

MATCHING
GRANT PROGRAM
**OPERATIONAL
& CREDIT
GUIDELINES**



**VAAZHNDHU
KAATTUVOM
PROJECT**

VAAZHNDHU KAATTUVOM PROJECT

GUIDELINES ON MATCHING GRANT PROGRAM (MGP)

1 The scheme

The VaazhndhuKaattuvom Project (VKP) erstwhile Tamil Nadu Rural Transformation Project (TNRTP) aims at promoting inclusive economic development for a transformative growth in Rural Tamil Nadu. This is envisaged through enterprise promotion, value chain development, skilling and employment generation in 120 blocks from 31 districts of Tamil Nadu.

Matching Grant Program (MGP) is a financial instrument that will be used to engage Partnering Financial Institutions (PFIs) to finance the enterprises nurtured by VaazhndhuKaattuvom Project (VKP).

The Matching Grant Program (MGP) will help to incentivise the entrepreneurs, who repay the loans taken from the Partnering Financial Institutions (PFIs) with the Matching Grant. This set of credit guidelines for the Matching Grant Program (MGP) will help the stakeholders of the VaazhndhuKaattuvom Project (VKP) to understand the norms and provide clarity, enabling them to take objective decisions, reduce turn around time and efficient disbursement of loans to entrepreneurs.

2 Objectives

- (i) To promote rural enterprise, enable access to finance and create job opportunities in selected blocks in the state of Tamil Nadu.
- (ii) To address the issues of demand-supply gap in lending to the rural enterprises such as Enterprise Groups, Producer Collectives, First-generation entrepreneurs, Women-led businesses and other enterprises that are perceived as high-risk entities by the mainstream finance sector.

- (iii) To facilitate a robust financing mechanism through matching grant which will also lead to improved loan repayment discipline among borrowers.
- (iv) To enhance the scope for sustainability of enterprises.
- (v) To encourage mainstream financial institutions to proactively participate and extend timely credit support.

3 Target Entrepreneurs

- (i) Women-led businesses
- (ii) SHG women entrepreneurs
- (iii) Entrepreneurs from SHG member's household
- (iv) First-time entrepreneurs
- (v) Enterprises led by differently-abled persons
- (vi) Enterprise Groups
- (vii) Producer Collectives

4 Eligibility

Individual Enterprises/ Entrepreneur	Enterprise Groups	Producer Collectives
<ul style="list-style-type: none"> • Age: 21 to 45 years • The applicant should be a resident of the project implementing area. • They should have proper KYC documents (ID Proof and Address proof) • The applicant is from an SHG member's households, with relevant business skills and experience • The SHG members/households, should have completed one-cycle of loan with full repayment. • The applicant should not be a defaulter of any financial institution 	<ul style="list-style-type: none"> • The Enterprise groups should be from project implementing area • Enterprise groups should have 5 to 10 active members in their groups. • Enterprise groups should be active existence for a period of 6 months in their line of business. • Enterprise groups should 	<ul style="list-style-type: none"> • Producers Collective should be having at least 300 members and in remote locations like tribal areas or drought-prone areas there shall be flexibility in the membership. • Producer Collective should have complied with all legal compliances as required by its legal form. • Producers Collective should be active existence for 1 year. • Producers Collective should have collected the share capital from at least 50% of its total members. • Producers Collective

<ul style="list-style-type: none"> • The entrepreneur/applicant who is drawing the benefits concurrently under any of the subsidy linked loan program may be considered on a case to case basis. • The entrepreneur should be willing to start or expand an enterprise 	<p>have an operational bank account in the name of their group.</p> <ul style="list-style-type: none"> • Enterprise groups should not have any overdue in the previous loans availed by them. • The enterprise group should be willing to start or expand an enterprise 	<p>should have an operational bank account in the name of their collective.</p> <ul style="list-style-type: none"> • Producers collective should not have any overdue in their previous loans availed by them and their Board of Directors also should not have any adverse credit report from the credit bureaus. • Producer’s collectives promoted by institutions like Agri-marketing, NABARD, SFAC, TNSRLM, and NGOs will be given preference. • The producer collective should be willing to start or expand an enterprise
--	---	--

***Irrespective of above mentioned eligibility criteria; exception to be dealt on a case-by-case basis*

5 Selection of Beneficiaries

- Entrepreneurs who fulfil eligibility criteria will be sourced from the village panchayats by Project Executives.
- After submitting the applications the Enterprise Community Professional will scrutinize the applications and forward to One-Stop Facility (OSF) centres for business plan preparation
- The One-Stop Facility (OSF) centres will prepare business plan and perform risk assessment and submit the applications to Block Task Force.
- The Block Task Force (BTF) is a committee comprising of the following officers who will perform preliminary appraisal of loan size up to 5 Lakhs and approve the applications which will be forwarded to financial institutions for further processing.

The members of Block Task Force (BTF) are,

S.no	Committee	Responsibility
1	District Executive Officer or Executive Officer- Business Plan Financing -Chairman	Chairperson
2	Block Team Leader- Convener	Convener
3	One Stop Facility (OSF) representative	Member
4	Representative from a Bank or NBFC or FinTech	Member
5	Representative from the respective line department / experts from technical agencies (Agriculture or Animal Husbandry or Horticulture or MSME or KVK or RSETI or TNSRLM)	Member

- The Approved applications by the Block Task Force (BTF) can be taken up by Partnering Financial Institutions (PFI) for their due diligence and sanction of loans.
- The District Executive Officer (DEO) will place the MGP application above 5 lakhs to the District Task Force (DTF) committee for its recommendation. The recommended applications will be forwarded by DEO to financial institutions for sanction of loans.

The members of the District Task Force (DTF) are,

S.no	Committee	Responsibility
1	District Collector	Chairperson
2	District Executive Officer, VKP	Convener
3	Project Director-DRDA	Member
4	General Manager-DIC	Member
5	Project Director-TNSRLM	Member
6	Lead Bank Manager	Member
7	Representative from a Bank or NBFC or FinTech	Member
8	Enterprise Finance Professionals (EFPs)	Member

- The applications sanctioned by the Partnering Financial Institutions (PFI) are eligible to avail Matching Grant. The Partnering Financial Institutions (PFI) will submit matching grant claim to District Project Management Unit (DPMU) against the sanctioned applications

- The DEO will place all the MG claims irrespective of loan size to the District Task Force (DTF) committee for its approval. The approved MGP claims will be forwarded by DEO to SPMU for release of Matching Grant.
- Upon approval by the District Task Force (DTF), the District Project Management Unit (DPMU) will forward the MG claims to SPMU. The SPMU will process the MG claims and transfer funds to PFIs.
- Upon receiving the Matching Grant Fund from State Project Management Unit (SPMU), the Partnering Financial Institutions (PFI) will place the grant in subsidy reserve fund or similar account of nature against the beneficiary name. Then, the Partnering Financial Institutions (PFI) will disburse the loans to Entrepreneurs.

6 How to apply

- Applications will be made available with Enterprise Community Professionals in all Panchayat Level Federations, Block Offices and One Stop Facility at free of cost to the applicant. Alternatively, they can download the application form from www.tnrtp.org (refer annexure 2)
- The application forms should be filled and submitted along with documents (refer annexure 3) to the respective Enterprise Community Professionals/ Block offices / One Stop Facility, District offices either in person or by Speed/Registered Post. Alternatively, they can apply through online at www.tnrtp.org
- A unique application number will be assigned to each duly filled application form. Acknowledgement of receipt which is part of the application form will be filled in, signed and given to the applicant by mentioning the unique application number to track the application status. For those who submit online the

acknowledgement will be sent through registered email or mobile number.

- Block Team Leader/ Executive Officer (Business Plan Financing) / District Executive Officer will ensure the maintenance of a Receipt Register at all designated centres where the filled in application form are received.

7 Quantum and Nature of Financial Assistance

7.1 Matching Grant

- (i) Matching Grant will be 30% of the total eligible project cost subject to a maximum of Rs.40 Lakhs. Matching grant is subject to the terms and conditions stipulated by VKP.
- (ii) Matching grant will be eligible for loans given in the nature of term loans or composite loans or working capital loan given in the form of Demand loan repayable over a period. However, working capital given as a running account like Open cash credit or Overdraft account will not be eligible for the Matching grant.

The matching grant program will have two categories of loans viz. Individual loans and Group loans for Enterprise groups and Producers collective. Enterprise groups and Producer collectives may be in any legal form suitable for the business activities.

The banks will offer the loan facilities either as term loan or composite loan (term loan + working capital). There are 3 levels Nano, Micro and Small) for credit access and each entrepreneur/s will be placed in the appropriate level depending upon their projected credit demand.

Parameters	Nano	Micro	Small	Enterprise Groups/ PC
Project Cost	Up to INR 5 lakhs	Above INR 5 lakhs to INR 15 lakhs	Above INR 15 lakhs	Up to Project cost based on Business Plan
Margin Money	General Category 10% Special Category 5%	General Category - 10% Special Category - 5% Enterprise Groups and Producer Collectives - 15%	For Loans up to INR 50 Lakhs General Category - 10% Special Category 5% For loans of above INR 50 lakhs; General Category 15% Special Category 10%	Enterprise Groups and PCs – For Loans up to INR 50 Lakhs – 15% For loans of above INR 50 lakhs - 25%
Matching Grant**	30% of the project cost	30% of the project cost	30% of the project cost subject to a maximum of Rs.40 lakhs	30% of the project cost subject to a maximum of Rs.40 lakhs
Rate of interest/Re payment terms	As per Bank's norms			
Security	Hypothecation of assets created out of loan. Additional security is optional subject to RBI Norms.			
Credit guarantee cover fee	Guarantee fee (CGTMSE) will be borne by the project for first year and subsequent years by the borrower. If borrower opts for hybrid** option, bank can offer the hybrid option.			

****Hybrid option is the option for the borrower to give a partial additional security and for the balance portion, credit guarantee cover may be opted so as to reduce the credit guarantee cover fee for the borrower. For e.g. for a loan of INR 50 lakhs, if the borrower gives an additional security worth INR 20 lakhs, then the credit guarantee cover will be taken only for the balance INR 30 lakhs (not for the full loan amount of INR 50 lakhs) and the fee thereon will be for INR 30 lakhs cover only.**

8 Modalities of the operation of the Scheme

8.1 Sourcing, Screening and Profiling

Community Professionals (CPs) will facilitate the process of sourcing, screening and profiling potential individual entrepreneurs.

One Stop Facility (OSF) will be responsible for screening and profiling Enterprise Groups (EGs) and Producer Collectives (PCs).

8.2 Business plan preparation

On receiving the screening report and profile of the entrepreneur from the CPs, OSF will verify whether the facts given in the documents submitted are correct and will be responsible for Business plan preparation.

OSF will coordinate with the regional Technical Support Agency – Producer Collectives for preparation of Business Plans for EGs and PCs.

8.3 Risk assessment

OSF will carry out a risk assessment with the support of EFP-Business Plan Financing and will analyse important risk dimensions such as Credit risk, Operational risk, Business risk, Implementation risk, financial risk and Environment risk.

8.4 Block Level Task Force

Block level Task Force (BTF) is primarily responsible for selecting candidates for loans under the MGP.

Task Force meeting will be presided over by the DEO or EO-BPF. The Block Team Leader will be the convenor of the BTF meeting and will maintain the minutes of the meeting. The minimum quorum for the BTF is 3 members.

8.5 District Level Task Force

District level Task Force (DTF) is responsible for scrutinising the loan application above 5 lakhs.

Task Force meeting will be presided over by The District Collector. The District Executive Officer will be the convenor of the DTF meeting and will maintain the minutes of the meeting. The DTF meeting should be convened at least once in a month without fail. The minimum quorum for the DTF is 5 members. The Agenda for DTF includes,

1. Appraisal and recommendation of loan applications above 5 lakhs
2. Approval of MGP claims for all loan sizes.

8.6 Business Plan Appraisal

Once the OSF forwards the loan applications, along with the enclosure (Business plan and the Risk Assessment Report) to the BTF, the Executive Officer-Business Plan Financing(EO-BPF) or District Executive Officer (DEO) will appraise the business plan of the applicant on behalf of the BTF and include his / her note based on:

- (i) Costs and Means of the project
- (ii) Technical feasibility
- (iii) Commercial feasibility
- (iv) Financial viability

9 Sponsoring of Loan Application

To emphasise timely delivery of loan to the entrepreneurs, loan sanction and loan application sponsoring authority will be delegated to the responsible officials as described in below table.

Authorised Official	Loan application Sponsoring authority (INR)	Remarks
Block Team Leader(BTL)	Up to INR.5 lakhs	<u>Nano Category Loans</u> <ul style="list-style-type: none">The Block Task Force Committee (BTF) will review and approve the loan applications up to INR.5.00 lakhs. The Block Team leader will forward the application to the Partnering Financial Institution (PFI).
District Executive Officer at DPMU	Above INR.5 lakhs to INR.15 lakhs	<u>Micro Category Loans</u> <ul style="list-style-type: none">The District Task Force Committee (BTF) will review and approve the loan applications above INR.5 lakhs - INR.15 lakhs. The District Executive Officer will forward the application to the Partnering Financial Institution (PFI).
District Executive Officer at DPMU	above INR.15 lakhs	<u>Small Category Loans</u> <ul style="list-style-type: none">The District Task Force Committee (BTF) will review and approve the loan applications above INR.15 lakhs. The District Executive Officer will forward the application to the Partnering Financial Institution (PFI).

10 Matching Grant Claim Submission by PFI

(i) The PFI should submit the matching grant claim amount details in a prescribed format along with the details of loan sanction cases to the District Project Management Unit (DPMU)

(ii) The Matching Grant claim amount for each case should be within the approved range for finance support under the scheme i.e. 30% of the approved project cost or the upper ceiling amount i.e. INR.40 lakhs, whichever is less.

(iii) Along with the matching grant claim submission, the PFI has to give an undertaking for timely disbursement of the sanctioned loans within a period of one month from the date of the receipt of the matching grant from the VKP.

11 Sanction and Release of Matching Grant by SPMU

Once the Matching Grant claim proposal is received from the PFI, District Project Management Unit (DPMU) will verify matching grant calculation and forward the same to State Project Management Unit (SPMU) for approval and release of the claimed grant support amount to the concerned PFI with approval of District Task Force.

- Verification at SPMU
 - The Deputy Chief Operating Officer (DCOO) - Business Plan Financing at SPMU will scrutinize the matching grant proposal and submit it to CEO for approval or rejection through DCOO (Accounts), ACOO (BPF), ACOO (FM), COO (PI) and COO (PM).

The ACOO (FM) will release the sanctioned matching grant (subject to approval of the CEO) directly to the PFI (through online transfer) and inform ACOO-BPF/DCOO-BPF and concerned DPMU.

12 Maintenance of Matching Grant by the PFI

Following two key steps to be adopted in maintaining the Matching Grant fund by the PFI;

1. Upon receiving the 'matching grant,' the PFI will treat the received matching grant fund under the provision of 'Subsidy Reserve Fund (SRF)' mechanism or account of similar nature and park the fund in an SRF account.

2. The interest on the loan under matching grant scheme will be calculated on the net loan amount (i.e. total loan amount disbursed – matching grant received = net loan) and the interest calculation on net loan method should be incorporated in the SRF-module of the core banking system.

13 Adjustment of Matching Grant

The adjustment of the matching grant to the client's loan account will be subject to the fulfilment of the following conditions:

- (i) Completion of the minimum lock-in period of 18 months i.e. from the date of the disbursement of the 1st tranche of the loan.
 - (i)a. The lock-in period under exceptional circumstances/cases: A lesser lock-in period may be considered by the VKP management on a case to case basis.
- (ii) Repayment of Net principal Loan amount (i.e. Loan disbursed minus matching grant) and payment of entire interest due.

Active Loan Account: Once the concerned client has fulfilled the above mentioned conditions in point 5.5.1, the bank will transfer the matching grant to the borrower and close the loan account.

NPA Loan Account: When the loan account turns as Non-Performing Asset (NPA), PFIs can adjust the Matching Grant with loan that has become NPA, provided a minimum of 18 months lock in period is completed.

Overdue/Irregular Loan: PFIs can adjust the Matching Grant towards overdue/irregular loan account, provided a minimum of 18 months lock in period is completed.

14 Partnering Financial Institutions

- (i) All Public Sector Banks
- (ii) Private Sector Banks
- (iii) All Regional Rural Banks
- (iv) Co-operative Banks
- (v) Small Finance Banks
- (vi) NBFCs

14.1 Selection of Sponsoring PFI

In the instance, where multiple banks express their willingness to sponsor the same loan application/s. In such scenarios, following guiding-principles will be considered:

- Entrepreneurs will be given the option of choosing the bank, based on their own preferences (essential information on banks' offers should be shared with them)
- The other factors that can be accounted into selecting the PFI;
 - o Location of the bank,
 - o Banks that may already be associated with the concerned SHG / SHG members,
 - o Banks which provide lower interest rates,
 - o Banks with longer repayment periods

14.2 Loan Sanction and Disbursement Guidelines for PFI

- The PFIs have to sanction the loans within a timeframe of 2 weeks for Nano category loans, 3 weeks for Micro category loans and 6 weeks for Small category loans from the date of the receipt of the loan applications for the Nano/ Micro/ Small category of loans respectively.
- On receiving the loan applications, the PFI has to provide a written acknowledgement/digital acknowledgement.
- The PFI will perform a quick check of the loan applications and its enclosures. If any additional particulars / documents are needed

for processing the applications, the concerned official at PFI will inform the BTL within a stipulated timeline. BTL will facilitate this process of obtaining the additional information / documents and submit it to the PFI as soon as possible.

- In case of any discrepancy found by the PFI with regard to the entrepreneur's outstanding loans as per the credit bureau report, the PFI can ask BTF to recheck and resubmit the application of the entrepreneur within the stipulated timeframe.
- If the PFI wants to interview the applicant or wants to visit the applicant's proposed place of business or residence, the BTL will facilitate the meeting/visit, as well as, provide all required assistance to the PFI for completion of due diligence process in a timely manner.
- The sanction of loan will be communicated to DPMU through an online portal. The PFI will issue a sanction ticket to the entrepreneur informing them of the terms of sanction in a detailed and transparent manner.
- If the PFI rejects the application, they should state the reasons for rejection to their controlling office. The controlling office after verifying the reason for rejection, will approve the Branch manager's decision on the rejected applications. The controlling office should inform the details of rejected applications along with the rationale/reasons for rejection to the DPMU within a stipulated timeline.
- The DPMU can address the concern raised by the PFI through BPMU and OSF within a short period and resubmit the application for reconsideration.

14.3 Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

PFI will cover the credit exposure under the provision of Credit Guarantee Trust

- The guarantee provision is available for loans up to INR 2 crores for Micro and Small Enterprises engaged in manufacturing or service activities.
- The cover is available for loans up to INR 1 crore for Micro and Small Enterprises engaged in retail trade.
- The credit guarantee, covers 75% to 85% of the loan, up to INR.50 lakhs, depending on category and for loans above INR.50 lakhs, the credit guarantee covers 75% of the loan amount.
- The project shall reimburse the cost of credit guarantee fee to the PFI for the first year only and borrower should bear the cost for the subsequent years. This fee is subject to change from time to time as per CGTMSE. At present, 1% +Risk Premium as per extant guidelines of the Trust for credit up to INR 5 Lakhs. 1.35% to 2% + Risk Premium as per extant guidelines of the Trust for credit above INR 5 lakhs depending on the category and loan amount. (source: <https://www.cgtmse.in/> Home/VS/47)

14.4 Insurance Cover

PFI will facilitate and ensure all MGP beneficiaries are covered under Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). The MGP borrower has to certify that they shall enrol in these schemes to avail the benefits under MGP.

15 Post Disbursement Support to PFIs (Monitoring)

(i)	Asset creation by the entrepreneur	Within 30 days from the date of loan disbursement
-----	------------------------------------	---

(ii)	100% Loan utilization check by CP.	Within 60 days from the date of disbursement
(iii)	15% of asset creation verification at random by BTL	Within 30 days from the date of loan utilization check by CP
(iv)	5% of asset creation verification at random by EFP(100% verification by EFP, of the loans sanctioned to EG and PC.	Within 30 days from the date of loan utilization check by BTL

16 Monitoring

Monitoring schedule in case on continued /delayed/ non-payment of dues

Days Past Due	Responsible staff-Team	Activities
Up to 15	CP	Visit the entrepreneur and enterprise site to understand reasons for non-payment, prompt them to repay and report the same to OSF.
16 to 30	BTL at BPMU	Prompt entrepreneur to repay (physically or over the phone), share report with DPMU.
31 to 60	DEO / EO at DPMU	Prompt entrepreneur to repay (physically or over the phone), share report with EFP, SPMU and PFI
60+	EFP at DPMU	Visit/call with the entrepreneur to ascertain the next course of action <ul style="list-style-type: none"> - assess possibility of rescheduling of loan repayment - Top-up finance assistance - Technical assistance/ backward or forward linkage support - Other strategies to ensure repayment - Legal action, etc.

17 Review of Matching Grant Program

The review of Matching grant program will be held at various levels every month i.e. SPMU, DPMU, BPMU and OSF level.

During these monthly reviews, the parameters like the no. of applications submitted to the banks, no. of applications sanctioned, no. of applications rejected, no. of applications pending, no. of applications disbursed, no. of applications for which Matching grant sanctioned, no. of cases asset creation completed after disbursement and no. of cases for which matching grant was returned and so on will be reviewed.

This information will be made available as dash boards in the portal and officials at various level can access the portal on the "need to know basis".

The progress reports should be placed at District Level Bankers Committee and Block Level Bankers Committee for regular review and monitoring the linkages, repayment and utilisation.

18 Entrepreneurship Development Program (EDP)

The beneficiaries who are availing financial assistance under the MGP, should attend enterprise/business development training prior to disbursement of the loan. The training will be facilitated by VKP under skills and jobs component.

The module should cover – introduction to MGP-VKP, perspective on MSME ecosystem , ideation of business/enterprise, different segment of the enterprises and required resources (including working capital), business and finance management, maintaining business records and accounting/bookkeeping, budgeting and pricing, branding, competition, risk management and governance.

Note:In case if there is delay in organising training, a commitment letter to be obtained from the applicant to process the applications forward.

19 Code of Ethics in Lending

Under the MGP, Participating Financial Institutions (PFIs) and the project staff of the VKP should adopt the principles of client protection and fair lending practices as prescribed by the RBI. These practices have to be translated into the MGP operational procedure, the standard code of ethics in lending to the entrepreneurs.

20 Business Plan Composition

- **Fixed Assets:** The cost of the capital assets needed for the businesses like Plant & Machinery, equipment, furniture and so on.

- **Working Capital:** This is the amount required for running the businesses for an operating cycle viz. This includes:
 - a) Raw materials,
 - b) Semi-finished goods,
 - c) Finished goods,
 - d) Receivables outstanding.

- (i) Total working capital needs (a+b+c+d):
- (ii) 25% of projected annual sales turnover:

(i) or (ii), whichever is acceptable, will be considered for the working capital required amount.

The working capital part, which is capitalized along with the term loan only will be counted for calculating the total project cost.

- **Pre-operative Expenses:** The expenses incurred before commencement of the business like advance deposits, EB connections, etc.

- **Means of the Project:** the means of the project specifies the sources through which the total cost of the project will be met.
- **Margin Money** (Entrepreneur's Own contribution):
The entrepreneurs bring in a portion of the project cost as margin money.
- **Bank Loan:** The total cost of the project minus margin money will be the bank loan. It can be offered by the PFI as a single composite loan or in two parts as Term Loan and Working Capital loan.
- **Matching Grant:** The matching grant will be 30% of the total cost of the project subject to a maximum of Rs.40 Lakhs.

20.1 Technical Feasibility

Under technical feasibility, BTF will ascertain

- Whether the plant and machinery is available.
- Whether the technology for the business is available at an affordable cost.
- Whether the after sales support for the technology is available.
- Whether the space, raw materials and labour are available in the place of business.

20.2 Commercial Feasibility

To ascertain the commercial feasibility of the business proposition, the BTF will analyse the following:

- The demand in the local market and existing supply for the product or service selected by the entrepreneur.
- Unique Selling Proposition of the entrepreneur, if any
- Physical and digital connectivity of the proposed place of business.

- The entrepreneur's strategy of deciding retail /wholesale business or retail shop /online business model.

20.3 Financial Viability

- BTF will review the projected income and expenses statements and projected Balance sheets of the enterprise and will assess the repayment capacity of the entrepreneurs or borrowing entity.
- For loans up to INR 5 lakhs: The repayment capacity will be assessed in terms of the net disposable income of the household including the enterprise income. The maximum repayment capacity can be considered as 50% of the net disposable income of the household including the projected income from the enterprise.
- For loans above INR 5 lakhs & up to Rs.15 lakhs: The net profit projected in the Income and Expenses Statement along with Balance sheet will be used for assessing the repayment capacity..
- For loans above INR 15 lakhs: The projections should be certified by a Chartered Accountant.

21 Annexures

21.1 Annexure 1: Negative List

Negative list of activities that cannot be considered for Matching Grant.

The following activities, which may be harmful to the society or environment will not be considered by the VKP for the matching grant. This negative list may be displayed at OSF to create awareness on this to the target clients.

1. Manufacturing of Polythene carry bags of less than 20 microns thickness and manufacture of carry bags or containers made of recycled plastic for storing, carrying, dispensing or packaging of food stuff and any other item which causes environmental problems.
2. Manufacturing or sale of intoxicant items like Beedi/Pan/ Cigar/Cigarette, etc.
3. Retail sales outlet serving liquor, preparation/producing tobacco as raw materials, tapping of toddy for sale.
4. Production of Gambling, casinos and equivalent enterprises'
5. Trade in wildlife or wildlife products regulated under CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).'
6. Production or trade in radioactive materials.
7. Production or trade in or use of un-bonded asbestos Fibers.
8. Purchase of logging equipment for use in primary tropical moist forest.
9. Commercial fogging operations for use in primary tropical moist forest.
10. Production or trade in wood or other forestry products from unmanaged forests.
11. Production or trade in weapons or ammunitions
12. Activities involving child labour.
13. Production, trade, storage, or transport of significant volumes of hazardous chemicals,
14. Production or trade in ozone depleting substances.

21.2 Annexure 2: Application form for MGP

VaazhndhuKaattuvom Project (VKP)

A. Profile of the Entrepreneur (individual)	
<u>Background Information</u>	
– Name	
– Date of Birth	
– Address	
– Number of years staying at the current address	
– Phone Number	
– Occupation	
– Secondary occupation (if any)	
– Email Address (if any)	
– Religion	
– Caste	
– Highest Educational Qualifications	
– Marital Status	
– PAN card	
– Aadhar Number	
<u>Household members - Background Information</u>	
– Number of people in the household	
– Relationship with entrepreneur	
– Age of members in the household	
– Occupation of members in the household	
– Secondary Occupation (if any)	
– Highest Educational qualifications of members in the household	
– Number of people with cellphones	
– Phone numbers of the members of the household	
<u>Household - Finance</u>	
– Net Income of member of the household from primary occupation	
– Other sources of income	
– Number of members with a bank account	
– Household Income	
– Household Savings	
– Household consumption	

<u>Household - Assets</u>	
- Type of dwelling	
- Own / Rented House	
- Number of rooms	
- Electricity	
- Water	
- Landline Telephone	
- Access to Internet	
- List of Assets	
<u>Basic Enterprise Details</u>	
- In case of existing businesses	
- Name of business	
- Nature of Business	
- Number of years since inception	
- Stake in Business	
- Whether unit is registered	
- If registered, Registration Number	
<u>Details of Partners / Associates (if any)</u>	
- Name	
- Date of Birth	
- Sex	
- Residential Address	
- Phone Number	
- Email Address	
- Highest Educational Qualification	
- Number of year of Experience (Similar line of business)	
<u>Infrastructure</u>	
- Electricity	
- Water	
- landline Telephone	
- Access to Internet	
- Mobile Phone	
- Business Assets - Equipment, vehicles, etc.	
<u>Banking</u>	
- Names of Banks used	
- Savings Account	
- Current Account	
- Term Loan	

Finance	
– Net Sales	
– Net Profit	
– Net worth of Capital	
<u>Other</u>	
– Customer Base	
– Competition (if any)	
– Online Presence	
– Market Linkages	
– Awareness of Govt. subsidy schemes	

B. Profile of the Group Enterprise/Producer Collective	
<u>Background Information</u>	
– <i>Name</i>	
– <i>Date of Inception</i>	
– <i>Address</i>	
– <i>Number of years staying at the current address</i>	
– <i>Phone Number</i>	
– <i>Core Business</i>	
– <i>Secondary Business (if any)</i>	
– <i>Email Address (if any)</i>	
– <i>Legal Status</i>	
– <i>Registration No</i>	
– <i>PAN card</i>	
– <i>GST Number</i>	
– <i>Total number of member (in case of PCs)</i>	
– <i>Number of board members / proprietors</i>	
– <i>Geographic outreach (villages/towns/blocks/districts)</i>	
<u>Proprietors / Board / Executive Members’- Background Information (list all members details)</u>	
– Name of Proprietors/Board Members	
– Position / Designation	
– Age of members	
– Occupation of members	
– Highest Educational qualifications of members	
– Residential Address	
– Email Address	

– Phone Numbers	
– Stake in business (% - if defined)	
<u>Financial Details</u>	
– Net Income (loss) from core business (last FY)	
– Net Income (loss) from secondary business (last FY)	
– Total Asset (INR)	
– Total Liabilities (INR)	
– Net worth of Capital	
<i>*Enclosed audited financial statements (last FY); including disclosures – asset details, liability (loan) details,</i>	
<i>Note: in absence of audited financial statements – self prepared and signed copy of financial statements should be collected</i>	
<u>Infrastructure</u>	
– Electricity	
– Water	
– landline Telephone	
– Mobile Phone	
– Access to Internet	
– Computer	
– Business Assets - Equipment, vehicles, etc.	
– Office building	
– business outlet /process or factory	
<u>Banking</u>	
– Names of Banks used	
– Savings Account	
– Current Account	
– Term Loan	
<u>Business Operational Details</u>	
– Total Staff	
– Customer Base	
– Competition (if any)	
– Online Presence	
– Market Linkages	
– Participation in any Govt. subsidy schemes	
– Any other associations / business partnership	
–	

21.3 Annexure 3: Documents to be submitted

Category of Loan: Nano (UP TO INR 5 lakhs)

- Two passport size photos of the entrepreneur
- If existing enterprise is there, photo of the enterprise with the entrepreneur
- Proof of ID-self attested copy
- Proof of Residence- self attested copy
- In case of special category like SC, ST, Differently abled, Widow, Separated woman, proof from the local authority -Panchayat President or Village Administrative Officer.
- Proof and address of the Business enterprise- Copies of relevant incorporation / registration certificates
- Quotations, if any capital asset purchase is envisaged
- Statement of bank accounts for the last 6 months for the enterprise account, if available
- Statement of Assets and Liabilities
- Net-worth report
- Business plan
- For Producers collectives, Memorandum of Association and Articles of Association
- In case of partnership unit, Registered Partnership deed.

Category of Loan: Micro (INR 5 lakhs – INR 15 lakhs)

- All the above documents as mentioned for category of loans from INR 50,000 to INR5 lakhs.
- Projected balance sheet and Income and expenses statement.
- If existing unit, the last two years' balance sheet and Income & expenses statement and GST return copies (If GST is applicable).

Category of Loan: Small (Above 15 lakhs)

- All the above documents as mentioned for category of loans from INR 50,000 to INR5 lakhs.
- Projected balance sheet and Income and expenses statement duly certified by a Chartered accountant
- If existing unit, the last two years audited balance sheet and Income & expenses statement and GST return copies (If GST is applicable).

21.4 Annexure 4: Business Plan Format

1. Village Panchayat:	
2. Block:	
3. District:	
4. Applicant:	
5. Activity:	
6. Classification:	
7. Sector classification (VKP)	
8. Purpose of Note: To recommend for sanction of the following limits: Term Loan/Working Capital Demand Loan/Composite Loan (Rs. In Lakhs)	
9. Nature of Facility	
10. Purpose	
11. Limit required	
12. Margin	

I Introduction: (Details of Promoter name, age, qualification and experience, activity to be financed, existing or new unit, any existing facilities with Banks etc. The present request for loan and purpose.)

About the product(In brief)

Market(About Industry in general and demand)

II. Category of Loan: Nano/Micro/Small)

ENTERPRISE AND ENTREPRENEUR PROFILE

1. Profile of the Entrepreneur

Name	
Spouse Name	
Age	
Education	
Aadhaar Card No	
Address	
Phone No	
Mobile No	
Email ID	
Number of years of experience in business	
Trainings attended (no. and hours)	
Spouse's occupation	
If Special category	SC / ST / Differently abled / Widow / Separated woman

2. Enterprise Profile

Name of the Enterprise	
Legal form of Enterprise	
Registration No	
Registration Date	
Registered with whom	
GST No (if available)	
UDHAYAM REGISTRATION No. (If available)	

3. Bank Linkage Details

Whether the enterprise has separate bank account	Yes or No
If any bank credit availed	Yes or No
Name of the bank and Branch Details	
Nature of the bank facility	
Limit Sanctioned	
Balance outstanding as on date	

4. Enterprise Nature

Type of Enterprise	Production & Manufacturing/Service/Trading
Product to be produced:	
Service to be offered:	
Present Demand	
Current Supply	

III. TECHNICAL FEASIBILITY:

Location / Infrastructure:	
1. Location Brief on Location – Whether well connected to market by road etc.,	
2. Land Extent of Land, sq.ft. Panchayat approval, own/leased	
3. Building Approved plan from local body, sq,ft, whether sufficient for the proposed activity	
4. Power Whether required power connection is available	
5. Water Whether adequate water is available.	
6. Approval Pollution control Board/GST/FSSAI approvals or any other approval is required. Present Status	
7. Materials Needed Quantity / Cost / Availability / Delivery Time to be discussed. a. Raw materials : b. Equipment: c. Technology :	

<p>Cost of capital assets: Details of equipment/machinery with cost of individual item required along with quotations.</p>	
<p>Cost of working capital for one operating cycle a. raw-materials, b. Semi-finished goods, c. finished goods, d. receivables outstanding e.Total working capital needs (The value of raw-materials, semi-finished goods, finished goods, receivables outstanding to be arrived)</p>	
OR	
<p>25% of projected annual sales turnover if necessary. (The projected annual sales should be reasonable and acceptable)</p>	.
<p>Skills Requirements: skilled labour available / Not available If not available: whether people can be trained? If so, training period and training facility?</p>	.
Production Process:	
<p>Production Plan/cycle (operating cycle may be one-day / week / month or one year as per the activity selected):</p>	

IV. COMMERCIAL FEASIBILITY:

Marketing strategy :	
a. Direct to customers :	
b. Bulk to Institutions :	
c. Through Retailers / Wholesalers:	
d. Through Online:	
e. Pricing & Discounts :	
f. Market promotion strategies:	
g. Physical and digital connectivity:	
h. Risks and risk mitigation planned:	

V. ENVIRONMENT ASSESSMENT

To be entered as per the required				
Category of the enterprise proposed: Green / Orange / Red				
Environment Issue identified	Environment Guidelines or mitigation measures Integrated (Please tick)	Greening Measures identified	Support needed	
		(for green, orange and red categories)	Implement the mitigation measures	Implement the greening measures
Exploitation of local resources (water and energy)	<ul style="list-style-type: none"> • Water • Wood • Electricity • Fuel • Any other specify 		NA	NA
Waste generation and disposal	<ul style="list-style-type: none"> • Dust/air pollutants • Disposal of waste water • Seed coats • Peels, • Feather/skin and other disposal • Any other specify 		NA	NA

Worker and Community safety	<ul style="list-style-type: none"> • Safety measures/gadgets • Chemical usage & handling • Infected raw materials • Presence of stale • Any other specify 		NA	NA
------------------------------------	--	--	----	----

Whether the activity proposed is in the negative list:

VI. FINANCIAL VIABILITY

1. Cost of the project and Means of the project:	
a. Cost of the Project:	
i. Fixed capital Cost of all the equipments/machinery/construction(excluding land cost, Rental advance)	
ii. Working capital	
iii. Pre-operative expenses	
Total cost of the project (i + ii + iii)	
b. Means of the project:	
i. Loan from financial Institution / Bank (95% or 90%):	
ii. Margin money -Borrower's contribution (5% or 10%):	
Total means of the project (i + ii)	
c. Matching grant from the project**	
Whether the entrepreneur has the sufficient means to bring in the margin money and has enough buffer to manage any cost escalations	

**Matching Grant is @30% of the total cost of the project (excluding pre-operative expenses, land cost, lease). As Matching Grant will be kept in a "Subsidy Reserve Fund" account of the bank as a back-ended grant, it is not shown under the Means of the project.

Upon completion of minimum period of 18 months and upon repayment of net principal loan amount and the interest portion, the matching grant can be adjusted to the loan account of the borrower and the loan account can be closed.

Debt Service Coverage Ratio: DSCR to be calculated for the entire repayment period and average DSCR to be considered.

$$\text{DSCR} = \frac{\text{Profit after tax (Net Profit) + Depreciation + Interest}}{\text{Principal + Interest.}}$$

Current Ratio

Current assets / Current liabilities

(To assess whether the enterprise has sufficient liquidity for the payments that are due within 12 months. Current ratio should be more than 1.25.)

Debt/Equity ratio (DER)

The debt equity ratio is to find out the leverage of the owners capital.

DER: Total liabilities / Total equity

Debt to Equity Ratio should not exceed the level of 3:1 in all the years.

Recommendation:

