



JEEVIKA

An Initiative of Government of Bihar for Poverty Alleviation

Bihar Rural Livelihoods Promotion Society
State Rural Livelihoods Mission, Bihar

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Guidelines for Community Enterprise Fund (CEF) under Start-up Village

Entrepreneurship Programme (SVEP)

Vision and Scope

The vision of SVEP is "To help the rural poor come out of poverty by helping them set up enterprises and provide support till the enterprises stabilize." To provide them with business skills, exposure, loans for starting and business support during the first critical six months of the enterprises by using the NRLM SHGs and their federations. These skills shall be imparted by local youth who shall be trained in business management, monitoring and support using ICT and audio-visual aids. These local CRP-EPs shall also provide support to the enterprises.

In its first phase, SVEP is expected to support creation and strengthening of about 14,400 village enterprises in 6 Blocks (Bodhgaya, Barachatti, Musahari, Muraul, Jandaha & Dhanarua) in Bihar in the targeted four years i.e. 2015-19. This is expected to create employment for about 29910 persons.

The SVEP shall benefit the households and communities even beyond the financial gains it provides. It shall help rural people specially the marginalized sections, women, and SC and ST communities to gain a sense of dignity and self- reliance leading to great social changes. Similarly, the wealth generated in the local economy shall have a multiplier effect resulting in strengthening the local economy and reduction in distress migration. People engaged in a range of enterprises shall create further employment and improve the market. It shall also encourage new age enterprises in ICT/infotainment. It shall promote enterprises in the field of sanitation, drinking water, renewable energy etc. This shall offer more economic opportunities for the rural areas and bring people out of poverty.

Objectives of SVEP

The overall objective of SVEP is to implement the Government's efforts to stimulate economic growth and reduce poverty and unemployment in the villages by helping start and support rural enterprises. The key objectives of SVEP are:

- To enable rural poor to set up their enterprises, in its proof of concept phase, by developing a sustainable model for Village Entrepreneurship promotion through

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integrated ICT techniques and tools for training and capacity building, enterprise advisory services and to provide loans from banks/SHG & federations

- b. Develop local resources by training a pool of village level community cadre (CRP-EP) and build the capacity of the NRLM and SHG federations to monitor and direct the work of the CRP EPs.
- c. Help the rural entrepreneurs to access finance for starting their enterprises from the NRLM SHG and federations, the banking systems including the proposed MUDRA bank.

Community Enterprise Fund (CEF) under SVEP

Community Enterprise Fund is a dedicated fund given as grant on the lines of Community Investment Fund (CIF) provided under NRLM, for the pilot blocks under SVEP to give loans to the entrepreneurs selected as per the guidelines and norms of SVEP. It will help to enhance credit worthiness of the village entrepreneurs and also showcase the ability of the community institution led enterprise capital provisions to demonstrate disciplined credit behaviour. This will also enhance bank's confidence in the unorganized sector. It is a dedicated fund which cannot be diverted to other uses.

The sole purpose of the CEF is to purchase capital goods, inputs, working capital etc. to start new enterprise or diversify/expand the existing business as per the business need of individual business enterprise, as appraised by the Block Resource centre (BRC) set up under SVEP. CEF will be given as a loan amount only to promote non-farm based and off farm sustainable enterprises in the block at a rate of interest of 12% pa.

The broad guidelines for the usage of the CIF/CEF

- **Rate of interest to be charged to the entrepreneur borrower, who will borrow money from the CIF/CEF under SVEP.**

The rate of interest charged by the SHG from the loans given using the CIF/CEF of SVEP, to the entrepreneur will be at 1% per month on a reducing balance basis (or 12% per annum on a reducing balance basis). The rate of interest should be decided and agreed by the CBO and CRP-EPs facilitated by the BRLPS and Kudumbashree NRO. The rate of interest should be decided ensuring that the enterprises supported are financially viable at that rate of interest. Ideally the same rate of interest should be charged to all the entrepreneurs in the block.

The interest amount may be divided among SHG, VO, CLF and Nodal CLF in the ratio of 20:20:20:40 respectively. Earning from Nodal CBO's interest operations will be utilised in running the BRC. From the 40% interest collected by the nodal CLF, the expenses of the CLF in running the BRC would be deducted and of the surplus, the surplus will be kept by the Nodal CLF. The expenses of BRC would be met by the interest earned by CEF fund and interest collected from Fixed Deposit. In case of interest earnings from bank fixed deposit of the CEF, at least 70% of the interest so earned shall be added back to the corpus of the CEF. The calculation of income earned and expenses will be done quarterly. This provision has been made to increase the corpus of the SVEP CEF.

- To the loan disbursed by them to their member CBO's and member entrepreneurs. (In case of the BRC being managed by a nodal VO, then among the constituent VO's). The interest earning and expenses should be computed and distributed quarterly. The provision has been kept for increasing the corpus of the nodal CLF/VO.
- **Repayment schedule for loans and scope for a moratorium period for the loans granted from the CIF/CEF of SVEP.**

The terms of repayment and schedule including moratorium if any, should be decided by the CBO and CRP-EP with facilitation from BRLPS. This repayment schedule should be decided based on the need of the enterprise being promoted and may vary depending upon the type of enterprise being supported. There is no need for all the entrepreneurs in a block to have the same repayment schedule. The loans will have a moratorium on principle repayment of 3-6 months for the enterprises that need such a moratorium.

- **Maximum amount that can be lent from the CIF/CEF to an individual entrepreneur and to a group enterprise**

To ensure equity in the usage of the CEF and to prevent cornering of the CEF funds by a few, the maximum amount of loan from the SVEP CEF that can be given to one individual entrepreneur should be fixed at Rs.1 lakh. Similarly, in the case of a group enterprise, the maximum amount that can be given as loan to a group enterprise is Rs. 5 lakhs and the maximum loan per member of a group enterprise cannot cross the individual threshold of Rs.1 lakh. In case any enterprise repays the first tranche of loan, then the subsequent

tranches of loan to the same enterprise for business expansion can be enhanced by a factor of 25% for each round of loan repayment.

1. Who can apply for CEF?

- Must be an active member of SHG
- Must be having good track record and financial credibility, No default on SHG loan
- SHG loan outstanding should not be more than 25,000 in case of applying for setting up new enterprise. On loan applications for strengthening existing enterprises, this rule does not apply. The BRC and CLF will take a view on credit-worthiness of the applicant, for additional loans, before sanctioning the loan. The concerned community coordinator shall also give his /her recommendation on the credit worthiness of the applicant.
- Entrepreneur should have completed orientation and EDP training as prescribed under SVEP
- Business plan for the enterprise for which the loan is applied for, must be prepared by CRP- EP/MEC and vetted by the BRC
- The ownership of the business should remain with the SHG member.
- Application should be recommended by SHG and VO
- Both existing and new enterprises can apply
- No age limit nor to be exclusive to the women
- Preference should be given to the highly vulnerable beneficiaries under MGNREGA, marginalized sections, women, SC and ST communities and should also include rural artisans

2. Application Process & Documentation

2.1. Process

- Programme details will be shared at SHGs/VOs meetings.
- Potential entrepreneur should express interest for starting an enterprise.
- Recommendations for training of potential entrepreneurs forwarded to Nodal CLF/VO/BRC through their respective institutions (SHG-VO-CLF).
- Orientation & EDP Training organised for the potential applicants by BRC using the CRP-EP's
- Post the training and completing the viability test by the potential entrepreneur; CRP - EP will help in preparation of the Business plan in supervision of BPM- SVEP and NRO mentor.

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- The business plan has to be submitted with the CEF application form in the SHG for processing.

2.2. Documentation

- Application form
- Business plan – prepared by CRP EP and vetted by BRC
- Applicants Bank account details
- KYC, Aadhar, SECC TIN, NREGA job card (as applicable)
- Undertaking for taking necessary licenses (wherever applicable) for business to be included with the application

2.3. Application Process

- The Business plan to be recommended for loan by CRP-EP based on the assessment of the viability of the enterprise and the potential entrepreneur's ability to run the enterprise viably.
- Business plan with supporting documents to be discussed at the SHG meeting and forwarded with recommendation to the immediate higher level institutions (SHG->VO->CLF->Nodal CLF/VO). The application is to be further recommended by each level of the community Institution. Applicant entrepreneur and concerned CRP-EP shall be present to advocate its case during appraisal at the VO level approval. Recommended cases to be forwarded to the Nodal CLF/VO/BRC.
- Nodal CLF to compile the applications received, on having substantial applications the BRC meeting shall be convened for deliberation and decision on forwarding the application to the Block Resource Centre (BRC). The BRC should meet at least once a month. The Frequency of BRC meeting can increase depending upon the no. of application received.

No. of applications	Meeting to be held in a month
15-20	1
21-35	2
36-50	3

- Block Resource Centre (BRC) will formulate a Project approval committee (PAC) comprising members elected from the general body of the CLF. The PIA- block anchor person / mentor, BPM (SVEP) and BPM would be permanent invitees. CRP-EP

supporting the relevant enterprise and or the entrepreneur applying for the loan would also need to be present to explain their case. In case of loan applications above Rs.50,000 per entrepreneur the loan application approval will be ratified by the BPM and in case of loan applications above Rs.1,00,000 per entrepreneur, then the loan application approval has to be technically evaluated and ratified by the DPM. This ratification shall be done by the designated official being present in the PAC meeting as an invitee or by the file being sent to her. In any case, the case should be analysed and feedback on the same should be given within 7 days of the PAC meeting. The PAC shall take the final decision of the loan application and shall forward the same to the nodal CLF/VO to disburse the loan. Following will the PAC meeting member:-

Particulars	PAC meeting members
In case, loan amount is Rs. 50,000 and below	BRC management committee, BRC bookkeeper, CRP-EP, NRO representative, BPM-SVEP and BPM
In case, loan amount is between Rs 50001 to Rs 100000	BRC management committee, BRC bookkeeper, CRP-EP, NRO representative, BPM-SVEP, BPM and District Project Manager

The proceedings of the PAC meeting duly ratified by the Block Project Manager, District Project Manager(In case loan is above Rs 1,00,000) and Kudumbashree Representatives should form part of the fund release documents to be given to the bank as supporting for the funds to be transferred to the beneficiary account. The entire process of loan application under SVEP CEF, once forwarded by SHGs, should be done within 45 days.

While processing the loan for approval, we should ensure that the ownership of the CEF and the primacy of decision making of the CBO are not compromised, without diluting the principle of financial feasibility of the proposal and the ability and credit worthiness of the entrepreneur/ SHG member taking the loan.

3. Loan products for SVEP Enterprises

- As suggested, different loan products would be tested from 2nd year onwards for SVEP enterprises. Eg. Cc limit, Mudra Loan, Loan from other financial institution etc.

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4. Flow of CEF

Initially CEF amount shall be transferred to from SPMU/DPCU to nodal CLF/VO's/BLF's account. The nodal CLF/VO/BLF should have a separate bank account operated exclusively for SVEP which should have auto FD facility (wherever the bank has a product like this). In case the bank does not have a product of this kind, then the funds which are not expected to be utilised in the next 30 days should be kept in a fixed deposit in the bank. The intention is to maximize the yield on the CEF, either from the bank or from the rotation to the SVEP entrepreneurs. Minimal amount should be kept idle in a savings bank account.

The fund will be transferred by nodal CLF/VO to respective CLFs/ VOs (In case CLF is not present), based on appraisal of the all the applications received. The CLF will transfer the loan amount to the SHG member applicant's bank account through SHGs while giving paper notifications to the VO/SHG for booking the loan in their books of accounts after proper minutization of aspects. The CLF should transfer the fund to the beneficiary within a week.

Communication related to disbursement of loan to the borrower shall be communicated to all related community institutions by the BRC. The applicant also needs to be intimated formally about the sanctioning the loan.

SHG member applicant should be given the loan amount through cheque/online transferring only; cash disbursement of loan is not permitted. The Acknowledgment of loan from the entrepreneur and the entire constituent CBO's should reach the BRC and should be filed and maintained in the BRC.

In case, the entrepreneur is not the SHG member but her family member such as Husband, (unmarried Son/ Daughter/ brother/Sister), Parent then the loan amount should be transferred to the bank account of the SHG member and the repayments would also be routed through the same SHG member. The entrepreneur should be the resident of the same block. Thus the SHG member, even if not actively or solely managing the enterprise would have an ownership stake in the enterprise leading to her empowerment.

5. Activities under CEF

The purpose of CEF is to purchase capital goods, inputs, trading inventory etc. to start a new enterprise, upscale or diversify the existing business. For many businesses, the loan will be required mainly for working capital. Before approval of the business plan, it shall be discussed that how the loan money would be invested (whether fixed assets or in working capital). CEF will be given as a loan only to promote non-farm/off farm based enterprises in the block. It shall neither be given for agriculture nor for animal rearing nor for the collection of NTFP.

Following are few activities which can be taken up with CEF:

- Any business which is non-hazardous and legal as per govt. regulations.
- Any Trading related business
- Business to provide Services
- Manufacturing and Production of goods

6. Repayment

The repayment schedule will be prepared by the SHG member in consultation with CRP-EP based on the nature of the business and its ability to generate adequate profits and cash flows to repay the loan instalments, the schedule should be proposed in the business plan itself and should be given along with the loan application. The BRC and the project appraisal committee can review the proposed schedule and suggest modifications.

The borrower has to repay the amount in the time frame of up to 24 months in case of individual loans, and up to 36 months in case of group loans. Moratorium of 3 - 6 months may be considered, where the business so demands.

Moratorium and Repayment schedule would be proposed to the Nodal CBO for approval by BRC, based on the nature of business. The loan repayment schedule has to be mentioned in the loan appraisal form. Prepayment of loan to the SVEP CEF is allowed without penalty.

The beneficiary will pay the monthly instalment to the SHG which in turn will forward the complete monthly instalment to VO and subsequently the VO will forward the same to the CLF and CLF will forward the same to nodal CLF/VO without any deduction.

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In each quarter the interest collected on the loan from the CEF fund will be distributed to the SHG, VO, CLF and nodal CLF in the ratio of 20:20:20:40. From the 40% interest collected by the nodal CLF, the expenses of the CLF in running the BRC would be deducted and of the surplus, the surplus will be kept by the Nodal CLF. The expenses of BRC would be met by the interest earned by CEF fund and interest collected from Fixed Deposit. In case of interest earnings from bank fixed deposit of the CEF, at least 70% of the interest so earned shall be added back to the corpus of the CEF.

This provision has been made to increase the corpus of the SVEP CEF.

7. Monitoring and management of CEF Fund

1. The responsibility of the repayment from the entrepreneur will be of the concerned SHG and VO. In case the CEF fund is not being utilised in entrepreneurial activity mentioned in the loan application, the BRC shall issue a notice to the concern SHG member and on receipt of the notice the member has to reply to the BRC within a week. If the explanation given by the SHG member is not found satisfactory then BRC shall proceed for the recovery of the entire loan amount disbursed.
2. The social audit of the enterprise will be done quarterly by the monitoring sub-committee of the VO and CLF with the help of the CRP-EP.
3. The social audit report has to be sent to the BRC within 10 days of the completion of the audit by the CRP-EP.
4. An annual Chartered Accountant (CA) audit has to be conducted of the SVEP account of Nodal CLF/VO by a chosen CA firm from the district.
5. The SVEP account should be flexible and have the provision of Sweep in/auto Fixed Deposit Facility for optimum use of available fund. Where this facility is not provided by the bank, the idle funds should be kept as a FD in the bank to maximize interest income.
6. Nodal CLF/VO may negotiate bigger loans at competitive interest rate from banks and financial institutions. The interest rate for on lending from such borrowed funds may be charged at slightly higher interest rate being paid to the lending institution but the spread should not be more than 3% per annum.
7. Submission of UC to nodal CLF/VO - Submission of the UC is to be done through respective CLF to nodal CLF via respective SHG & VO along with supporting documents viz, receipts/ bills, enterprise related photographs, etc. as per the UC format. The UC will be submitted at the Block Resource Centre of the concerned block.
8. The Kudumbashree -NRO should help the BRC in preparing and submitting CEF loan portfolio statement that will give details of the loans sanctioned, disbursed, collected,

interest earned, outstanding amounts, delayed loans and amounts, defaulted loans and amounts and NPA to BPIU and DPCU. Such statement should be submitted on a monthly basis.

8. SVEP CEF to be given only if bank loan not available

In case of loans to individuals, exceeding Rs. 50,000/-, the loan application should be made to the bank first. Only in case of rejection or non-response for 30 days by the bank, should the application be made for loan from SVEP CEF. This rule may be relaxed in blocks where banking presence and loan disbursements are low.

9. Formats

Formats for SVEP CEF applications from enterprises

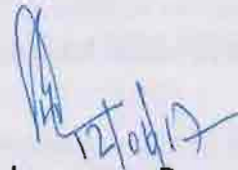
- a. Application Format
- b. Business Plan
- c. Utilisation Certificate
- d. Four party or Tripartite agreement form (Entrepreneur, family member who is a SHG member, SHG member SHG/VO & BRC)
- e. Recommendation forms – SHG, VO, CLF
- f. Fund Receipt format
- g. Books of records for entrepreneur

10. Non Negotiable under SVEP

The followings are non-negotiable in CEF under SVEP -

- Maximum interest rate of 12% can be charged on SVEP CEF loans to the members
- SVEP CEF loan will be on the name of SHG member
- Nodal CLF will have a separate bank account for SVEP and all the transaction related to SVEP will be done from this account only.
- Business plan approval process will be SHG – VO – CLF – BRC - Nodal CLF
- Loan repayment will be to SHG and follows SHG – VO – CLF – Nodal CLF

- After projection of loan amount under CEF, remaining SVEP CEF funds will be kept as fixed deposit in the bank where nodal CLF has the SVEP bank account.
- A separate Audit of the SVEP account of CLF is must every year by a CA firm and report needs to be submitted to DPCU, SPMU & NRLM.



Balamurugan D

Chief Executive Officer- BRLPS

Copy to:

1. PCs/ SPMs/ SFMs/ AFMs/ PMs
2. OSD/Director/PS/CFO/AO
3. All DPMs/ In charge DPMs/ All Thematic Managers
4. IT section/ Account Section
5. Concerned File

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Annexure 1- Estimated Time required for each activity to be done by the CRP-EP and their honorarium/payment

Sl. No.	Activity	Location of work	Days	Proposed SVEP from project for activity	Paid by entrepreneur for activity	Total	Per day	Target Audience/Location
1	SHG's / VO's orientation	Local	0.5	150	0	150	300	VO
2	Entrepreneur triggering meeting	Local	0.5	150	0	150	300	Village
3	VO's subcommittee training on SVEP	Local	1	300	0	300	300	VO
4	CLF training on SVEP	Local	1	300	0	300	300	CLF
5	BRC subcommittee training on SVEP	Block HQ	2	900	0	900	450	CLF
6	General orientation training for entrepreneurs -idea generation	Local	1	300	0	300	300	Potential Entrepreneurs
7	Soft skills training for entrepreneurs	Local	2	600	0	600	300	Potential Entrepreneurs
8	Idea validation plan field activity by entrepreneurs	Local	1	300	0	300	300	Potential Entrepreneur
9	Business plan preparation	Local	1.5	350	100	450	300	Potential Entrepreneur
10	Business management training to entrepreneurs	Local	2	600	0	600	300	Potential Entrepreneur
11	Need based performance improvement plan (max 3 days)	Local	3	900	0	900	300	Potential Entrepreneur
12	Loan Follow up Support	Local	1	100	100	200	0	Potential Entrepreneur
13	Loan Repayment	Local	1	200	0	200	200	Potential Entrepreneur
14	Enterprise start up support	Block HQ	4	1000	50	1200	300	Potential Entrepreneur
15	Market linkages	Block HQ	4	800	100	1200	300	Potential Entrepreneur
16	Handholding support & PTS for 6 months @ 1 day pm	Local	6	1620	30	1800	300	Potential Entrepreneur
17	Handholding support & PTS for 2nd 6 months @ 0.5 day pm	Local	3	810	30	900	300	Potential Entrepreneur