



ASSAM FINANCIAL CORPORATION
MD SHAH ROAD : PALTON BAZAR
GUWAHATI

SCHEME FOR AXOM FUND

Rural and semi-urban India – consisting of over 800 million people – still experiences a low standard of life, despite a decade of strong national growth. This is especially true of Assam, which is still lagging far behind states like Gujarat, Maharashtra and many others in terms of growth.

Small to medium sized private enterprise can drive development in the underserved regions. Historically, these enterprise has been thwarted by misguided economic policies, infrastructure challenges, and limited access to capital. Recently, improved economic policies and infrastructure investment have removed many obstacles. A lack of access to capital, however, continues to inhibit widespread growth. Micro-credit is too small and too restrictive to be used for true business creation. Therefore, small-scale business addressing rural and semi-urban India cannot find the risk capital they need.

This newly proposed Chief Minister's **Axom Fund** can fill this gap.

FOCUS/TARGET GROUP

Innovative technology that can be applied to enhance efficiency in the rural areas will be one main focus.

Small and medium enterprises promoted by individuals/ partnership firms/ limited companies etc. that increase income or provide necessary goods and services to rural or semi-urban India will be the main thrust of this scheme with special emphasis on projects with agricultural orientation. The enterprises must be commercially viable, environmentally friendly, and socially conscious for being considered. The scheme proposes to invest in opportunities/activities that can demonstrate a high likelihood of success and carries the following main characteristics:

- Will lead to new or largely improved product or process.
- Has significant probability of commercial success and has identifiable market.
- Should have a reasonable plan to meet the identified goal in an efficient, revenue generating manner.





- Should be aware of the technological changes that may effect the business opportunity.
- Is environment friendly and socially conscious.
- Will provide high economic benefit to the State of Assam.

SECTOR:

The scheme proposes to cover the following areas initially to start with, which will be reviewed from time to time

- a. Cultivation & Processing of Medicinal plants, horticulture & floriculture.
- b. Biotechnology
- c. BPO
- d. IT Sector
- e. Product/Process up gradation of traditional Assamese Paat, Muga and Eri sector; Handicraft sector etc.
- f. Any other innovative activity.

LIMIT OF CREDIT SUPPORT, CHARGE THEREON & REPAYMENT:

Under the scheme, the range of investment amount would be from Rs. 10 lacs to Rs. 100 lacs, depending on the needs and merits of opportunity. The quantum of support will be 80% of the cost of the project including working capital to be calculated as per norms and as decided by the Corporation constituted for scheme, subject to the ceiling defined as above.

The credit support may be structured in the following manner:

Loan Capital Mode:

This will have the characteristics of a term loan with a fixed rate of interest and a predefined repayment schedule.

Rate of interest:

The amount will carry a charge @ 10% p.a. to be paid quarterly after beginning of commercial operation or two years from the date first disbursement whichever is earlier. The accrued interest during the moratorium period will be cleared in 24 monthly installments from the 3rd month of beginning of commercial operation.

Moratorium:

The moratorium period for payment of interest and commencement of repayment of the fund is to be decided on the basis of the project and should be up to a maximum of two years.



**Repayment:**

The credit support will be repayable after 1 year of beginning of commercial operation / after the moratorium period is over, which ever is earlier. The amount will be repaid within a period of 5 – 7 years depending on the cash flow of the project.

Documentation:

The loan documentation procedure of AFC is to be adopted with necessary modification wherever necessary. The provisions of SFC's Act 1951 should be made applicable which will be an added leverage.

Monitoring:

During implementation of the project there will be periodical inspection of the unit as and when required and should be at least one inspection per month. After implementation of the project, further monitoring is be continued at least once in every quarter.

JURISDICTION OF THE SCHEME:

The scheme will be operative in the state of Assam and the facility to be set up will be in the state of Assam only.

STRATEGY:

The Axom Fund Loan shall be sanctioned as below:

All loan up to Rs 100.00 lacs shall be sanctioned at the Head Office Level Credit Committee (HOLCC) meeting under the Chairmanship of Managing Director. The appraisal system including the disbursement norms being followed by the Corporation shall stand. The security margin of the loan both primary and collateral shall be maintained at 40%. Apart from above security, additional security in the form of FDR/NSC/Surrendered value of LIC of minimum 5% of the loan amount to be obtained.

THE PROCESS:

The process for the Axom Fund Scheme shall be as per the existing procedure followed by the Corporation for normal loans.

