

WEF SOP

Women Enterprise Financing
Standard Operating Procedure

*Individual SHG member
lending for enterprise*

DAY NRLM



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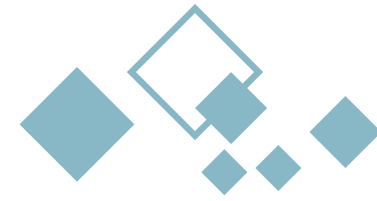
MIS

Admin., Portfolio,
Disbursed, Repayment,
Delinquency etc.

09

R&R

Roles &
Responsibilities



01 Context

NRLM hitherto - Background

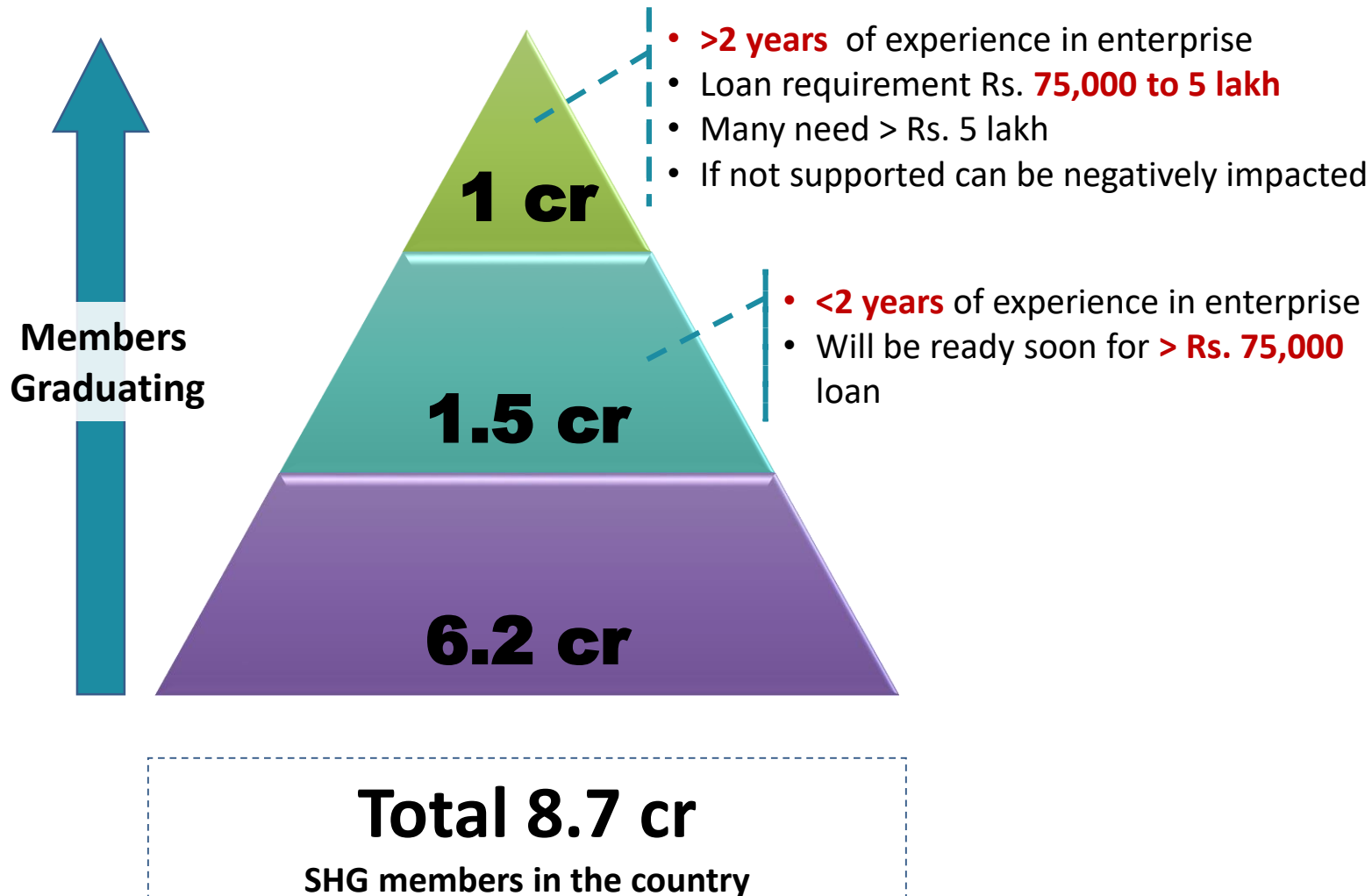


Community Institutions					
SHG	VO	CLF	CRPs	Staff	HHs
90 lakh	4.82 lakh	32 thousand	4.13 lakh	42 thousand	10 Crore
Blocks - 7117		District - 737		States & UTs – 34	
Capitalization to SHGs					
50000 Cr Savings	+	28300 Cr NRLM's Grant	+	830256 Cr Bank Loans	
=					908556 Cr
					Access to all SHG members

- ### SHG women Entrepreneurship Support Programs
- SVEP entered 2nd phase – primary focus to develop entrepreneurs
 - OSF focuses on existing enterprises at a sub-block level as an incubator
 - Various interventions under Farm and Non Farm sectors
 - Professional support for market linkage
 - Various Fairs and stall spaces for retail sales
 - Partnership with online platforms like Amazon and Flipkart

SVEP – Start-up Village Entrepreneurship Program; OSF – One Stop Facility

Need for individual enterprise loan for Graduated members and Challenges



CHALLENGES for bank loans

No Collateral

Small Ticket Size loans

Limited Information with members

No Credit Information for the enterprise

No Formal Registration

Perceived Risky avenue

Sources of Funds

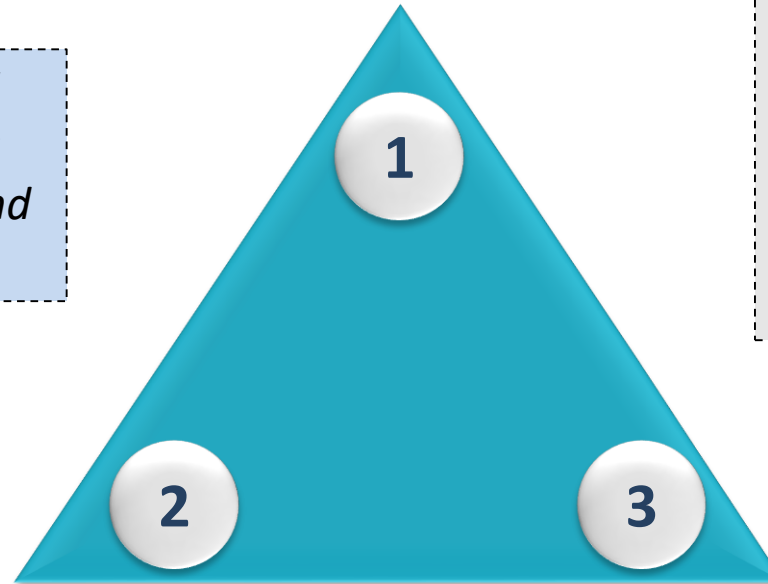


SHG Corpus, CIF,
undrawn bank
loan

In addition to this the CRP and Mentor should check for other schemes like PMEGP, PMFME and state government schemes

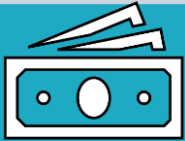
Only approach bank when internal sources of fund options are exhausted or when the loan size is beyond SHG's limit

Other
NRLM/SRLM
programs – SVEP,
OSF etc.



BANKS

Financial Products of banks



WORKING CAPITAL

Required to carry out day to day activities

Payment for Inventory
Receivables etc.

No Fixed Instalment

1



TERM LOAN

Ideal for Capital Expenditure

With specific end use

Fixed Instalment

2



COMBO/HYBRID

Working Capital (WC) +
Term Loan (TL)

~25% as working capital

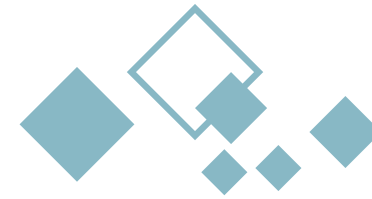
Fixed Instalment for TL
not fixed for WC

3



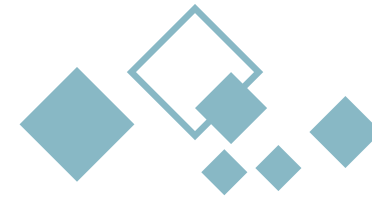
02 Implementation Process

Implementation Process



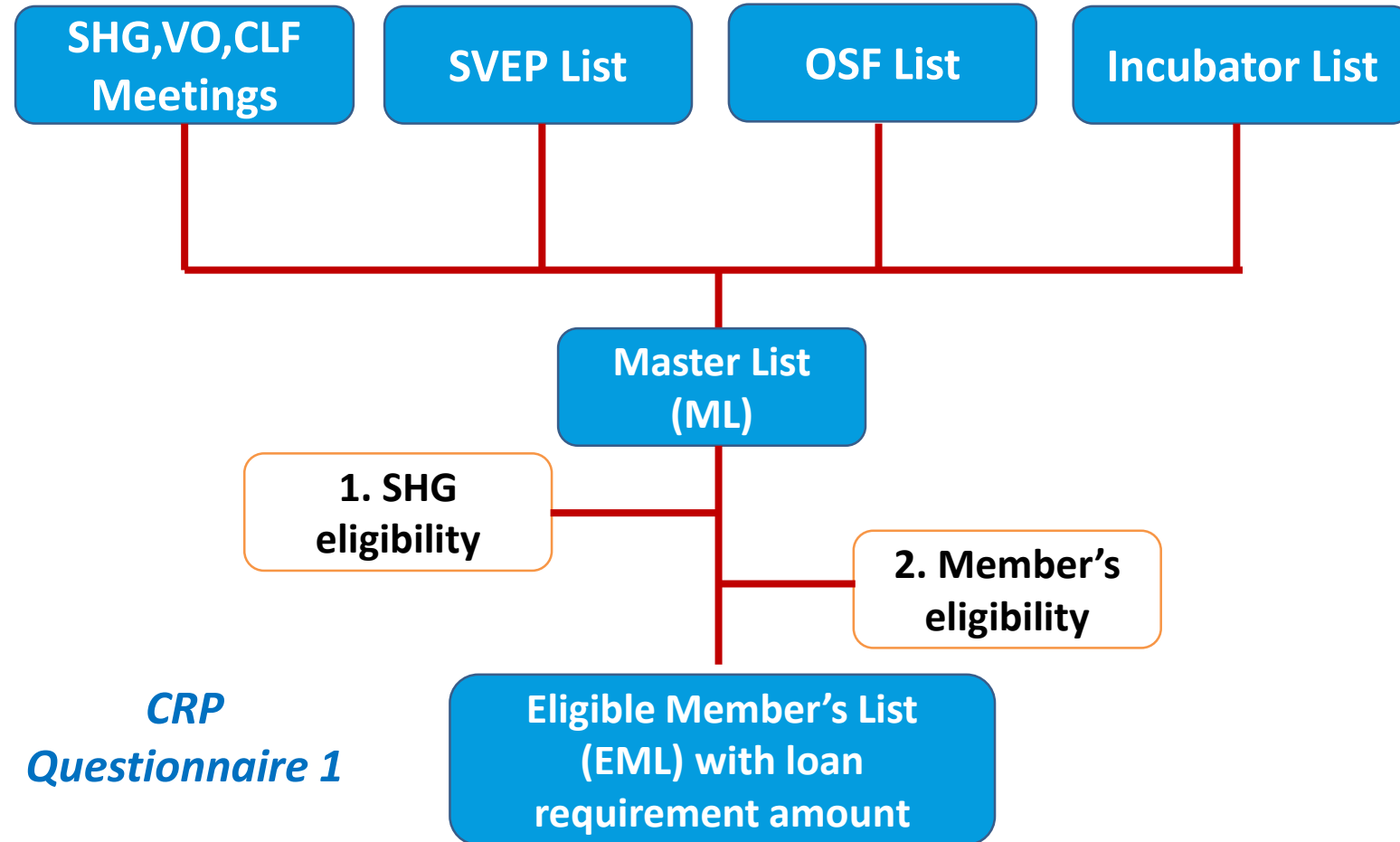
5 Step Implementation Process (A-E)





03 Identification of Enterprises [A]

Identification of Enterprises



CRP
Questionnaire 1

- BLOCK SELECTION PRIORITY CRITERIA (suggestive)**
- OSF blocks
 - SVEP Blocks
 - Blocks where sizeable no of SHGs have received at least 2nd dose of Bank linkage with good track record
 - Sizeable number (>250) of SHG Women Led Enterprises available - 1 year old
 - Block having low NPA in SHG bank linkage
 - Blocks having less no of SHGs with NPA

SHG Eligibility (Minimum)

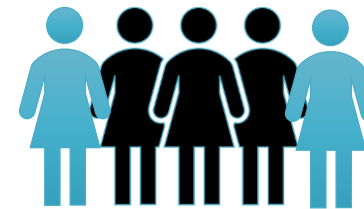
2 year old SHG

(2 years old according to the date of 1st bank linkage)

1 dose of Bank Loan

(Successfully completed with timely repayment)

SHG should actively follow Panchasutra



If the SHG is not eligible **NO MEMBER will be eligible** for the enterprise loan

Further CRP along with mentors should guide those SHGs on how to improve their eligibility

2 year old not eligible SHGs should clear all their debts and take fresh bank loan and complete the cycle successfully to be eligible

RBI Circular

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/MC9258B2560231E6413084279C422194AC69.PDF> Point - 7.3.4

Member Eligibility (Minimum)



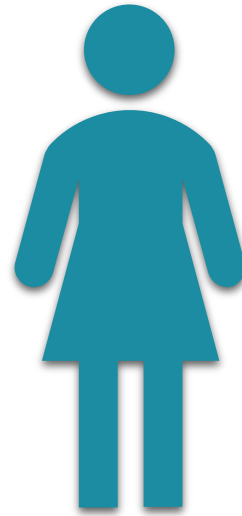
2 years membership with SHG

1 successful Loan cycle from SHG

Recommendation from CBOs

Age – 21 – 60 years
(60 at the end of Loan tenure)

Minimum 2 year old viable
business



Minimum 25 thousand last loan
served (Not cumulative)

Should not be a defaulter with any
FFI (CIBIL >650 or 0/-1)

Min loan amount required is Rs
75,000 in case of bank loans

Ready to contribute 10% from own
sources

Basic to advanced knowledge of the
business

Member's eligibility (loan size wise)

(Loan size – **Rs. 75,000 to Rs. 2 lakhs**)

CRP

SHG Eligibility

2 years old & 1 Successful Bank Loan cycle completed

1



5

Business Vintage

2 year of viable business

Membership vintage in SHG

At least 1 Loan cycle with SHG & 2 years membership

2



6

Bureau Track Record

CIBIL >650 or 0/-1

Applicant's Age

21 – 60
(60 at the end of Loan tenure)

3



7

Constitution of the Applicant

Individual/Proprietorship

Member's Minimum Loan

25000 last loan serviced by the member

4



8

Co Applicant

Not required

90-95% MEL expected to be in this category

Members eligibility (loan size wise)

(Loan size – **Rs. 2 lakh – 5 lakh**)

CRP

SHG Eligibility

3 years old & 2 Successful
Bank Loan cycle completed

1



5

Business Vintage

3 years of her business
experience

Membership vintage in SHG

2 Loan cycle with SHG
& 3 years membership

2



6

Bureau Track Record

CIBIL >650 or 0/-1

Applicant's Age

21 – 60
(60 at the end of Loan tenure)

3



7

Constitution of the Applicant

Individual, proprietorship,
partnership pvt. ltd etc.

Member's Minimum Loan

40000 last loan serviced
by members

4



8

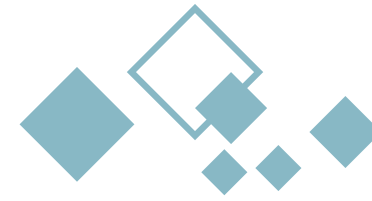
Co Applicant

Required in
registered entities

05-10% MEL expected to be in this category

Members eligibility loan size wise

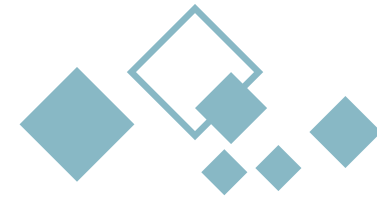
(Loan size – **Rs. 5 lakh – 10 lakh**)



CRP

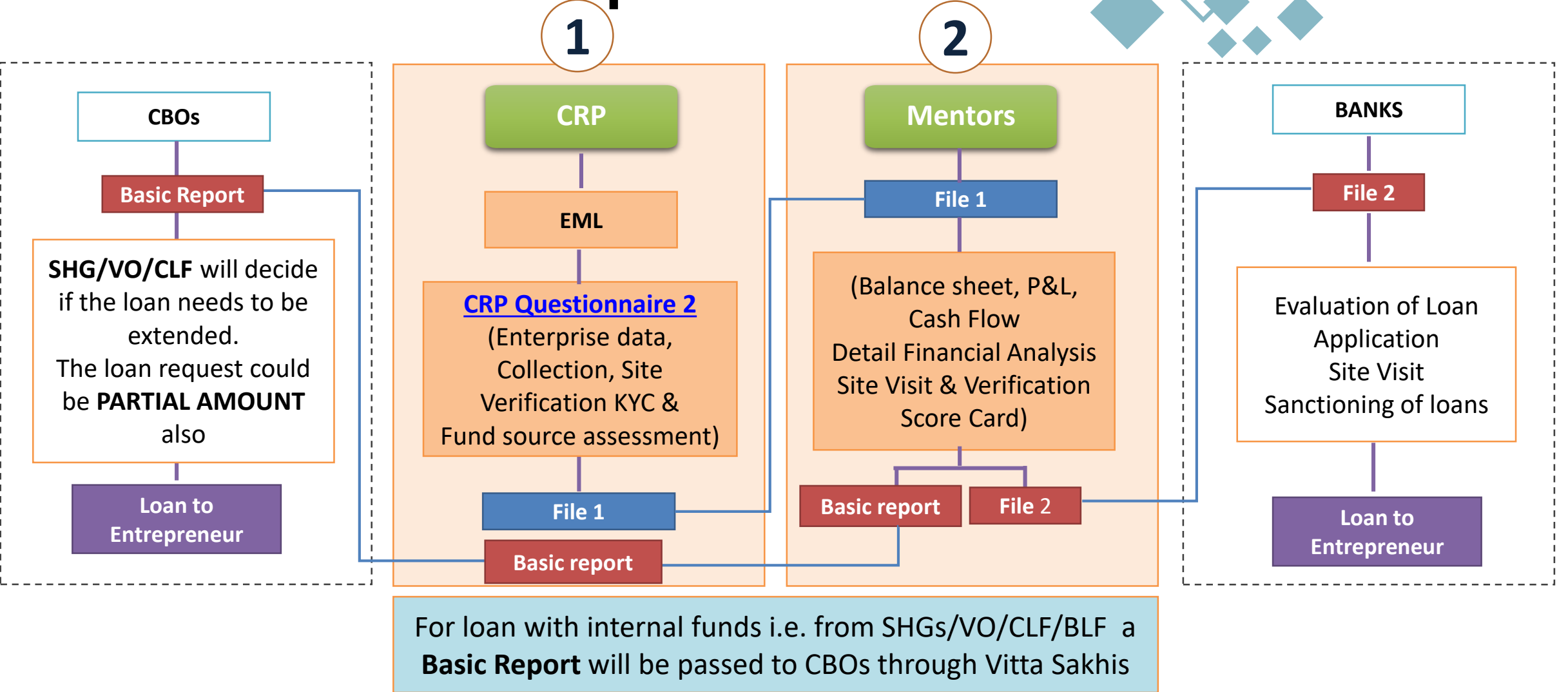
- All criteria are same as 2 lakh to 5 lakh loans
- Additional things to be checked is – last 24 months records with SHGs for repayment.
- And detailed ratio analysis which will come in Assessment sections to be done by mentors.

Very less cases of application is expected to be in this category



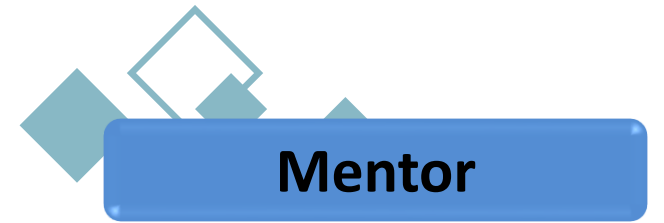
04 Assessment of Enterprise [B]

Assessment of Enterprises



The Loan can be mixed from these two sources as well as suitable

Eligible Enterprises



YES

- **All Agri and allied activities except subsistence agriculture activities**
- Agro Based and Food Processing Industry (ABFPI)
- Mineral Based Industry (MBI)
- Wellness & Cosmetics Industry (WCI)
- Hand Made Paper, Leather and Plastic Industry (HMPLPI)
- Rural Engineering and New Technology Industry (RENTI)
- Service Industry

(For detailed list please refer the word doc)

NO

- Business established by encroaching government land
- Tobacco trade
- Alcohol / pubs clubs / Massage parlours
- Arms and ammunition dealers
- Speculations / lottery etc
- Individuals involved in unlawful businesses
- Negative areas identified by partner banks, other financial institutions and SRLM's own experiences.

Financial Analysis


Mentors

Parameters	0.75 – 2 lakh	2- 5 lakh	5 - 10 lakh
Current business cash flow	✓	✓	✓
HH cash flow analysis	✓	✗	✗
Debt Burden Ratio	60%	✗	✗
Debt as % of Net worth	60%	✓	✓
Working Capital GAP	✓	✓	✓
Balance Sheet	✓ (Simple)	✓	✓
Profit & Loss	✗	✓	✓
Projected cash Flow	✗	✓	✓
Working Capital Cycle	90 days	90 days	90 days
Detailed Ratio Analysis (next slide)	✗	✓	✓ +

Detailed Ratio Analysis



Mentors

Parameters	0.75 – 2 lakh	2- 5 lakh	5 - 10 lakh
DSCR (Debt Service Coverage Ratio)	✘	1.5 times	1.5 times
ICR (Interest Coverage Ratio) (For WC Loan)	✘	2 times	2 times
TOL/TNW (Total Outside liabilities/ total net worth)	✘	3 times	4 times
Bank Statement Analysis	✘	✘	✔
EBITDA	✘	✔	✔
Net Profit Margin	✘	✔	✔
Cash Flow from operation	✘	✘	+ve
Avg. Bank Balance to EMI	✘	✘	1.5 times
Sales thru put through banks	✘	✘	33%
Return on Capital, Equity and Asset	✘	✘	✔

Score Card >2 lakh loans

Qualitative - 55%

Quantitative - 45%



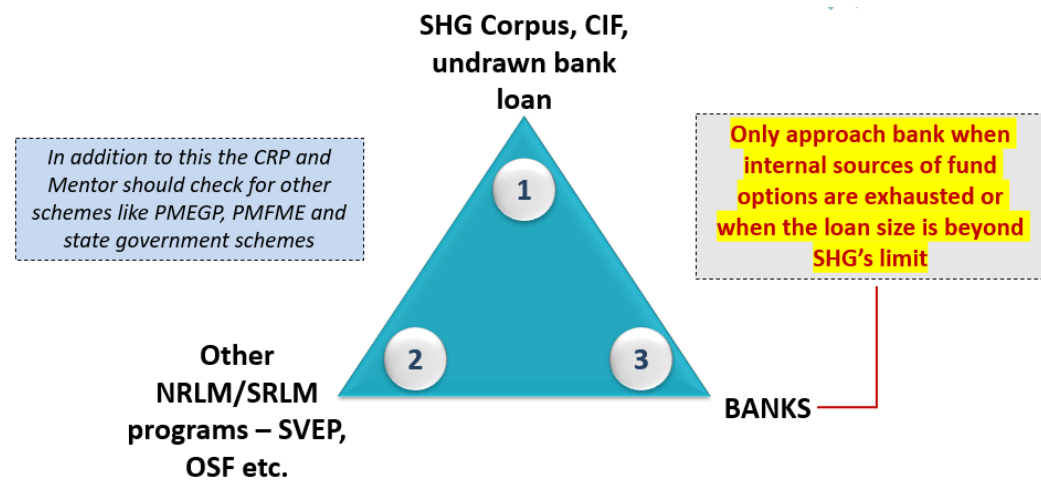
Parameters	Parameter Weightage	Attribute	Scoring Scale	Parameters	Parameter Weightage	Attribute	Scoring Scale
Age	10	< =30 years	5	Bureau Score	10	0/-1	4
		Between 30-40 years	7			< 650	2
		Between 40-50 years	10			Between 650-700	6
		Greater than 50 years	8			Between 700-750	8
			Greater than 750			10	
Experience in Trade Line	10	< =1 years	2	CFA Debt Burden	15	Less than 40%	15
		Between 2-3 years	5			Between 40-50%	12
		Between 3-4 years	7			Between 50-55%	8
		Greater than 4 years	10	Greater > 55%	5		
SHG Bank Linkage cycle	10	<= 2	3	SHG Repayment Track (last 12 months)	20	Ontime repayment	20
		3-4	7			Delayed payment max two times but paid within the month	15
		> 4	10			Delayed payment more than two times but paid within the month	10
			Delayed payment one or more times and paid after the month			5	
Home & Shop/Factory Ownership	5	Both Rented	1		100	Cut off - 55 can be	
		Both Owned	5				
		Either Shop or Home Owned	3				
Vintage with SHG	10	<= 2 years	3				
		Between 2-4 years	6				
		Greater than 4 years	10				
Business Vintage	10	< 3 years	2				
		Between 3-5 years	5				
		Between 6-7years	7				
		Greater than 7 years	10				

The data includes - demographic, past internal credit behaviour, financial information, enterprise information, credit bureau score etc.



05 Planning of appropriate credit source [C]

Re-emphasising - Sources of Funds



1st Preference



CBOs

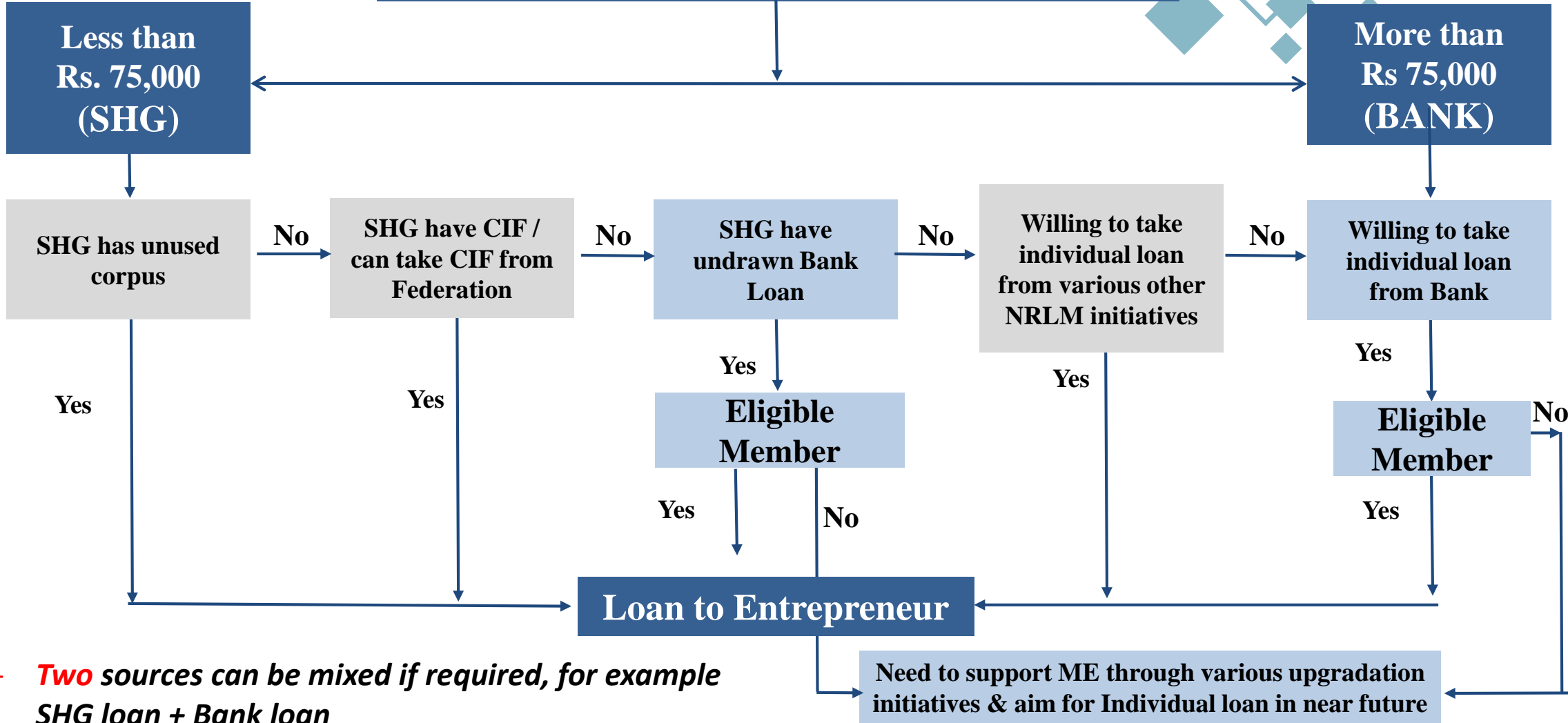
2nd Preference



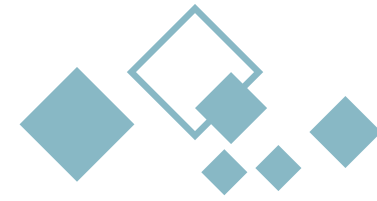
BANK

We remember this slide previously seen

Appropriate Credit Source Assessment



- **Two** sources can be mixed if required, for example SHG loan + Bank loan
- **Minimum 10% own** contribution is mandatory for loan from any source

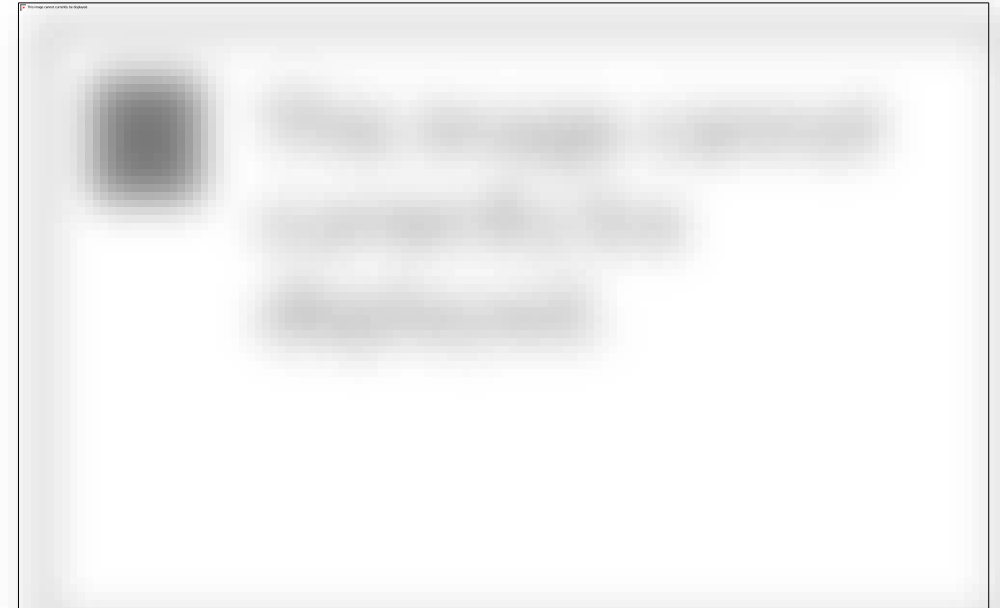
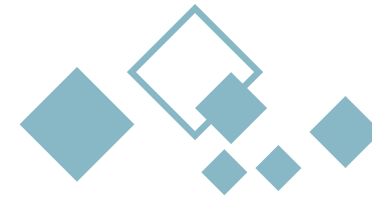


06 Ensuring Access to Credit [D]

Support to banks

Why would bank listen to us now?

- Trained Community Cadres on ground – 1 CRP to oversee 50 to 100 enterprises
- Expert Mentors to support CRPs (1:10)
- Women Entrepreneurship Acceleration Fund
- Credit Risk Fund
- Interest Subvention for individual member's loan on prompt repayment
- Reimbursement of CGTMSE and NCGTC fees
- Supporting in completing application formalities
- Repayment follow up
- Enterprise development support



Will be discussed in separate session

Ensuring access to credit



Bank Loans

- Mentors will prepare the bank loan application (File 2) and submit it at the stipulated bank branch
- Mentor will liaison with the banks post submission of the loan application
- In case there are any queries from banks, Vitta Sakhi and mentors will resolve the same withing 3 - 5 working days
- CRP will keep informing the entrepreneur and the mentor about loan status

SHG Loans

- Mentor will prepare the **Basic Report** of the entrepreneurs for the SHG and will hand over to CRP
- CRP will submit it at the SHG/VO/CLF
- Community Cadre will liaise with CBO office bearers in case there is delay from SHG's
- Community Cadre will provide additional information in case it is demanded by SHG office bearers
- Community cadre will ensure that the loan is disbursed timely with active follow up

Loan Application & Documents



Bank Loan Application (File 2)

- Business information and background of entrepreneur
- Past performance and Future Estimates of the business. Balance Sheet, Profit & Loss accounts, cash flow etc. (depends on loan size)
- Regulatory compliances
- Proforma invoice in case of purchase of capital assets
- Existing banking/credit details
- CBO recommendation letter
- KYC documents of Entrepreneur and Firm
- Score Card

Basic Report for SHG Loan (Suggestive)

- Balance Sheet
- Credit Bureau Record (wherever possible)
- Bank statement (savings or current) for last 6 months
- Projections (one year for working capital and number of years/months as per the term loan)
- Clearly mentioning about perceived risks involved in the business
- Vitta Sakhi indemnity letter from CBO



KYC – Firms (non-exhaustive list)

Loan size Rs. 0.75 to 2 lakhs
(Enterprise will largely fall under this category)

Individual / Proprietorship

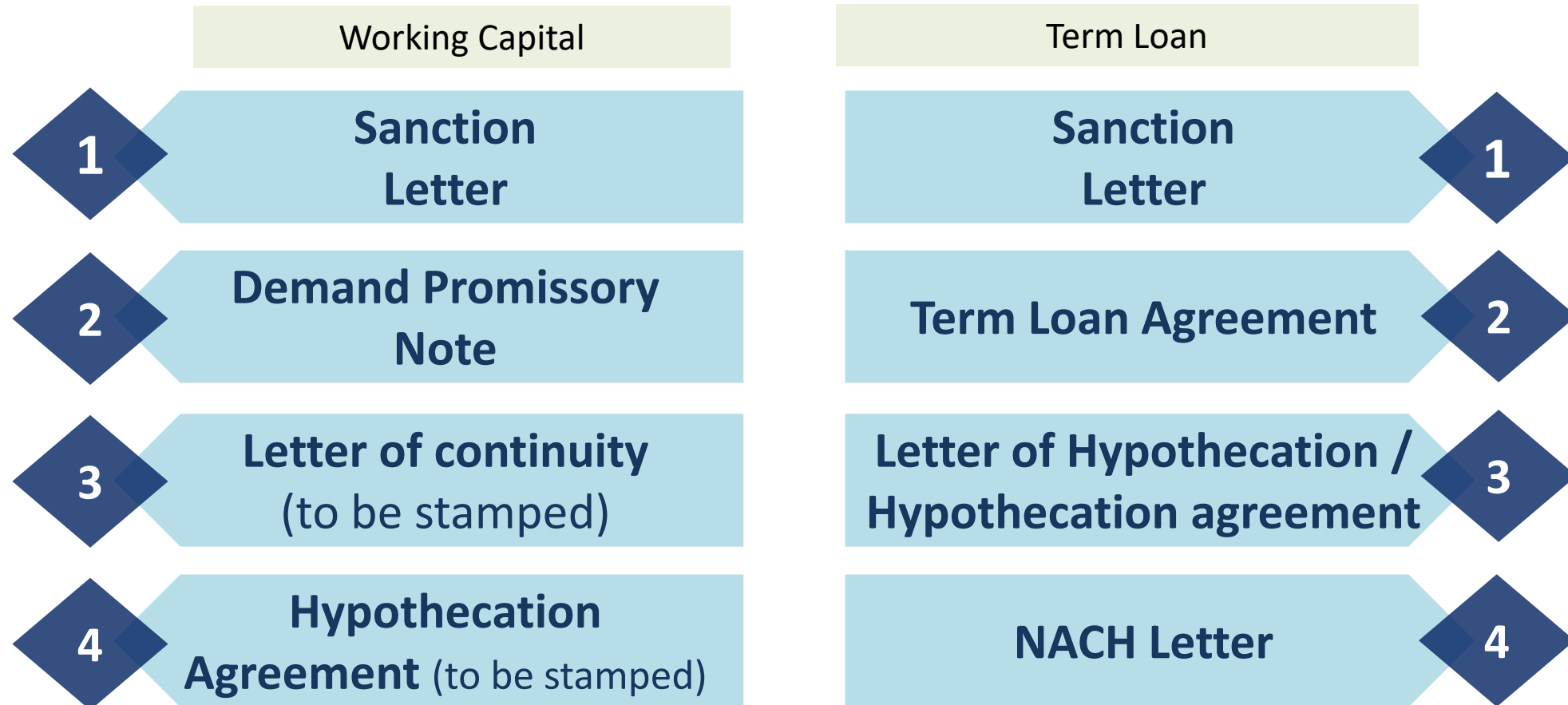
- PAN of individual
- Aadhaar
- Any other identity and address proof
- Rent lease agreement
- GST number (if applicable)
- Udyam Registration (must)
- Utility bill (electricity/water etc.)

For >2 lakh loans
(5-10% of all loan application will fall under this category)

Partnership, Pvt Ltd etc.

- PAN card of firm
- Address Proof of firm
- POI and POA of partners
- Partnership deed
- Authorisation letter
- GST
- Udyam Registration (Must)
- MOA
- Rent/lease agreement etc.

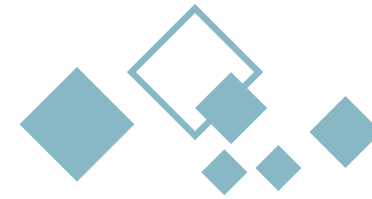
Most common loan documents





07 Monitoring and Tracking of enterprises [E]

Regular Monitoring by CRP



1. Status of the Business

2. Utilization of funds

3. Sales Volume

4. Cash & Credit Sales

5. Purchase Volume

6. Cash Credit Purchase

7. Income

8. Repayment

9. Stock Levels

10. No of people employed

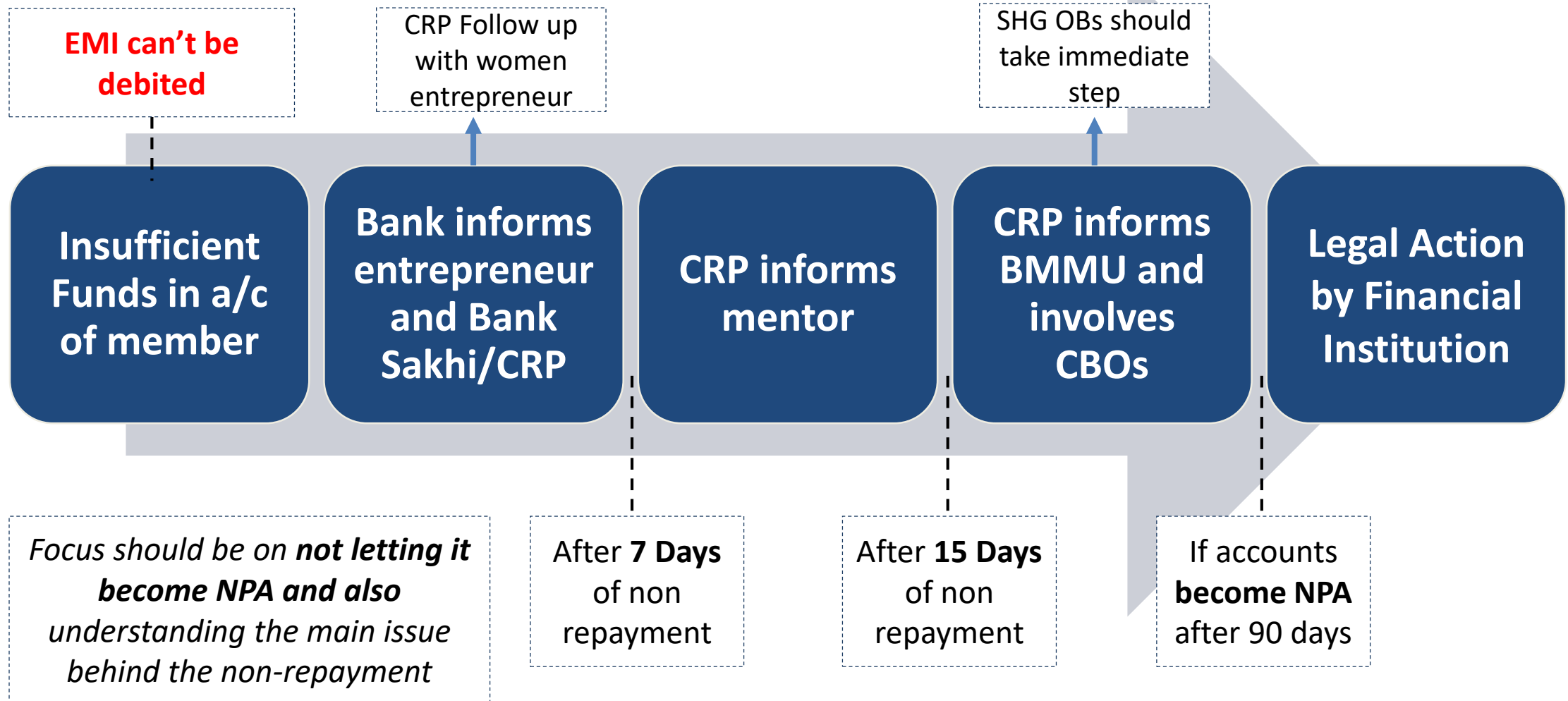
*During Monitoring CRPs should also introduce
DIGITAL TRANSACTIONS and install **QR Code***

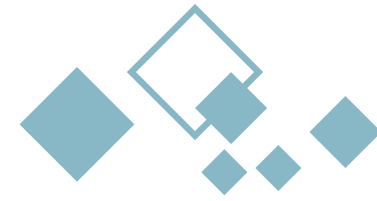


State can decide tracking which of the above reports can be effectively tracked by FI vertical



Repayment Collection Process





08 MIS

MIS

FI Vertical

1 

PORTFOLIO MONITORING

Loan Origination and Portfolio Performance, Portfolio Behaviour

2 

DISBURSED LOANS - BMMU

To track disbursed loans for the month.

3 

REPAYMENT TRACKING – SMMU

To track account level monthly repayment on time

4 

DELINQUENCY MIS – SMMU & DMMU

To track customer account and portfolio level delinquency

Livelihoods Vertical

BLOCK POTENTIAL

List of minimum 2 years experienced entrepreneurs, insights on kinds of enterprises, sectors etc.

 5

BUSINESS MONITORING

Sales vol., Cash & Credit sales, Purchase vol., Cash & credit purchase. Debtor's amt., Stock Level, etc.

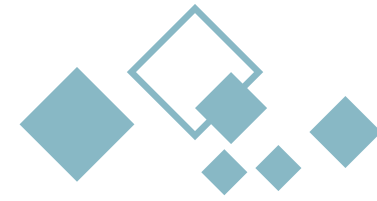
 6

Regular

Sharing

Over and above these data - SMMU shall keep granular data on the enterprises being supported under this intervention

7 



09 Roles & Responsibilities

CRP [Vitta Sakhi]



Trained SHG members competitively selected after 2-3 years of experience based on pre decided selection criteria and are incentivized. They receive 4 days residential training.

Pre Disbursement

- Identifying eligible entrepreneurs based on pre-decided criteria and keeping CBOs on loop.
- Orientation of CLF, VO and SHGs on bank's financial products and processes
- Maintaining data of potential entrepreneurs
- Visiting member's place of residence, business, suppliers and customers to validate information for appraisal
- KYC, credit score checking, application form filling etc.

Post Disbursement

- Visiting the entrepreneurs on monthly basis and take regular updates
- On time repayment follow up with the entrepreneurs – coordinate with banks
- Support in repayment collection in case of delays
- Updating entrepreneur's data on an android App
- Maintaining manual register on loans details
- Keeping her parent SHG and VO in loop

Mentors



Ex bankers from Public and Private sector Banks / empanelled trainers (non bankers) / block level SRLM professionals - with relevant experience of 5 to 7 years having received 4 days residential training.

Pre Disbursement

- Support and handhold the front-line cadre
- Reporting any gaps or shortcomings in the process of identification of eligible entrepreneurs
- Visiting the entrepreneurs on regular basis
- Guidance to Cadre on conducting the appraisal of identified businesses
- Prepare a list of model economic activities, having potential to grow in their areas
- Inputs on central and state government schemes to be linked with entrepreneurs

Post Disbursement

- Mentors will liaise with the banks post submission of the loan application
- Visiting the entrepreneurs along with Cadre in case there are any issues with the business performance or the loan repayment
- Support and handhold Cadre to build their confidence to make them work independently in near future
- Informing SRLM Block office with the information on all entrepreneurs who received loans

District and Block team of SRLM



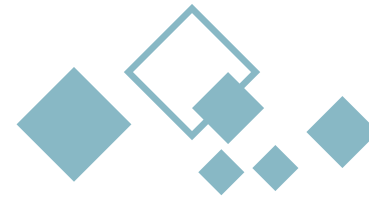
Pre Disbursement

- High level assessment of potential number of enterprises to check viability of the block
- Identification of Banks/FIs and Mentors in the Blocks
- Selection of Cadre from the pool of Bank Sakhis and SHG members
- Ensuring that there is no shortcomings in the processes at any stage
- Visiting the entrepreneurs and extending support
- Regular review of the Mentors and Cadre

Post Disbursement

- Tracking granular data on the enterprises' performance and loan repayment
- Review of the block professionals on the performance of the enterprises
- Extending support to the entrepreneurs with their enterprise activities
- Visiting the entrepreneurs along with Mentors and Cadre in case there is any issue with the business performance or the loan repayment

SRLM



Pre Disbursement

- Deputing SPM FI or any personnel with similar responsibilities as overall in-charge
- Roll out the program in all selected districts and blocks across the state
- Ensuring that all standard processes is followed at every stage
- Monitoring of performances of Districts and Blocks
- Manage state level relationships with Formal Financial Institution's and representation at SLBC

Post Disbursement

- Review and monitoring of the loan portfolio in the state and focus on reduction of NPA if any
- Maintaining state level data with granular information
- Identifying non performing businesses and extending support
- Converging with other central or state government schemes targeted for women enterprises
- Adherence to all norms, administrative processes, managing MIS, trouble shooting issues, etc.

Thank You

