

PROCEEDINGS OF CHIEF EXECUTIVE OFFICER, VKP, CH-32.

PRESENT: TMT.S.DIVYADHARSHINI, I.A.S.,

Proc.No. 012491/BPF/VKP/2024

Dated:01.07.2024

Sub: Tamil Nadu Rural Transformation Project @ Vaazhndhu kaattuvom Project – Implementation of Matching Grant Program and enterprise support to individual and group enterprises.

Ref: Announcement in the floor of assembly by Hon'ble Minister, Sport and Youth Welfare, demand for the year 2024-25, dated:27.06.2024.

Tamil Nadu Rural Transformation Project @ Vaazhndhu kaattuvom Project assisted by the World Bank is a third generation poverty alleviation and economic empowerment project with a vision to transform rural communities by creating sustainable income and prosperity in rural areas through women led enterprises. The project is implemented in 3994 village panchayats across 120 blocks of 31 districts (except Chennai, Thanjavur, Ariyalur, Perambalur, Kanyakumari, Dharmapuri, Tirupathur). The Cost outlay of the project is 919.73 Crore with a fund sharing ratio of 70:30 between The World Bank and Government of Tamil Nadu.

In the project, Enterprise Business Plan Financing is one of the Component in which Matching Grant Program (MGP) is a financial instrument that will be used to engage Partnering Financial Institutions (PFIs) to finance the enterprises nurtured by Vaazhndhu kaattuvom 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 Vazhndhu Kattuvom Project (VKP) to understand the norms and provide

clarity, enabling them to take objective decisions, reduce turn-around time and efficient disbursal of loans to entrepreneurs.

Announcement

4000 individual enterprises and 75 Group enterprises will be supported through Matching Grant Programme (MGP) to the tune of Rs.150 Crore (Out of which MGP is Rs. 50 Cr) loans from formal financial institutions.

In the Financial Year 2024-2025, 4000 individual enterprises and 75 Group enterprises will be supported to the tune of Rs.50 Cr as a Matching Grant for the loan of Rs. 150 Cr.

Project Guidelines of Matching Grant Program

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.

Target Entrepreneurs

1. Women-led businesses
2. SHG women entrepreneurs
3. Entrepreneurs from SHG member's household

4. First-time entrepreneurs
5. Enterprises led by differently-abled persons
6. Enterprise Groups
7. Producer Collectives

Eligibility

Individual Enterprises,

- Age from 21 to 55 years. The applicant should be a SHG member or household member of SHG member. The SHG should be affiliated to PLF.
- The applicant should be a resident of the project implementing area.
- They should have proper KYC documents (ID Proof and Address proof)
- If the applicant is from an SHG member's household, preference will be given to those 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.
- 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.

Group Enterprises,

- The group enterprise should be from project implementing area.
- In case of Enterprise groups (EG), the group should have 5 to 10 active members in their groups. In case of Producer Collectives (PC), 300 – 3000 shareholders and at least 300 members in remote locations like tribal areas or drought- prone areas there shall be flexibility in the membership.
- The group enterprise should have complied with all legal compliances as required by its legal form.

- In case of EG, Enterprise groups should be active existence for a period of 6 months in their line of business. In case of PC, should be active existence for 1 year.
- The group enterprise should have an operational bank account in the name of their group.
- For an EG, the group should not have any overdue in the previous loans availed by them.
- Producers Collective should have collected the share capital from at least 50% of its total members.
- Producer 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.

Selection of Entrepreneurs

- Entrepreneurs who fulfill the eligibility criteria will be sourced from the village panchayats by Enterprise Community Professionals / 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 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 SPMU for their approval. Upon obtaining approval the DEO will recommended to PFI.
- 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.
- 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 release Matching Grant 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 account of similar nature against the beneficiary name. Then, the Partnering Financial Institutions (PFI) will disburse the loans to Entrepreneurs.
- The State Level Task Force Committee (STF) has been formed to review and recommend the MGP proposals submitted by the District for loan value more than INR. 5.00 Lakhs.
- The STF Committee shall be convened on a monthly basis and as when State Project Management Unit (SPMU) receives MGP proposals recommended by the DTF Committee for loan value more than INR. 5.00 Lakhs.
- The 'MGP-State Level Task Force' Committee will carry-out a desk review of proposals with the DEO joining virtually during the meeting conducted at SPMU and submit its recommendations to the Chief Executive Officer, for sanctioning of matching grant.
- Upon State Level Task Force Committee approval, CEO Will sanction and issue orders to release MGP Claims for the proposals above Rs. 5.00 Lakhs to the Partnering Financial Institutions.

Selection Committees

- State Task Force (STF) Committee comprises of
 - Chief Executive Officer,
 - Chief Operating Officer (PI),
 - Chief Operating Officer (PM),
 - Associate Chief Operating Officer (Business Plan Financing),
 - Associate Chief Operating Officer (Finance Management) (or) Deputy Chief Operating Officer (Accounts) and
 - District Executive Officer (Concerned District).
- District Task Force (DTF) Committee comprises of
 - District Collector,
 - District Executive Officer, TNRTP,
 - Project Director-DRDA,
 - General Manager-DIC,
 - Project Director-TNSRLM,
 - Lead Bank Manager,
 - Representative from a Bank or NBFC or FinTech, and
 - Enterprise Finance Professionals (EFPs).
- Block Task Force (BTF) Committee comprises of
 - District Executive Officer or Executive Officer- Business Plan Financing -Chairman,
 - Block Team Leader- Convener,
 - One Stop Facility (OSF) representative,
 - Representative from a Bank or NBFC or FinTech, and
 - Representative from the respective line department / experts from technical agencies (Agriculture or Animal Husbandry or Horticulture or MSME or KVK or RSETI or TNSRLM).

Category of Individual and Group Enterprises loans:

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%	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%	For Loans up to INR 50 Lakhs – 15% For loans of above INR 50 lakhs - 25%
Matching Grant**	Up to 30% of the project cost	Up to 30% of the project cost	Up to 30% of the project cost subject to a maximum of Rs.40 lakhs	Up to 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 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.

How to apply for Matching Grant Program

- 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.tnrtf.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.tnrtf.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.

Modalities of the operation of the Scheme

1. Sourcing, Screening and Profiling

- Enterprise Community Professionals (ECPs) 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).

2. Business plan preparation

- On receiving the screening report and profile of the entrepreneur from the ECPs, 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 Enterprise Finance Professional (EFP) for preparation of Business Plans for EGs and PCs.

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.

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.

5. District Level Task Force

- District level Task Force (DTF) is responsible for scrutinizing 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,
 - i. Appraisal and recommendation of loan applications above 5 lakhs
 - ii. Approval of MGP claims for all loan sizes.

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, eligibility and forward the same to State Project Management Unit (SPMU) for approval and release of the Matching Grant amount to the concerned PFI.
- 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.

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:
 - 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.
 - Repayment of Net principal Loan amount (i.e. Loan disbursed minus matching grant) and payment of entire interest due.

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

- 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.

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.

Post Disbursement Support to PFIs (Monitoring)

- Asset creation by the entrepreneur - Within 30 days from the date of loan disbursement.
- 100% Loan utilization check by ECP - Within 60 days from the date of disbursement.
- 15% of asset creation verification at random by BTL - Within 30 days from the date of loan utilization check by ECP.
- 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.

Monitoring

- Monitoring in case of continued /delayed/ non-payment of dues, Enterprise Community Professionals visit the entrepreneur and enterprise site to understand reasons for non- payment, prompt them to repay and report the same to OSF.

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.

Hence, the Executive Order is issued to support individual and group enterprises through Matching Grant Program, to provide necessary

guidance and instructions to TNRTP team to achieve the target (District wise targets are given in the annexure 1). It is also hereby informed to implement the scheme and conduct periodic review meeting to assess the progress in your district.


Sd/-
Chief Executive Officer
VKP

// Forwarded by order //


Chief Operating Officer (PI)
VKP

Encl:

1. Annexure 1 – District wise Targets
2. Annexure 2 - Application form
3. Annexure 3 - List of documents to be enclosed
4. Annexure 4 - Business plan format


01/07/2024