

डॉ सुनील कुमार यादव
निदेशक (डे-एनयूएलएम)
Dr. Sunil Kumar Yadav
Director (DAY-NULM)



भारत सरकार
आवास और शहरी कार्य मंत्रालय
निर्माण भवन, नई दिल्ली-110011
Government of India
Ministry of Housing and Urban Affairs
Nirman Bhawan, New Delhi-110011

DO No. K-13011(1)/3/2025-NULM-MoHUA (E-9189703) Dated 24th January, 2025

Dear, State Mission Directors,

I would like to draw your attention to earlier draft guidelines issued by Ministry of Housing and Urban Affairs (MoHUA) for the proposed new mission on Urban Poverty Alleviation and have been directed to share the draft guidelines in respect of the component Financial Inclusion & Entrepreneurs Development (FI&ED) for your valuable review and feedbacks. These guidelines aim to improve financial inclusion, enhance banking relationships, and strengthen overall economic empowerment for the urban poor. Your feedback is crucial to ensure that the guidelines are comprehensive and practical.

2. I am also sharing these guidelines with the Indian Bank's Association for their inputs, as their perspectives are crucial for aligning them with state-level priorities.
3. I would appreciate receiving your comments by **31st January, 2025** so that these can be incorporated in the final document.
4. Please feel free to reach out to Ms. K. Madhavi, Section Officer at madhavi.72@gov.in and Ms. Niharika Verma, Senior FI Expert at niharika@umcasia.org, for any information/clarifications, if any.

Looking forward to your valuable suggestions and hope to work together in enhancing the effectiveness of the guidelines.

With regards,

Yours sincerely,

(Dr. Sunil Kumar Yadav)

Encl: FIED guidelines

To

The State Mission Directors,
All States/ UTs

SMM-BL
Pl. comm. to all
24/1/25

24 JAN 2025

DO No. K-1301/1 (UG-2025-NILM) (H/W (E-232703)) Date: 24 January 2025

Dr. S. K. ...

I would like to draw your attention to the draft guidelines issued by Ministry of Housing and Urban Affairs (MoHUA) for the proposed new mission on Urban Livability and have been directed to share the draft guidelines in respect of the component financial provision & Environmental Development (NET) for your review and feedback. The guidelines aim to provide financial inclusion and are pending for final approval. The guidelines are comprehensive and your feedback is crucial to ensure that the guidelines are comprehensive and practical.

2. I am also sharing these guidelines with the Urban Bank's Association for their inputs as their objectives are closely aligned with state-level priorities.

3. It would appreciate receiving your comments by 24 January 2025 so that these can be incorporated in the final document.

A request is made to reach out to Mr. K. Madhava Reddy, Director, Urban Livability, MoHUA, and Mr. N. V. Venu, Secretary, Urban Livability, MoHUA, for any further assistance required.

I look forward to your valuable suggestions and hope to work together in enhancing the effectiveness of the guidelines.

With regards,

Yours sincerely,

[Signature]

Dr. S. K. ...

Encl: 2 EDP Guidelines

24/1/25
24/1/25

The Urban Mission Director
All Cities, UAs



Financial Inclusion and Enterprise Development (FI&ED)

Operational Guidelines

New Urban Poverty Alleviation Mission (Pilot Implementation)

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List of Abbreviations

ALF	Area Level Federation
BCs	Business Correspondents
BFs	Business Facilitators
CBS	Core Banking Solution
CCL	Cash Credit Limit
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CIG	Common Interest Group
CISF	Community Investment Support Fund
CLF	City Level Federation
CMMU	City Mission Management Unit
CRPs	Community Resource Persons
CSs	Community Supervisors
DP	Drawing Power
DPR	Detailed Project Report
EDF	Enterprise Development Fund
EDP	Entrepreneurship Development Programme
FI&ED	Financial Inclusion and Enterprise Development
LAF	Loan Application Form
MCP	Micro-credit Planning
NFSA	National Food Security Act
RRBs	Regional Rural Banks
SCBs	Scheduled Commercial Banks
SHGs	Self Help Groups
SIDBI	Small Industries Development Bank of India
SLBC	State Level Bankers' Committee
SMMU	State Mission Management Unit
ULB	Urban Local Bodies

1. Overview

The New Mission for Urban Poverty Alleviation aims to address the multifaceted challenges faced by urban poor households, particularly within the informal sector, by adopting an inclusive approach that includes urban poor households, especially women, the elderly, the differently abled, migrants, and marginalised communities. The Mission focuses on vulnerable occupational groups, who are often marginalised within the broader labour market. This includes workers in sectors such as care, domestic, transportation, construction, gig and waste workers, who face disproportionate challenges and barriers.

The Mission is dedicated to fostering entrepreneurship and micro-enterprise development among the urban poor in India. The Financial Inclusion and Enterprise Development (FI&ED) component of the Mission provides essential support and resources to help individuals and aspiring entrepreneurs sustain their livelihoods and start and grow their businesses. In response to the evolving economic landscape and emerging challenges, the FI&ED component emphasises on micro-enterprise development and entrepreneurial capacity building.

India's large working-age population, aged 18 to 59, has the potential to significantly contribute to the country's growth if equipped with the skills and resources needed to be productive. This demographic group is projected to increase substantially in the coming decades. Without proper encouragement and access to the necessary skills and knowledge, many may end up in the unorganised sector. Promoting entrepreneurship and skill development among the urban poor will not only engage them in self-employment opportunities but also improve their living conditions, leading to sustainable and productive outcomes.

By prioritising entrepreneurship and skill development, the Mission aims to create an ecosystem where individuals can harness their talents and creativity. Access to training programmes, mentorship, and financial support will empower these individuals to start their own businesses, ultimately driving local economies. Moreover, fostering a culture of entrepreneurship can lead to job creation, benefiting not only the entrepreneurs but others in their communities, thereby reducing dependency on external assistance.

As these micro-enterprises thrive, they will contribute to a more vibrant urban economy, fostering innovation and competitiveness. Integrating technology and digital platforms will further enhance their reach and efficiency, allowing entrepreneurs to tap into wider markets. This comprehensive approach addresses immediate poverty alleviation and lays the ground work for long-term economic resilience, positioning India favourably in the global market. Through this renewed focus on entrepreneurship and skill development, the Mission seeks to unlock the vast potential of the urban poor, transforming challenges into opportunities for sustainable growth.

2. Introduction

Financial Inclusion and Enterprise Development (FI&ED)

The FI&ED component under the Mission focusses on the provision of financial support to individuals and groups from the urban poor, with a special focus on the persons engaged in vulnerable occupations to set up their self-employment venture/ micro-enterprises based on their skills, training, aptitude, and local conditions. The under-employed and unemployed urban poor, especially youth, are encouraged to set up small enterprises relating to manufacturing, servicing, and petty businesses that have considerable local demand. Local skills and local crafts are particularly encouraged. Additionally, the component supports Self Help Groups (SHGs) and Common Interest Groups (CIGs)¹ of the urban poor by facilitating easy access to bank credit and benefiting from interest subsidies on SHG and CIG loans.

Additionally, the component emphasises on providing technology, marketing, and other support services for individuals, group entrepreneurs, SHG and CIG members, and urban poor in vulnerable occupational groups who are involved in micro-enterprises for their livelihoods.

The various sub-components strengthening the FI&ED component are as follows:

A) Financial Support through

- a. Bank loan for individual and group/ collective enterprises
- b. Bank credit to SHGs/ CIGs for livelihood activities
- c. Enterprise Development Fund (EDF)
- d. Interest subvention and
- e. Credit guarantee

B) Non-financial support through the Entrepreneurship Development Programme (EDP)

2.1 Financial Support

2.1.1 Bank loan for individual and group/ collective enterprises

Financial assistance will be made available to the urban poor with special focus on six vulnerable groups, to set up individual and collective/ group enterprises in the form of subsidised loans by the banks. The loan for an individual enterprise has a cost ceiling of ₹4 Lakh, while collective/group enterprises are eligible for loans up to ₹20 Lakh. A Micro-Credit Plan (MCP) must be prepared when applying for the loan².

¹ **CIGs:** CIGs are collectives of 5-20 individuals who share similar economic activities, occupations, or social interests such as those engaged in vulnerable occupations. These groups typically consist of people working in common occupations and having common interests, and they collaborate to address challenges, improve skills, access resources, and enhance their livelihoods..

² The MCP formats for individual enterprise loans, group enterprise loans, and SHG bank loans are presented in the **Annexures**.

The eligibility criteria for the members availing loan benefits will be determined based on the type of loan:

Table 1: Enterprise loan eligibility criteria

Loan type	Eligibility	Loan amount
Bank loan for individual enterprises	- Individual members from the urban poor category (as identified under the Mission) - The prospective beneficiary should have attained the age of 18 years at the time of applying for a loan.	Up to ₹4 Lakh
Bank loan for group/collective enterprises	- Up to 5 members forming a collective enterprise jointly owned by them. - All members of the group enterprise should have attained an age of 18 years at the time of applying for the bank loan. - The group enterprise should have minimum two (2) members from urban poor families. More than one person from the same family should not be included in the group. - The group will be eligible for a maximum loan of ₹4 Lakh per member or ₹20 Lakh, whichever is lower.	Up to ₹20 Lakh

2.1.2 Financial support to the identified vulnerable occupational groups

The Mission focusses on facilitating subsidised bank credit to persons engaged in vulnerable occupations including transgender persons identifying as urban poor. A Micro-Credit Plan should be prepared when applying for the loan.

The loan products for each vulnerable group are designed with the assistance of relevant ministries and financial agencies based on specific requirements. However, the indicative loan purpose for the vulnerable occupational groups is as follows:

Table 2: Enterprise loan eligibility criteria for the vulnerable occupational groups

S.No.	Loan type	Eligible vulnerable occupational group members	Purpose
1.	Bank loan for individual enterprises	Transportation workers	Purchase of e-rickshaws, e-autos, and battery-operated vehicles.
		Gig workers	Acquisition of two-wheelers or other equipment essential for their work.

2.	Bank loan for group/ collective enterprises	Transportation workers (through the ALF/ CLF)	Establish Rickshaw banks.
		Care workers	Develop and operate care facilities, such as day-care centres and crèches.
3.	Bank loan for individual and group/ collective enterprises	Waste workers	Purchase of battery-operated vehicles, mechanised cleaning equipment, safety gear, etc.

2.1.3 SHG- Bank credit linkage

Bank credit linkage plays a crucial role in improving the economic status of low-income households, fostering entrepreneurship, and enhancing the overall well-being of communities. The SHGs and CIGs will be facilitated in accessing bank credit to undertake various livelihood activities. The amount of bank credit available to each SHG/ CIG is determined based on the savings corpus of its members. Depending on their needs, they are eligible to avail of either a Term Loan (TL) or a Cash Credit Limit (CCL) or both. SHGs/ CIGs are required to submit a Micro-credit Plan when applying for the bank loan.

The suggestive tranches of Bank Credit have been specified as follows-

Table 3: Enterprise loan eligibility criteria for SHG/ CIG

Loan type	User/ Beneficiary	Loan amount (Applicable for TL or CCL or both)
SHG bank loan	• SHG with 10-20 members	1st tranche: 6 times the SHG corpus or a minimum of ₹1.5 lakh, whichever is higher.
CIG bank loan	• CIG with 5-20 Members (Group of urban poor engaged in similar occupation)	2nd tranche: 8 times the SHG corpus, minimum of ₹3 lakh, whichever is higher. 3rd tranche: Minimum of ₹6 lakh

2.1.3.1 Bank Mitra

Bank Mitras in urban areas can enhance financial inclusion by providing banking services to underserved communities. Acting as a catalyst, they facilitate deposits, withdrawals, and account openings in slums and remote wards while also educating the members of SHGs and CIGs about financial products and promoting digital solutions. By bridging the gap between banks and urban poor population, Bank Mitras will empower individuals and groups to access essential financial services, fostering economic growth and improving livelihoods in urban environments.

Bank Mitras may be engaged by ULBs to support the SHG/ CIG members and beneficiaries of the programme in day-to-day banking services like account opening, documentation, loan facilitation, recovery etc.

Bank Mitra

Who?

Community Resource Persons (CRPs), especially the youth, who possess basic knowledge of banking transactions may be identified, trained, and placed as *Bank Mitras* (bank facilitators) at bank branches having more penetration of programme beneficiaries. Ideally, they should be 10th standard pass, SHG member and/ or SHG bookkeeper, with 3R* Skills (*reading, writing and arithmetic*), bookkeeping and communication skills, having familiarity with banking, at least 1-year experience with SHGs and willingness to travel and interact with SHGs, ALFs, CLF and bankers.

Responsibilities

- Facilitate SHGs and members accessing banking services and linkages, including opening accounts, documentation.
- Provide documentation support to institutions and liaison/ coordinate with banks
- Participate in branch-level and District level Coordination committee meetings
- Support in extending financial literacy to SHG members
- Monitor loan/ CCL sanction, disbursement, utilisation and repayment
- Share progress report to the CLF

Training

Bank Mitra should be provided 10–15 days training on financial management, financial literacy and banking along with immersion, exposure and apprenticeship training.

***3R Skills³**

³ The "3 R skills" typically refer to essential skills for effective learning and communication, often used in educational contexts. They are:

- Reading: The ability to understand and interpret written text, which is foundational for acquiring knowledge and information.
- Writing: The skill to express ideas clearly and effectively in written form, essential for communication and documentation.
- Arithmetic (or 'Rithmetic'): Basic mathematical skills for performing calculations, understanding numerical data, and making informed decisions based on quantitative information.

2.1.4 Loan Type and Repayment

2.1.4.1 Type of loan

Eligible borrowers⁴ will be sanctioned a need-based **Term Loan** or a **Cash Credit Limit (CCL)**, or both, for acquiring capital assets and/or meeting working capital or marketing-related requirements, for all loan types. Additional loans may be approved for SHGs/ CIGs even if the previous loan is still outstanding, if deemed necessary.

SHGs may use term loans in multiple doses based on their requirements and repayment behaviour. The loan amount is determined based on the existing corpus and the Micro Credit Plan (MCP) prepared by the SHG.

SHGs may also avail of a cash credit limit with a minimum loan of ₹6 lakh for 3 years, with yearly drawing power enhancements based on repayment performance. The drawing power is calculated based on the existing corpus and the MCP.

2.1.4.2 Loan Repayment

The loan repayment schedule for all three bank loans (individual, group and SHG Bank Loan) may range from 5-7 years after initial moratorium of 3-6 months as decided by banks/ financial institutions.

Table 4: Loan repayment periods by loan type

Loan type	Loan repayment period	
	Bank loan for individual/ group/ collective enterprises	SHG / CIG Bank loans
Term loan	Repayable between 60-84 months based on cash flow in monthly/quarterly instalments.	- First dose: Repayable in 24-36 months in monthly/quarterly instalments. - Second dose: Repayable in 36-48 months in monthly/quarterly instalments. - Third dose: Repayable in 48-60 months based on cash flow in monthly/quarterly instalments. - Fourth dose onwards: Repayable between 60-84 months based on cash flow in monthly/quarterly instalments.
CC loan	Banks may extend loans up to ₹4 lakh to individuals and ₹20 lakh	First year: Drawing power (DP) is 6 times the existing corpus or a

⁴ Eligible borrowers may be those identified as Urban Poor, Members of VoG and SHGs and their members.

	to identified urban poor for viable economic enterprises, based on the Project report prepared by individual/ group/ collective enterprises and appraised by Taskforce committee and banks/ financial institutions.	minimum of ₹1.5 lakh, whichever is higher. ▪ Second year: DP is 8 times the corpus at the time of review/enhancement or a minimum of ₹3 lakh, whichever is higher. ▪ Third year: Minimum of ₹6 lakh based on the Micro Credit Plan (MCP) prepared by SHG and appraised by federations/support agencies and previous credit history. ▪ Fourth year onwards: Above ₹6 lakh based on the MCP prepared by SHG and appraised by federations/support agencies and previous credit history.
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The loan repayment period for the Enterprise Development Fund (EDF) will align with the repayment norms followed for the CISF loan, as it is a project fund.

2.1.4.3. Margin/ Promoters contribution

Margin/ promoter's contribution is as per the policy framework of the bank, based on overall guidelines of RBI in this regard. Banks may not insist for margin for SHG bank loans.

2.1.5 Enterprise Development Fund (EDF)

A dedicated fund, called the Enterprise Development Fund (EDF), is created within the project fund to empower and support vibrant micro-entrepreneurs. This fund will play a pivotal role in fostering and sustaining a thriving entrepreneurial ecosystem. EDF will be routed through ALF/CLF to eligible enterprises run by SHGs/ CIGs, their members, and the urban poor, as a loan at subsidised interest rates. It will be routed through ALF/ CLF to eligible enterprises run by the SHGs/ CIGs or their members and the urban poor, as a loan at subsidised interest rates. Once the loan is repaid, it can be used by ALF / CLF for refinancing other eligible enterprises.

To be eligible for the Enterprise Development Fund (EDF), certain criteria must be met to ensure that the microenterprise has a stable foundation and potential for growth. The key eligibility requirements are as follows:

- Business age:** The microenterprise should be at least two years old, demonstrating its sustainability and ability to operate effectively over time.
- Annual turnover:** The enterprise must have an annual turnover of at least ₹5 lakh, indicating a reasonable scale of operations and financial activity.

- c) **Operational stability:** These requirements ensure that only businesses with a proven track record and capacity for growth are considered for funding, thereby supporting those who are positioned to expand further with the help of the EDF.

These criteria are designed to prioritise businesses that have already established themselves in the market and show the potential for further development with the support of financial assistance.

The funds are intended to cover expenses related to incubation and acceleration support through enterprise challenges, sponsorship for participation in various national and State/ UT -level events, capacity building initiatives, exposure visits, and other related activities.

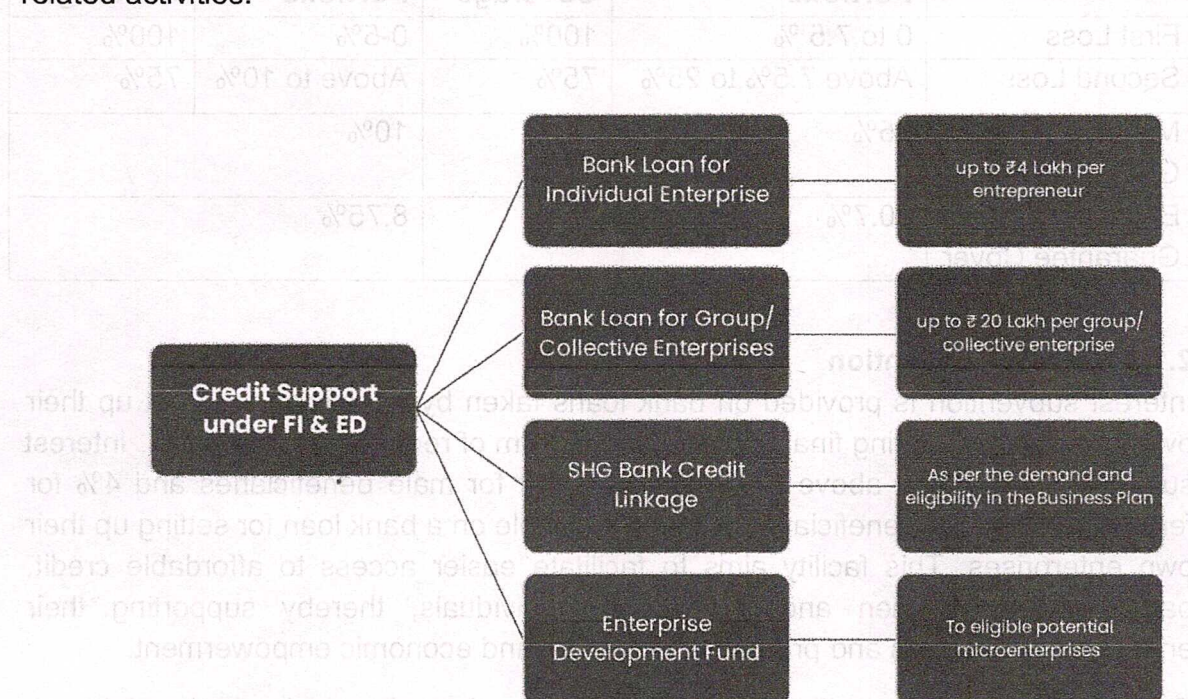


Figure 1: Credit Support for Enterprise Development

2.1.6 Credit Guarantee

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) will provide a graded guarantee covering all individual and SHG/CIG loans sanctioned by the lending institutions. It will be operated on a portfolio basis. The portfolio will be created on an annual basis ending with the financial year, subject to the following conditions:

a. For Individual Loans

- First Loss Default Guarantee (FLDG) (0 to 7.5%): 100%
- Second Loss Default Guarantee (SLDG) (more than 7.5% to up to 25%: 75% coverage of default portfolio)

Maximum guarantee coverage will be **25%** of the year portfolio.

b. For SHG/ CIG Bank linkage

- First Loss Default Guarantee (FLDG) (0 to 5%): 100%
- Second Loss Default Guarantee (SLDG) (more than 5% to up to 10%: 75% coverage of default portfolio

Maximum guarantee coverage will be **10%** of the year portfolio.

Details of the coverage is furnished in the table below:

Table 5: Coverage under CGTMSE

Particulars	Individual loan		SHG/CIG Bank linkage	
	Portfolio	Coverage	Portfolio	Coverage
First Loss	0 to 7.5 %	100%	0-5%	100%
Second Loss	Above 7.5% to 25%	75%	Above to 10%	75%
Maximum Guarantee Cover	25%		10%	
Effective Guarantee Cover	20.7%		8.75%	

2.1.7 Interest Subvention

Interest subvention is provided on bank loans taken by beneficiaries to set up their own enterprises, offering financial relief in the form of reduced interest rates. Interest subvention, over and above 5% rate of interest for male beneficiaries and 4% for female/transgender beneficiaries is made available on a bank loan for setting up their own enterprises. This facility aims to facilitate easier access to affordable credit, particularly for women and transgender individuals, thereby supporting their entrepreneurial efforts and promoting inclusivity and economic empowerment.

The interest subvention will be executed by banks through a designated nodal bank chosen by the Ministry of Housing and Urban Affairs (MoHUA). The nodal bank will operationalise the scheme via a web-based platform, following MoHUA's guidance. For the financial year 2024-25, Indian Bank has been appointed as the nodal bank responsible for managing the PAiSA portal.

- All Scheduled Commercial Banks (SCBs), Small Finance Banks (SFBs), Regional Rural Banks (RRBs), and Cooperative Banks on the Core Banking Solution (CBS) platform, are eligible for interest subvention under the Mission.
- Banks can upload XML file formats for both Master data and Claim data for interest subsidy according to the Data Structure Document available on www.paisaportal.in.
- After disbursing loans to beneficiaries, the concerned bank branch will send the details of the disbursed loan cases to MIS provided by the Mission.

- Claims should not be pending for more than a quarter. In such cases, future claim settlements should be handled by the Lead District Bank.

2.2 Non-Financial Support through the Entrepreneurship Development Programme

Non-Financial Support will be facilitated through the **Entrepreneurship Development Programme (EDP)**, which is designed to equip aspiring entrepreneurs with the skills, knowledge, and resources needed to start and grow successful businesses. For supporting enterprise management, ULB may arrange to conduct EDP training for individual entrepreneurs, group entrepreneurs, and SHGs/CIGs.

This programme focusses on fostering entrepreneurial mindsets, enhancing business acumen, and providing practical training in various aspects of entrepreneurship. The training will cover key areas such as basic accounting, financial management, marketing, backward and forward linkages, legal procedures, etc., to nurture budding micro entrepreneurs.

The EDP is an activity-based and encourage participants to conduct market surveys. It is structured to incorporate essential components for developing a business plan, including an understanding of the necessary metrics and inputs. By the end of the training, participants will be equipped to provide relevant metrics based on their understanding of local markets, enabling them to prepare a **Detailed Project Report (DPR) or business plan** with realistic figures.

The EDP modular training for the beneficiaries will cover the following topics:

Table 6: Suggested modules for the EDP training

Basic Accounting	Understanding financial records and bookkeeping to ensure effective management of business finances.
Financial Management	Analysing financial statements, managing cash flow, and making informed financial decisions for sustainable growth.
Marketing Strategies	Developing effective marketing plans to promote products and services, identify target audiences, and increase market reach.
Legal Procedures	Familiarising participants with necessary legal requirements, compliance issues, and documentation for starting and running a business.
Backward and Forward Linkages	Exploring supply chain management by establishing connections with suppliers (backward) and customers (forward) to enhance operational efficiency and market access

3. Beneficiary Identification and Selection

3.1 The beneficiary identification will be done by the ULBs through E-KYC adopting IT enabled enumeration and socio-economic profiling of the poor households. In addition to that

3.2 The Community Supervisors (CSs) / Community Resource Persons (CRPs) and professionals from Urban Local Body (ULB) will shortlist the prospective identified beneficiaries⁵ from amongst the urban poor and vulnerable occupational groups for assistance under FI&ED interventions based on their requirements and Micro-Credit Planning (MCP).

3.3 The community structures⁶ formed under Community led Institution Development component of the Mission viz. Self-Help Groups (SHGs)/ Common Interest Groups (CIGs), Area Level Federations (ALFs) and City Level Federations (CLFs) may also refer prospective individual and group entrepreneurs for the purpose of financial support under this component to ULB.

3.4 An Annual Action Plan shall be prepared, outlining targets for FI&ED beneficiaries at the ULB, ALF, and Bank levels based on the City Livelihood Action Plan (C-LAP).

4. Funding Pattern

4.1 Funding is shared between the Centre and the States in the ratio of 60:40. In the case of North-East and Hilly States. UTs, with the legislature this ratio will be 90:10. 100% Central share for UTs with and without legislature.

4.2 The Ministry will allocate funds to the States/ UTs on an annual basis based on the targets assigned to them. The States/ UTs, in consultation with the respective SLBCs and ULBs, will finalise the targets, and corresponding funds will be allocated to ULBs so that full reimbursement to the banks on account of interest subvention is settled during the financial year.

5. Loan Application Process

5.1 Online Loan Application

Direct applications for financial assistance (Bank Loan for Enterprise, EDF and SHG/ CIG Loan) can be submitted through an online portal developed for the sponsoring loan application under FI&ED. The beneficiaries may directly approach ULB or its representatives for assistance. Banks may also identify prospective beneficiaries at their end and forward such cases directly to ULB. The banks may also use their empanelled business correspondents (BCs)/ bank mediators or business facilitators

⁵ No minimum or maximum educational qualification is prescribed for the selection of beneficiaries under FI&ED.

⁶ Community structures could be –

1. Women SHGs/ CIGs: All female members
2. Mixed SHGs/ CIGs: Male and female members
3. SHGs of PwD: SHGs with members from PwD
4. SHGs of Transgenders: SHGs with members from the transgender community

Eligible members who could be part of SHGs/ CIGs: Urban Poor identified through the NFSA data/ state data, Members from the Vulnerable Occupational Group, Any other identified urban poor

(BFs) to increase outreach. Due diligence will be undertaken as per the Banks' policy, in this regard.

5.1.1 Loan Application Form (LAF)

A common Loan Application Form (LAF) for enterprise loans will be accessible to individuals or collectives/ groups seeking financial assistance to start an enterprise. Applicants can fill out the digital form and receive a unique ID for tracking. Completed forms will be reviewed by a Task Force Committee⁷ at the ULB level, which may conduct interviews and decide whether to approve or reject applications within three to five days. Suitable applications may be forwarded to the relevant banks for processing within seven to ten days. Applicants will receive SMS/email alerts at each stage of the process. If an application is deemed unsuitable, the Task Force may request additional information for re-examination.

The case, duly recommended by the Task Force Committee, will be forwarded to the concerned banks on the platform for further processing within seven days of the application being received at the ULB. The system will automatically send SMS/email alerts to the applicant at each of the above stages.

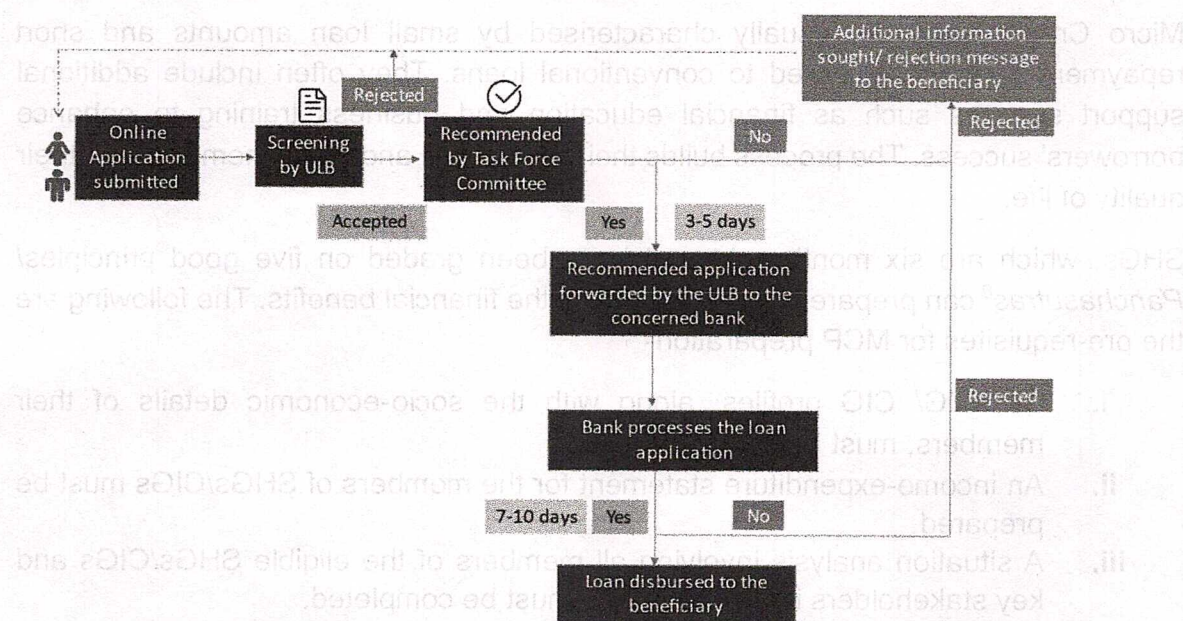


Figure 2: Loan Application Process Flow

The banks should specify the reasons for rejecting applications and send back an alert to the ULB. The banks will also send a periodic report to the ULB on the status of the

⁷ The Task Force Committee is constituted at the ULB level with members from the ULB, Lead Banks, District Industries Centre, Banks and Area Level Federations. The Chief Executive Officer (CEO)/ Municipal Commissioner of ULB shall be responsible for constituting the Task Force Committee and will also chair the Task force. There could be more than 1 Task Force Committee at the ULB level depending upon the population of the ULB. See the composition of the Task Force Committee in the Annexures.

applications received. For online applications, the banks shall be required to update the status of the application on portal.

A similar process will be implemented for the SHG-Bank credit linkage. All participating banks are encouraged to utilise the Common Loan Application Forms (LAFs) developed by the Indian Bank's Association (IBA) in consultation with all banks for processing credit facilities to SHGs. To streamline the application process, banks will actively encourage SHGs to submit their loan applications online through the dedicated system created by the programme. This approach aims to enhance efficiency, reduce paperwork, and ensure a transparent and timely processing of loan requests for SHGs seeking financial support.

5.2 Micro-credit planning (MCP)

The SHG/ CIG members shall prepare an MCP for availing funds such as an Enterprise loan, Bank Loan, CISF, or EDF. A microcredit plan is a financial proposal to provide small loans to individuals/groups who lack access to traditional banking services. It is typically aimed at low-income entrepreneurs and small businesses. These loans, often issued without collateral and through group lending models, help recipients start or expand their enterprises, thereby promoting economic empowerment, poverty alleviation, and financial inclusion.

Micro Credit Plans are usually characterised by small loan amounts and short repayment periods compared to conventional loans. They often include additional support services such as financial education and business training to enhance borrowers' success. The process builds their confidence and helps them improve their quality of life.

SHGs, which are six months old and have been graded on five good principles/ *Panchasutras*⁸ can prepare their MCP to avail the financial benefits. The following are the pre-requisites for MCP preparation-

- i. All SHG/ CIG profiles, along with the socio-economic details of their members, must be complete.
- ii. An income-expenditure statement for the members of SHGs/CIGs must be prepared.
- iii. A situation analysis involving all members of the eligible SHGs/CIGs and key stakeholders in the ward/ULB must be completed.

To facilitate the MCP preparation, a trained MCP facilitator will undertake the following processes

(i) Member level plan

Individual household level plans will be prepared based on situation analysis and member-wise income-expenditure analyses. This should be done in a participatory manner with the inputs from the SHG/CIG members.

⁸ Panchasutra refers to five good principles of SHG governance viz. regular meeting, regular savings, inter-lending, regular repayment and book-keeping

(ii) Finalisation of individual level plans and consolidation of SHG/CIG plan

Individual plans should be finalised including repayment terms as per the convenience and consensus of the SHG/ CIG members. At the end of this exercise, the consolidated plan for the SHG/ CIG with prioritised order ranking of providing loans to the members should be ready.

(iii) Appraisal

The SHG/ CIG plan needs to be discussed with the leaders of the community institutions. After the appraisal and revision based on the appraisal, the SHG/CIG leaders will approve the MCP. This revised plan is signed by the members, appraised leaders and facilitators. It is also entered in the SHG/CIG minutes book. This revised plan is submitted for sanction of loan. A copy of the approved MCP is kept with the SHG/CIG for records.

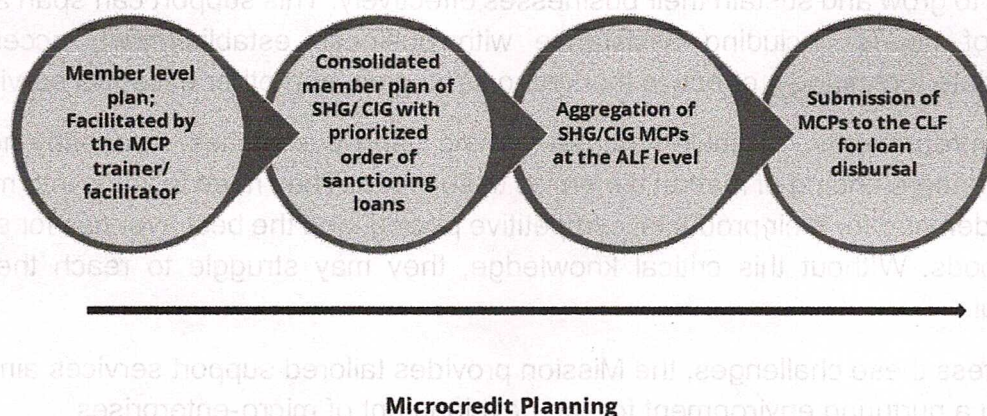


Figure 3: Process Flow of Micro-credit Planning exercise

This process should be completed in two days. The aggregated MCP of all SHGs/CIGs in a particular ALF should be submitted to the CLF for consideration and sanction of loans as per the requirement. A suggestive format for MCP preparation is furnished in the **Annexure**.

MCP Facilitator

Who?

Ideally, a trained Senior CRP/ Master Trainer, Bank Mitra, Bookkeeper or ALF/ CLF leader with experience, with 3R skills (Reading, Writing and Arithmetic), communication/ articulation skills and participatory facilitating/ training skills and flair, and ready to travel for training SHG/CIG members on MCP preparation.

Responsibilities

- Facilitate MCP preparation
- Train/ sensitise SHG/CIGs members, leaders and cadres on various aspects of institutions, funds/fund management, Financial Inclusion (Bank linkage and insurance), etc.;
- Plan and manage MCP training;
- Handhold ALF and CLF in building the capacity of SHG/CIGs members, leaders, cadres etc.

6. Technology and Marketing

The Mission recognises that micro-entrepreneurs often require various forms of support to grow and sustain their businesses effectively. This support can span a wide range of needs, including assistance with business establishment, access to appropriate technology, effective marketing strategies, and other essential services.

Micro-entrepreneurs, particularly those running nano businesses, frequently need a deeper understanding of market dynamics to succeed. They need insights into market needs, demand for their products, competitive pricing, and the best avenues for selling their goods. Without this critical knowledge, they may struggle to reach their full potential.

To address these challenges, the Mission provides tailored support services aimed at creating a nurturing environment for the development of micro-enterprises.

i. Government Platforms

SHG/ CIG products will be promoted through government initiatives and platforms like the Government e-Marketplace (GeM), Open Network for Digital Commerce (ONDC), etc. These platforms provide a dedicated space for showcasing and selling these products to a wider audience.

ii. Alliance with e-commerce platforms

Collaborations with major e-commerce platforms like Amazon, Flipkart, and Meesho etc. will enable SHGs/ CIGs to access the broader market by listing their products online and taking advantage of digital sales channels. States/ UTs may forge partnerships with local e-commerce dealers and platforms to further extend market reach.

iii. Dedicated e-Commerce Platform for SHG/CIG products

A specialised e-commerce platform will be established to promote and sell products made by SHGs/ CIGs. By focusing exclusively on these products, the platform will ensure they receive the attention they deserve, providing a targeted space to market to a niche audience effectively. It also offers a streamlined purchasing experience, helping to drive sales and increase the visibility of SHG/CIG products in the competitive e-commerce space.

iv. Facilitate Udyam registration of individual and group enterprises

Efforts will be made to facilitate Udyam Registration for individual and group enterprises. This registration recognises micro-enterprises under the Micro, Small, and Medium Enterprises (MSME) Act, enabling entrepreneurs to access financial support, subsidies, and various government schemes designed to foster growth and sustainability. By obtaining Udyam registration, both individual and group micro-entrepreneurs can enhance their credibility, improve access to credit, and create opportunities for skill development and market expansion, ultimately contributing to their economic empowerment and the overall growth of the economy.

v. Local and national fairs

Participation in events such as SHG Melas and Buyer-Seller meets provide SHGs and CIGs with opportunities to showcase their products, interact with potential buyers, and gain visibility in both local and national markets. The SHG Mela/ Fair is envisioned to empower urban poor entrepreneurs by providing a platform for SHGs and CIGs to showcase and sell their products. This initiative will facilitate market access, foster collaborations, and create opportunities for additional income by eliminating intermediaries and enabling direct interaction between artisans and buyers. The event will feature a wide range of products, including handicrafts and textiles, and will be a regular event in all States /UTs.

vi. City Livelihood Centres

City Livelihood Centres will be established in urban areas to provide SHG/CIG members with a space to display their products. These centres will also assist these groups by offering accurate information about the Mission and its components, including entrepreneurship resources.

Through these above-mentioned comprehensive support services, the Mission aims to create an encouraging and supportive environment that enables micro-entrepreneurs to develop sustainable and thriving businesses. This not only helps individual entrepreneurs but also contributes to broader economic development and employment generation within urban communities.

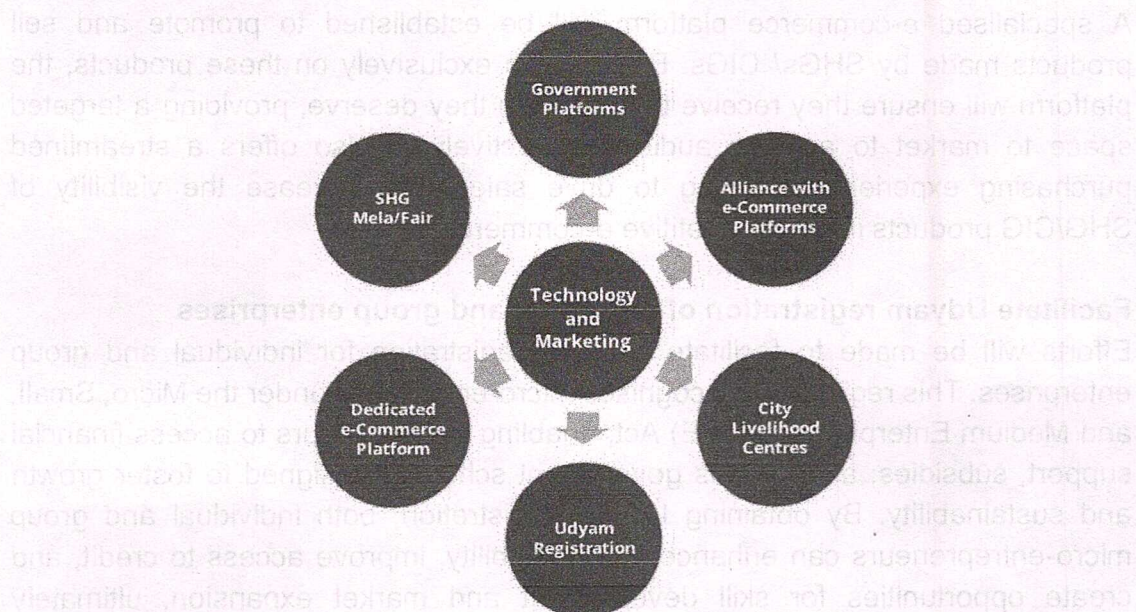


Figure4: Technology and Marketing for FI&ED

In addition, support for business establishment, including setup, registration, compliance, training on market needs and strategies, and continued mentorship and networking for growth will be provided for enterprise development.

7. Monitoring and Reporting

The monitoring and reporting of FI&ED is enabled through a digital platform (web and app based), fully integrated with the Udyami Mitra Portal. The platform will serve as a 'one-stop digital solution' for this component.

Integration with Udyami Mitra will enable individual and group loans to be registered on the portal and track their progress. The portal functions as a virtual marketplace where SHGs/CIGs can interact with potential lenders, submit applications, and monitor progress. This transparent system allows banks to review and process loan applications, ensuring accountability through real-time data visible to all stakeholders, including banks, applicants, and government agencies.

1. Beneficiary Assessment

Community Supervisors, Banking CRPs and project officers/ staff are tasked with conducting periodic visits to beneficiaries. These visits are essential for assessing the implementation status of the programme components and addressing any issues that may arise. Socio-economic background data of beneficiaries is collected and compared with loan application data to ensure effective implementation of the Mission.

2. Data Tracking

An IT-enabled Management Information System (MIS) is implemented for FI&ED to track targets and achievements effectively. This system will be integrated with the Udyami Mitra Portal. It allows States/ UTs and ULBs to submit online progress reports, essential for maintaining transparency. Key information generated through the MIS is made publicly accessible, fostering trust and accountability among stakeholders and beneficiaries.

3. Monitoring and Evaluation

The State Mission Management Unit (SMMU), District Mission Management Unit (DMMU) and City Mission Management Unit (CMMU) play crucial roles in overseeing the monitoring and evaluation of activities within the component. They ensure that progress is systematically tracked and assessed. To facilitate this, the SMMU and ULBs are responsible for providing timely progress updates in prescribed formats. This structured approach allows for consistent oversight and accountability.

4. Bank Reporting

As part of the monitoring framework, banks are required to submit quarterly progress reports using a provided proforma. These reports are essential for maintaining a clear line of communication and accountability. Banks must email their reports to the Director of the Mission by the end of the month following each quarter. This systematic reporting ensures that financial institutions remain engaged and contribute to the overall success of the Mission.

Further, to sensitise bankers and address unresolved issues regarding loan disbursement, payment, and loan closure, meetings at various levels, viz. Indian Bank's Association (IBA), State Level Banker's Committee (SLBC), District Level Bankers Committee (DLBC), etc., may be organised under the guidance of the Department of Financial Services (DFS).

IT-enabled MIS for FI&ED, integrated with the Udyami Mitra Portal

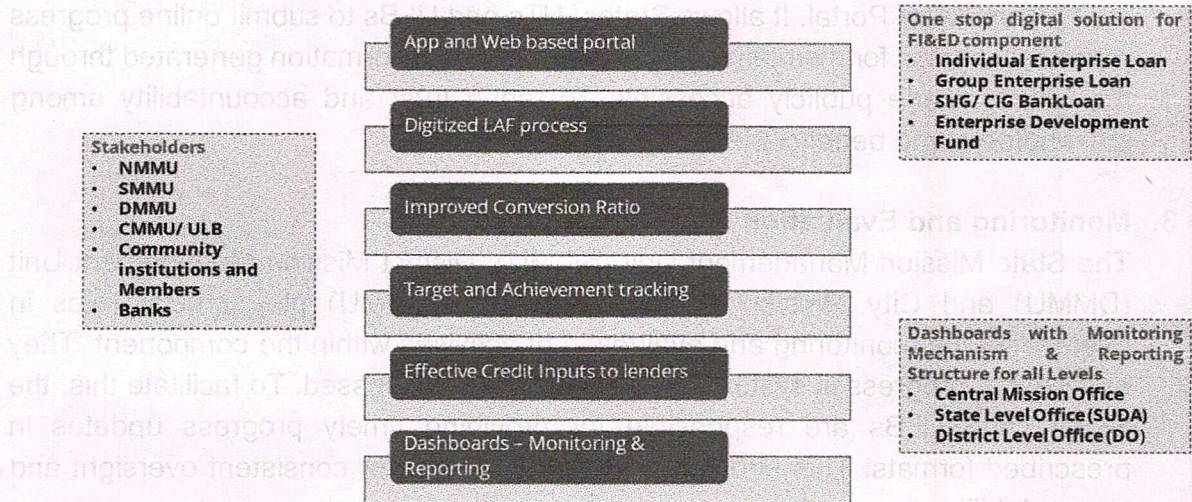


Figure 5: IT enabled MIS for processing loan applications under FI&ED component

Annexures

1. Task Force Committee: Composition

S. No.	Task Force at ULB level	Role
1.	Chief Executive Officer (CEO) ULB/ Municipal Commissioner of ULB/ or any representative authorised by them	Chairperson
2.	Lead District Manager (LDM)	Member
3.	City Project Officer (CPO), ULB/ or any authorised representative of ULB	Member Convenor
4.	Representative from District Industries Centre (DIC)	Member
5.	Senior Branch Managers (Max-2) of banks	Member
6.	Representatives (2) of Area Level Federation / City Level Federation or SHG/CIG (where ALFs and CLFs are not in existence currently)	Member

The Task Force Committee will review the applications received under FI&ED, assessing them against specific eligibility criteria, and will either recommend approval or reject the applications accordingly.

2. Micro Credit Plan Format for SHG/ CIG

SHG/ CIG Micro Credit Planning							
SHG/CIG Name				ULB Name			
ALF Name				City Name			
Ward Name				MCP prepared on (date)			
S.No.	SHG/CIG Member Name	Purpose of Loan	Total Loan Amount requirement (in ₹)	Expected Loan Amount requirement (Individual/ Group loan/ Bank Loan/CISF) (in ₹)	Priority/ Rotation	No. of instalments	Signature of the members
1							
2							
3							
4							
5		c					
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
Details of group level activities							
1							
2							
3							
4							
Any other needs: (Training etc.)							
a.							
b.							

President/Leader-1
Name

Secretary/Leader-2
Name

3. Micro Credit Plan format for individual enterprise loan

Micro plan for individual enterprise loans	
ULB	
Ward	
City	
District	
Name of ALF	
Micro plan preparation date	
Name of the Applicant:	
Are you a member of SHG/CIG	Yes / No
If Yes, Name of SHG/CIG:	
Purpose of loan:	<u>Urban Poor</u> - Loan required for Enterprise: Yes/ No If yes, provide details of the enterprise as follows- - Name, type, and nature of the business - Location of the business - Date of Establishment - Business Activities: A brief description of the products or services offered. - Name and details of the owner - Financial Information: Annual turnover, profit and loss statements, and balance sheets (for existing businesses). <u>Vulnerable Occupational Group members</u> - Loan required for Vehicle Purchase: Yes/ No - Loan required for Equipment/Tool Purchase: Yes/ No <u>Other Vulnerable Occupation Group members</u> Specify the purpose of loan
Total Loan Amount Required (in ₹)	
Member contribution amount (in ₹)	
No of instalments (in months)	
Any other requirements (Training etc.)	

Signature of the Member

4. Micro Credit Plan format for group/ collective enterprise loan

Micro plan for group/ collective enterprise loans	
ULB	
Ward	
City	
District	
Name of ALF	
Micro plan preparation date	
Name of the Applicant:	
Are you a member of SHG/CIG	Yes / No
If Yes, Name of SHG/CIG:	
Purpose of loan:	<u>Urban Poor</u> - Loan required for Enterprise: Yes/ No - If yes, provide details of the enterprise as follows- - Name, type, and nature of the business - Location of the business - Date of Establishment - Business Activities: A brief description of the products or services offered. - Number of members, their roles, and ownership or shareholding distribution within the group - Financial Information: Annual turnover, profit and loss statements, and balance sheets (for existing businesses). <u>Vulnerable Occupational Group members</u> 1. Transportation Workers - For establishing Rickshaw Banks 2. Care Workers - Develop and operate care facilities, such as day-care centres and Crèches. 3. Waste Workers - Purchase of battery-operated vehicles, mechanised cleaning equipment, safety gear, and more. <u>Other Vulnerable Occupation Group members</u> Specify the purpose of loan
Total Loan Amount Required (in ₹)	
Member contribution amount (in ₹)	
No of instalments (in months)	
Any other requirements (Training etc.)	

Signature of the Members