. The LC will be chaired by the Managing Director while the respective departmental heads of Ops, Accounts & Finance, and Audit division along with the committee secretary will be the members of the LC. In case of old POs a cumulative loan sanction amount up to 2.0 (two) crore can be approved by the LC itself. For old POs those have the cumulative loan sanction amount (including the proposed amount) more than 2.0 (two) crore or any organization that has applied for the first time the LC have to forward its proposal through a memo to the Governing Board meeting for the final approval.

1. **Issuance of Sanction Letter:**

Once the loan sanction proposal is approved the operations department will send a sanction letter to the PO informing it about the sanction amount with other necessary particulars according to the loan program(s). Copy of the letter is sent to the Deputy Commissioner, Thana Nirbahi Officer (TNO), Thana Social Welfare Officer of the respective districts.

1. **Loan Agreement and Disbursement:**

After getting the sanction letter the PO will have to send its loan demand application under specific loan program(s) from the respective sanction for a specific period of time (normally for next 3 months). The loan demand will be assessed by the operation panel based on the performance trend, use of previous installments taken, compliance of visit and audit observations, and overall operational & financial health of the PO. After assessing the demand the panel will then put up its proposal to the respective departmental head who will forward it to the MD for the final approval.

Once the loan demand is approved, the PO will be communicated and PKSF will sign an agreement with the PO for the entire sanction amount. The respective PO has to take approval from its Executive Committee to take loan from PKSF before signing the agreement. The sanctioned amount can be disbursed (as per the approved loan demand) in one or more than one installments as approved by the LC or Board. Once the agreement for the sanction amount is done disbursement can be made from the respective sanction amount until it finishes through signing a separate promissory note by taking the prior approval of MD as written above. The loan will be given to the PO through account payee check or demand draft (DD) in favor of its bank account. PO will then send the money to the bank accounts of its respective branches according to their loan demand.

**POs to Program Participants:**

1. **Verbal loan proposal from group member:**

The program participant herself/himself will identify a profitable income generating activity and will make loan proposal specifying the type and amount of loan verbally in the group meeting.

1. **Consent of the group:**

The group will discuss about the feasibility of proposed income generating activity as well as assess the overall affordability of respective applicant and take decision whether the proposal and the proposed loan size is acceptable or not. This overall process will take place in the group meeting and must be recorded in the resolution book of the group along with the group’s decision about the loan proposal and two-third of group members must be present and sign the resolution book.

1. **Formal Application of loan:**

After receiving the consent of group, the applicant will fill up the prescribed loan application form of the PO and submit it to the respective the branch office along with the required supporting documents as per the policy of POs under that loan program.

1. **Loan Assessment:**

The loan officer (LO) of the PO will then assess the loan application based on the group meeting attendance of the member, savings behavior and balance, members capacity doing the proposed activity, financial feasibility of that activity, overall asset liability condition and affordability of the member.

1. **Loan Approval:**

After assessing the loan application the LO will then forward it to the BM who will recheck the assessment and then approve and sign the loan proposal accordingly if he or she find the assessment satisfactory. In case of BM not having the authority to approve the proposal, he or she will send the proposal to the proper approval authority set by the PO based on the loan program or loan size.

1. **Loan Disbursement:**

Once the loan is approved by the proper authority the member will be informed about the approved loan amount and the date on which the loan will be disbursed. The member have to come to the branch office with his or her pass book and other required documents in order to take the loan which can be given both in cash or bank cheque. On behalf of the PO an authorized person of the branch office will sign in to an agreement with the member which must include the loan amount, service charge, loan tenure and the no. of installments through which the loan have to be repaid. After disbursing the loan necessary information will be recorded in member’s passbook and other registers of the office.