

VOLUME 7

SECTION 7

LOANS FOR SMALL BUSINESS

OR

MICRO INVESTMENTS

Managed by
Micro Investment Development Agency (MIDA)
1 Beechwood Avenue
Kingston 5

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CHAPTER I

MICRO INVESTMENT DEVELOPMENT AGENCY

I.0 BACKGROUND

The Micro Investment Development Agency Limited, was established on July 4, 1991 with the primary objective of energizing the micro sector and facilitating the development of micro enterprises through implementation of the following strategies:

- i The provision of wholesale funds to establish lending agencies for the unending to genuine applicants, desirous of starting new businesses or expanding existing micro businesses.
- ii To place special emphasis on facilitating the loan demands of people who would otherwise experience extreme difficulty in accessing funding from the formal commercial banking sector.
- iii To strengthen the credit management process by providing technical advice, training and support to the Approval Lending Agencies (ALAs) and final borrowers.
- iv Nurturing the development of micro business ideas by coordinating support from a network of agencies, for example JAMPRO, Bureau of Standard, etc.
- v To positively confront the problem of marginal collateral affecting the poor, the youth, the self-employed and the unemployed, by encouraging them to save small units of money/capital in Community Revolving Funds (CRFs) island wide.
- vi To advise on a process of capital formation to ensure sustainable projects, by facilitating the establishment of community based Provident Societies called Community Development Fund (CDF) designed to undertake investments on behalf of its members and make loans to its members/shareholders from the Community Revolving Fund (CRF).

CHAPTER 2

COMMUNITY DEVELOPMENT FUND

2.0. LOAN POLICY OF THE COMMUNITY DEVELOPMENT FUND

The loan policy for the use of the fund is as follows:

- i Borrowers must be members of the CDF through the purchase of up to a maximum of 80 shares at \$5.00 per share.
- ii Borrowers must be savers in an affiliated Community Revolving Fund.
- iii Borrowers must be Jamaican and no less than 18 years of age, who will personally execute the project. The majority of their income should come from the project.
- iv Loans may be made for projects in agriculture, manufacturing, services and any other economically viable project.
- v Loans may be made to individuals or groups. Maximum for individuals being \$100,000.00 and for groups (3 or more persons) and companies (3 or more shareholders) \$250,000.00. A waiver may be applied subject to the approval of MIDA.
- vi Collateral should be security deposit of at least 25% of the loan amount and shares in the CDF as well as any of the following amounting to the value of the loan.
 - Bill of Sale on machinery, equipment or household asset not previously assigned.
 - Hypothecation of Bank Deposits
 - Cash surrender value on Insurance Policies (Value proof required)
 - Land title
 - Motor vehicle which should be comprehensively insured
 - Guarantors offering any of the above
 - Hypothecation of co-member's fund
 - Crop lien
- vii The interest rate should not exceed 23% on the reducing balance per annum.

- viii All loans must be approved by the Credit Committee.
- ix Business assets should not exceed \$500,000.00, excluding land and building.

Applicants are invited to visit the nearest Community Development Fund Parish office, where they will be interviewed and if they are eligible for a loan, the CDF officer will assist them to complete the application forms (sample forms are at Appendix 2).

CHAPTER 3

CREDIT

3.0 THE INTERVIEW PROCESS

The interview process is as follows:

3.0.1 First Interview

The CDF Officer must explain the nature and policy of the organization to the prospective client at the first interview. He/she should discuss the loan request with the client to ascertain whether the person/project is eligible for a CDF loan. The client must become a member, before any loan can be considered and should be asked to supply the following information:

- i Proforma invoices
- ii Recommendations
- iii Proof of income/expenditure (for existing business)
- iv Any available business records
- v Photographs (certified)
- vi Record of savings with the CRF
- vii List of security items or letter from guarantor
- viii TRN must be submitted and noted on application.

3.0.2 Second Interview

This involves:

- i The collection and perusal of documents
- ii Completion of loans forms
- iii Arrangement of site visit and training
- iv Costing where relevant

Recommendations and invoices may be verified at this stage.

3.1 SITE VISIT

The Site visit should address the following:

- i Verification of Addresses
- ii Assessing suitability of location for project including security
- iii Inspection of items offered for collateral including serial number, and model number and checking of receipts.
- iv Inspection of business assets with a view to assessing suitability and capacity
- v Assessment of skills

3.2 PROJECT DOCUMENTATION

The proposal may be prepared based on documents submitted, client information and site visits. The Credit Evaluation form can be completed at this stage. The project must score at least 50% of 'F', 'I' and 'J' on the Credit Evaluation Form in order for it to be approved. (Sample form is at Appendix I)

3.3 APPROVAL

An executive summary of the loan proposals should be circulated to members of the Credit Committee before the scheduled meeting. The proposal should be discussed and duly approved, deferred or disapproved.

The borrower should be informed of the decision in writing and discussion should be held where relevant.

3.4 GENERAL INFORMATION

The following information is at Appendices I-3

- i Appendix 1 - Credit Evaluation Sheet
- ii Appendix 2 - Loan Application Form
- iii Appendix 3 - List of names and addresses of the Branch offices

3.5 CONTACT INFORMATION

For further information please contact the head office of the Micro Investment Development Agency (MIDA)

1 Beechwood Avenue

Kingston 5

Telephone: 876 968-5191

Fax: 876 906-7000

E-mail: mida@cwjamaica.com

Appendix I**CREDIT EVALUATION SHEET**

Name of Applicant:

Variables	Weighting	Rating Score	Scoring Basis	Rating Points
A. Skill/ Aptitude/ work Experience	20		Years 0 – 1 1 – 3 4 – 6 6 +	(5) (10) (15) (20)
B. Residence (Consecutive time at present or past residence)	10		Years 0 – 1 1 – 3 4 – 6 6 +	(2) (5) (7) (10)
C. Age	10		Years 18 – 25 26 – 36 36 – 50 51 – 60	(4) (5) (10) (4)
D. Education	20		Pre-primary Primary All age High Sch/Secondary Univ./Tertiary	(1) (5) (9) (15) (20)
E. Collateral	20		None Less than 50% More than 50% Fully secured	(0) (7) (14) (20)
F. Credit History	20		Default/Unpaid None Slow repayment/unsatisfactory Satisfactory Excellent	(0) (10) (12) (15) (20)
G. Character	20		Unsatisfactory Unknown Satisfactory Excellent	(0) (5) (15) (20)
I. Marketability	30		'Captive' Market Crop lien Strong product demand (no contract) Weak product demand No market	(30) (20) (15) (10) (0)
J. Project Expenditure/ Projected Income Ratio	40		Where $\frac{PE}{PI}$ = Below 1.1 1.1 1.2 1.3 1.4	(0) (15) (20) (30) (40)

Appendix 2

..

**MICRO INVESTMENT DEVELOPMENT AGENCY
Loan Application Form**

TRN #..... Date of Application.....

A. GENERAL

Name of Client..... (Alias).....

Address and direction of Client.....

Client's Profile:

Date of Birth..... Marital Status.....

No. of Dependents:.....

Name of Next of Kin.....

Address of Next of Kin.....

Education/Training.....

.....

.....

.....

Previous Employment.....

.....

.....

.....

Character.....

.....

Appendix 2

MICRO INVESTMENT DEVELOPMENT AGENCY

Loan Application Form

B. TYPE OF BUSINESS:

Type of Business..... Membership No.....

Business Name.....

Address and Direction of Business.....

.....

.....

Purpose of Loan.....

.....

Loan Amount..... Interest Rate..... Duration of loan.....

Loan Repayment..... Grace Period.....

Security Deposit.....

.....

Appendix 2

**MICRO INVESTMENT DEVELOPMENT AGENCY
Loan Application Form**

C. SECURITY OFFERED

ITEMS	Model No.	Serial No.	Estimated value

Appendix 2

**MICRO INVESTMENT DEVELOPMENT AGENCY
Loan Application Form**

D. BUSINESS PROFILE

1. Management/ Personnel:

.....
.....
.....

2. Marketing:

Product/Service.....

.....

Pricing.....

.....

Target Market.....

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Promotion.....

.....

Location/Distribution Channel.....

.....

Facility.....

.....

.....

3. Operations:

.....

.....

Equipment.....

.....

Inventory.....

.....

.....

4. Statutory Requirement.....

.....

.....

**MICRO INVESTMENT DEVELOPMENT AGENCY
Loan Application Form**



Appendix 2

E. FINANCIAL INFORMATION

Present Monthly Income (sales).....

 Projected Monthly income.....

 Present/Projected Overheads.....

Monthly Projected Business Overhead

Salary/wages.....

 Statutory Deductions.....

 Interest.....
 Rent.....
 Utilities.....
 Promotions.....
 Depreciation.....
 Other (specify).....

Cash Flow, (see Schedule C)

.....

Signature (s) of Applicant (s)



Appendix 2

Schedule C.

**MICRO INVESTMENT DEVELOPMENT AGENCY
STATEMENT OF AFFAIRS**

Present Annual Income: \$..... Source:

Name & Address of Bank:.....

ASSETS	\$	LIABILITIES	\$
Cash		Loan	
Livestock			
Insurance		Mortgage	
Motor Vehicle			
Equipment		Bills Outstanding	
Furniture			
Shares/Bonds			
Others			
TOTAL ASSETS		TOTAL LIABILITIES	
		NET WORTH	

I.....hereby certify that the information given by me above is true and accurately stated. If subsequent to the certify of the above, the information is found to be false or inaccurate, I am in full agreement that the CDF reserves that right to cancel all previous arrangements and recall all outstanding loans.

Applicant's Signature:.....

This must show evidence of equity especially of the borrower has expressed the intention of contributing equity. All relevant sections must be completed. Information on liabilities should be checked with Credit Bureau.

Appendix 3**MIDA's Island-Wide Network of CDFs with Telephone numbers, Fax numbers, E-Mail addresses and contact Names**

CDFS LOCATIONS	CONTACT PERSONS	TELEPHONE, FAX Numbers & Email addresses
Portmore Community Development Fund Shop #2, Lot 8 Portmore Town Centre St. Catherine	Mr. Vivian Chin – Chairman Mr. Brenton McCarthy – General Manager	Tel: 908 - 1353 939 - 6163 / 708 - 9855 Fax: 704 - 2896 Email: portmore@jamaica.mida.com
Linstead Community Development Fund (Portmore Branch)	Mr. Brenton McCarthy – General Manager	Tel: 903 – 2212
Lower Trelawny Community Development Fund 2 Trelawny Street, Falmouth	Mr. Vivian Chin - Chairman Dunston Harper – General Manager	Tel: 908 – 1353 /954 - 5685 Fax: 617 - 0506 Email: lowertrelawny@jamaica-mida.com
South Trelawny Community Development Fund Shop #2 Grant's Office Complex Albert Town P.O. Trelawny	Rev. Rudolph Brown – Chairman Mr. Glester Rowe – General Manager	Tel: 610 – 0722 610 – 1459/1437 Fax: 610 - 1272 Email: southtrelawny@cwjamaica.com
Eastern St. James Community Development Fund 12 Queen Street Montego Bay, St. James	Mr. Rudolph Brooks – Chairman Mr. Lynmore Munroe - General Manager	Tel: 912 –1515 / 829 – 3388 971 – 7836 Fax: 952 - 7551 Email: stjames@jamaica-mide.com
Urban Hanover Community Development Fund Main Street, Hopewell P.O. Hanover	Mr. Calvin Brown – Chairman Mr. Milton Maye – General Manager Ms. Eda Henry – Office Manager	Tel: 940 – 6729/979-0157 956-5055 Fax: 956-5055 Email: urbanhanover@Jamaica-mide.com
Westmoreland Community Fund Shop #17, Williams & Son Plaza, 16 Rose Street, Savanna-la-mar Westmoreland	Mrs. Sonia Stephenson – Acting Chairman Mr. Michael Jackson – General Manager	Tel: 906 – 1210 955 – 9899 / 9836 Fax: 918 – 1447 Email: westmoreland@jamaica-mida.com
Clarendon Community Development Fund 11½ Manchester Avenue, May Pen, Clarendon	Mr. Vivian Chin – Chairman Mr. Seymour Edwards – General Manager	Tel: 902-4848 Fax: 902-0707 E-mail: ccdf@cwjamaica.com

Appendix 3

Spalding Community Development Fund Shop #1, Wiltshire Complex Main Street Spalding, Clarendon	Miss. Dorritt Bent – Chairman Ms. Carla Ellis – Office Manager	Tel: 987- 8001 / 964-0653 Fax: 987- 8054 E-mail: spalding@cwjamaica.com
Kellits Community Development Fund Kellits P.O., Clarendon	Mr. William Willis – Chairman Mr. Steve Nembhard – Office Manager	Tel: 966-8855 E-mail: Kellits@cwjamaica.com
St. Ann's Bay Community Development Fund 66 Main Street, St. Anns Bay St. Ann	Mr. James Walsh – Chairman Ms. Camille Johnson – Office Manager	Tel: 975-2457 / 370-0014 972-1250 Fax: 972-1966 E-mail: stanncdf@cwjamaica.com
Cassia/Maxfield Community Development Fund Shop #7, 1 Beechwood Avenue, Kingston 5	Mr. Karl Goodison – General Manager	Tel: 920-8430 926-3814 E-mail: cassia/Maxfield@jamaica.
Mango Valley Community Development Fund Shop #3, Simmonds Plaza Oracabessa P.O. St. Mary	Mr. Ralph Sutherland – Chairman Mr. Fredrick Young – General Manager	Tel: 726-2424 Fax: 726-2423 E-Mail: Mangovalleycdf@cwjamaica.com
Manchester Community Development Fund 7b Caledonia Road Mandeville	Mr. Vivian Chin – Chairman Mr. Raynard Richards – General Manager	Tel: 908-1353 / 965-9354-5 Fax:625-6870 E-Mail: manchester@jamaica-mida.com
Yallahs Community Development Fund Yallahs Square P.O., St. Thomas	Mr. Vivian Chin – Chairman Miss Fern Graham – Office Manager	Tel: 982-5021 / 908-1353 Fax: 982-5021 Email: Yallahs@jamaica-mida.com
Greater Portland Community Development Funds Shop # 6 50 West Street, Port Antonio Portland	Mr. Vivian Chin – Chairman Miss Janet Lamont – General Manager	Tel: 993-3722 /908-1353 Fax: 715-6508 Email: greaterportland@jamaica-mida.com
St. Elizabeth Community Development Funds Shop #7, North Side Plaza Black River P.O., St. Elizabeth	Mr. Keith Bell – Chairman Ms. Valrie Dellop – Office Manager	Tel: 965-9354-5 Fax: 965-9355 E-Mail: stelizabeth@jamaica-mida.com