

**Training Module on
Self Employment Programme
for Capacity Building of Functionaries of
National Urban Livelihoods Mission (NULM)**

Ministry of Housing and Urban Poverty Alleviation (MoHUPA)

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Abbreviations

ALFs	Area Level Federations
CMMU	City Mission Management Units
CBS	Core Banking Solution
CEO	Chief Executive Officer
COs	Community Organisers
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CLCs	City Livelihoods Centres
DLBC	District Level Bankers Committee
EDP	Entrepreneurship Development Programme
EST&P	Employment through Skills Training and Placement
GCC	General Credit Card
GNP	Gross National Production
LAF	Loan Application Form
MSME	Ministry of Micro Small & Medium Enterprises
M/o HUPA	Ministry of Housing and Urban Poverty Alleviation
NULM	National Urban Livelihoods Mission
RBI	Reserve Bank of India
ROs	Resource Organisations
RRBs	Regional Rural Banks
RSETI	Rural Self Employment Training Institutes
SCBs	Scheduled Commercial Banks
SEP	Self Employment Programme
SHGs	Self Help Groups
SIDBI	Small Industries Development Bank (SIDBI)
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SLBC	State Level Bankers Committee
SMID	Social Mobilization & Institutional Development
SMMU	State Mission Management Units
SSIs	Small Scale Industries
SUDA	State Urban Development Agency
ULB	Urban Local Bodies

Preface

Urban population is on the rise. With this has risen the problem of unemployment. It is not feasible to generate wage employment at the same rate as that of growing unemployed population. There is a growing global realisation that self employment is quite capable of addressing the growing unemployment problem and thus an effective strategy to mitigate urban poverty. However, due to a general lack of awareness of self employment (entrepreneurial) opportunities; and also that of motivation and preparedness, urban unemployed population tend to waste their energy and other resources in getting employment as a wage labourer or as a worker in a petty job. Many of them are ignorant about the vast potential of self-employment. A few of them who are aware are unable to assess, locate and mobilise resources needed to establish a micro enterprise. They further lack the ability of managing the set enterprise successfully and sustain its growth.

In this regard, National Urban Livelihoods Mission (NULM) was launched on 3rd September 2013. Self-employment programme (SEP) component under NULM attempts to assist urban poor in creation of a micro enterprise by mobilising cheaper financial resources. Field functionaries including key officials and technical experts from State Mission Management Units (SMMU) and City Mission Management Units (CMMU) have major responsibility to motivate, prepare and support urban unemployed to opt, succeed and sustain a career in self employment particularly with micro enterprises.

Self employment programme has the potential to offer employment to a sizable urban population. To capacitate the poor, the field functionaries of NULM need to build their own capacity to promote and support micro entrepreneurs to establish, manage and sustain their enterprises. They need to understand the processes, dynamics and scope of self-employment and entrepreneurship. They need to assess personal attributes like attitude; mindset, etc. needed for the entrepreneur and to harness their energies in the right direction. They also need to support the micro entrepreneurs by procuring and sharing information related to various governmental/ non-governmental schemes and help them in networking with various agencies useful in setting, managing enterprises and marketing products and services.

The following chapters describe in detail, all the sessions to be taken by the trainers to build capability of NULM field functionaries for promoting and supporting self-employment programme for developing micro-entrepreneurs among the urban population. It vividly illustrates the purpose of each session, preparations to be made and procedures to be followed in conducting each session. Besides training, it also describes the type of support that they need to offer as a follow up. It is envisaged that this training module would enhance understanding and purpose of SEP component of NULM. These are guidelines which should be kept in mind while dealing with situations in the field. However, one should be prepared to be creative and improvise as per the demands of a dynamic field situation.

CHAPTER – 1

INTRODUCING NULM AND SEP COMPONENT

CHAPTER – 1

National Urban Livelihoods Mission (NULM)

Introduction of National Urban Livelihoods Mission (NULM) and focus on Self Employment Program Component.

Session: Orientation of NULM and Sub-components of Self-Employment Program.

Introduction of NULM

The Ministry of Housing and Urban Poverty Alleviation (M/o HUPA) has launched a “National Urban Livelihoods Mission (NULM)” in the 12th Five Year Plan w.e.f 24th September, 2013 by replacing the existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY). Presently, NULM is being implemented in all District Headquarter Towns and other towns having population of 1 lakh or more (i.e. 790 towns).

NULM Mission

To reduce poverty and vulnerability of the urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots level institutions of the poor. The mission would aim at providing shelter equipped with essential services to the urban homeless in a phased manner. In addition, the Mission would also address livelihood concerns of the urban street vendors by facilitating access to suitable spaces, institutional credit, social security and skills to the urban street vendors for accessing emerging market opportunities.

Guiding Principles

The core belief of National Urban Livelihoods Mission (NULM) is that the poor are entrepreneurial and have innate desire to come out of poverty. The challenge is to unleash their capabilities to generate meaningful and sustainable livelihoods. The first step in this process is motivating the urban poor to form their own institutions. They and their institutions need to be provided sufficient capacity so that they can manage the external environment, access finance, expand their skills, enterprises and assets. This requires continuous and carefully designed handholding support. An external, dedicated and sensitive support structure, from the national level to the city and community levels, is required to induce social mobilisation, institution building and livelihood promotion.

NULM believes that any livelihood promotion programme can be scaled up in a time-bound manner only if driven by the poor and their institutions. Such strong institutional platforms support the poor in building up their own human, social, financial, and other assets. This in turn, enables them access to rights, entitlements, opportunities and services from the public and private sectors, while enhancing their solidarity, voice and bargaining power.

As per the Constitution (74th Amendment) Act, 1992, urban poverty alleviation is a legitimate function of the Urban Local Bodies (ULB). Therefore, ULBs would need to undertake a lead role for all issues and programmes concerning the urban poor in cities/towns, including skills and livelihoods. NULM would aim at universal coverage of the urban poor for skill development and

credit facilities. It will strive for skills training of the urban poor for market-based jobs and self-employment, facilitating easy access to credit.

Street vendors constitute an important segment of the urban population at the bottom of the pyramid. Street vending provides a source of self-employment, and thus acts as a measure of urban poverty alleviation without major Government intervention. They have a prominent place in the urban supply chain and are an integral part of the economic growth process within urban areas. NULM would aim at facilitating access to suitable spaces, institutional credit, social security and skills to the urban street vendors for accessing emerging market opportunities.

Urban homeless persons who live without shelter or social security/ protection are the most vulnerable class, even while they contribute towards sustaining cities with their cheap labour. Life on the streets involves surviving continuously at the edge, in a physically brutalized and challenging environment. There is a need for appropriate policy intervention to address the challenges faced by homeless people, with regard to shelter, social housing and social protection. Accordingly, NULM would aim at providing shelter equipped with essential services to the urban homeless in a phased manner.

NULM would place a very high emphasis on convergence with schemes/programmes of the relevant line Ministries/Departments and programmes of state governments dealing with skills, livelihoods, entrepreneurship development, health, education, social assistance, etc. An alliance strategy will be sought with all concerned departments to promote skills training of rural-urban migrants as a bridge between the livelihoods of the rural and urban poor.

NULM would aim at partnership with the private sector in providing skill training, employment and operation of shelter for homeless. It will strive for active participation of private and civil society sectors in providing shelter to the urban homeless, skill training and placement of the urban poor and also in facilitating technological, marketing and handholding support for the urban poor entrepreneurs who want to be self-employed and set up their own small businesses or manufacturing units.

Values

The mission emphasises the following values:

- i. Ownership and productive involvement of the urban poor and their institutions in all processes;
- ii. Transparency in programme design and implementation, including institution- building and capacity strengthening;
- iii. Accountability of government functionaries and the community;
- iv. Partnerships with industry and other stakeholders; and
- v. Community self-reliance, self-dependence, self-help and mutual-help.

Strategy

NULM adopts the following strategy:

- i. Building capacity of the urban poor, their institutions and the machinery involved in the implementation of livelihoods development and poverty alleviation programmes through handholding support;
- ii. Enhancing and expanding existing livelihoods options of the urban poor;

- iii. Building skills to enable access to growing market-based job opportunities offered by emerging urban economies;
- iv. Training for and support to the establishment of micro-enterprises by the urban poor – self and group;
- v. Ensure availability and access for the urban homeless population to permanent 24-hour shelters including the basic infrastructural facilities like water supply, sanitation, safety and security;
- vi. Cater to the needs of especially vulnerable segments of the urban homeless like the dependent children, aged, disabled, mentally ill, and recovering patients etc., by creating special sections within homeless shelters and provisioning special service linkages for them;
- vii. To establish strong rights-based linkages with other programmes which cover the right of the urban homeless to food, healthcare, education, etc. and ensure access for homeless populations to various entitlements, including to social security pensions, PDS, ICDS, feeding programmes, drinking water, sanitation, identity, financial inclusion, school admission etc., and to affordable housing;
- viii. To address livelihood concerns of the urban street vendors by facilitating access to suitable spaces, institutional credit, social security and skills to the urban street vendors for accessing emerging market opportunities.

Self-Employment Programme (SEP)

SEP - Operational Guidelines

The operational guidelines of the Self Employment Program (SEP) component of NULM have been issued by Ministry of Housing & Urban Poverty Alleviation vide OM No. K-14011/1/2013-UPA dated 24th September 2013. The Reserve Bank of India has also issued a master circular to all scheduled commercial banks (including RRBs) and SLBC convenor banks for implementation of the SEP Scheme vide circular no. RPCD.CO.GSSD.BC.No.26/09.16.03/2014-15 dated August 14, 2014. The RBI circular is available on their website <http://www.rbi.org.in>.

These are main features of this guideline which are indicative. However the original guideline which is updated from time to time must be referred. The guideline has been uploaded on the website of the Ministry of Housing and Urban Poverty Alleviation, and may be accessed from: http://mhupa.gov.in/NULM_Mission/NULM_Mission.htm.

Introduction

This component focuses on financial assistance to individuals/groups of urban poor for setting up gainful self-employment ventures/ micro-enterprises, suited to their skills, training, aptitude and local conditions. The component will also support Self Help Groups (SHGs) of urban poor to access easy credit from bank and avail interest subsidy on SHG loans. The component will further focus on technology, marketing and other support services to the individuals, group entrepreneurs, SHG members and Urban street vendors/ hawkers engaged in micro enterprises for their livelihoods. The component will also facilitate issuance of credit cards for working capital requirement of the entrepreneurs.

The underemployed and unemployed urban poor will be encouraged to set up small enterprises relating to manufacturing, servicing and petty business for which there is considerable local demand. Local skills and local crafts should be particularly encouraged. Each Urban Local Body (ULB) should develop a compendium of such activities/projects keeping in view skills available, marketability of products, costs, economic viability etc.

The percentage of women beneficiaries under SEP shall not be less than 30 percent. SCs and STs must be benefited at least to the extent of the proportion of their strength in the city/town population of poor. A special provision of 3 percent reservation should be made for the differently-abled under this program. In view of the Prime Minister's 15-Point Program for the Welfare of Minorities, at least 15 percent of the physical and financial targets under this component shall be earmarked for the minority communities.

Selection of Beneficiary

The Community Organizers (COs) and professionals from Urban Local Body (ULB) will identify the prospective beneficiaries from among the urban poor. The community structures formed under Social Mobilization & Institutional Development (SM&ID) component of NULM viz. Self Help Groups (SHGs) and Area Level Federations (ALFs) may also refer prospective individual and group entrepreneurs for purpose of financial assistance under SEP to ULB. The beneficiaries may directly approach ULB or its representatives for assistance. Banks may also identify prospective beneficiaries at their end and send such cases directly to ULB.

Educational Qualifications and Training Requirement:

No minimum educational qualification is required for prospective beneficiaries under this component. However where the identified activity for micro-enterprise development requires some special skills appropriate training must be provided to the beneficiaries before extending financial support by linking for training under **Component 3: Employment through Skills Training and Placement (EST&P)**. Financial assistance should be extended only after the prospective beneficiary has acquired required skills for running the proposed micro-enterprise.

Such training may not be necessary if the beneficiary has already undergone training from a known institution, registered NGO/Voluntary Organization or trained under any government scheme provided requisite certificate is produced. In case the beneficiary has acquired requisite skills from family occupation such cases should be certified by the ULB before extending financial assistance.

Entrepreneurship Development Program (EDP)

In addition to skill training of the beneficiaries, the ULB will also arrange to conduct Entrepreneurship Development Program for 3-7 days for individual and group entrepreneurs. The EDP will cover basics of entrepreneurship development such as management of an enterprise, basic accounting, financial management, marketing, backward and forward linkages, legal procedures, costing and revenue etc. In addition to above topics the module should also include group dynamics, allocation of work, profit sharing mechanism etc. for group enterprises.

The EDP module may be developed and finalized by State Urban Livelihoods Mission (SULM) supported by State Mission Management Unit (SMMU) with assistance of an empanelled institution/agency or consulting firm and same may be utilized for conducting training program by the ULB. This EDP training may be arranged through institutions such as Rural Self Employment Training Institutes (RSETI), reputed institutions engaged in entrepreneurship development/training, management/ educational institutes, reputed NGOs engaged in entrepreneurship development/ training etc.

Any cost incurred on training of beneficiaries under this component is to be met out of EST&P component budget.

Pattern of Financial Assistance

The financial assistance available to urban poor in setting up individual and group enterprises will be in the form of **Interest subsidy** on the bank loans. Interest subsidy, over and above 7% rate of interest will be available on a bank loan for setting up of individual or group enterprises. The difference between 7% p.a. and the prevailing rate of interest will be provided to banks under NULM. Suitable certification from banks will be obtained in this regard.

Sub-Component – Self Employment-Individual and Group Enterprises

This component focuses on financial assistance to individuals/groups of urban poor for setting up gainful self-employment ventures/ micro-enterprises, suited to their skills, training, aptitude and local conditions. The under-employed and unemployed urban poor will be encouraged to set up small enterprises relating to manufacturing, servicing and petty business for which there is considerable local demand. Local skills and local crafts should be particularly encouraged. Each City/Town should develop a compendium of such activities / projects keeping in view skills available, marketability of products, costs, economic viability etc.

Under this component, setting up of both individual and group micro enterprises will be supported. The project cost ceiling will be Rs. 2.00 lakh for individual enterprises and Rs. 10 Lakh for group enterprises. Individual and groups may be provided loan from the banks and the application for such loans be preferably recommended by the SHGs.

Interest subsidy over and above 7 percent rate of interest will be available on a bank loan for setting up of an individual or group enterprise. No collateral is envisaged other than the micro-enterprise itself.

Sub-Component – SHG - Bank Linkage

Also, Interest Subsidy over and above 7 percent rate of interest will be applicable to all SHGs accessing bank loan. An additional 3 percent interest subvention will be provided to all women SHGs who repay their loan in time in all the cities.

The interest subvention will be subject to timely repayment by the beneficiaries. Suitable certification from banks will be obtained in this regard. The difference between 7 percent or 4 percent as the case may be and the prevailing rate of interest will be provided to banks under NULM.

Sub-Component – Credit Card for Enterprise Development

Under this component, efforts will be made to cover beneficiaries with credit cards for working capital and other purposes.

Sub-Component – Technology, Marketing and Other Support

Technology, marketing, consultancy (advice) and other support may also be provided by States / Cities to beneficiaries in setting up micro-enterprises, in relation to input procurement, production, packaging, branding, marketing, etc. This may include provision of selling places for poor street vendors in the form of kiosks and rehri markets, weekend markets/festival bazaars/evening markets etc. in municipal grounds or on road sides on one hand and technical assistance with regard to market potential survey, input procurement, joint brand naming/designing, advertising, marketing, etc. on the other.

Comparison between SEP- Individual, SEP- Group and SHG Bank Linkage

Criterion	Individual Enterprise	Group Enterprise	SHG Bank Linkage
Beneficiary	Individual urban poor beneficiary	Group of urban poor (minimum 5 members)	Healthy SHGs doing regular thrift and credit
Loan Purpose	To set up a micro-enterprise	To set up a micro-enterprise	SHG internal lending
Max. Amount	Rs. 2 Lakh	Rs. 10 Lakh	No Maximum Limit

Subsidy	Interest subsidy over and above 7% per annum rate of interest	Interest subsidy over and above 7% per annum rate of interest	<ul style="list-style-type: none"> • Interest subsidy over and above 7% per annum rate of interest • Additional 3% interest subvention available ONLY IF: (a) all-women SHG; (b) all installments paid on time
Subsidy to be paid by the Government to the banks	Difference between prevailing bank rate and 7%	Difference between prevailing bank rate and 7%	<p>Difference between prevailing bank rate and 7%.</p> <p>Additional 3% will be reimbursed to all women SHGs who repay their entire bank loan on time</p>
Mode of payment	Quarterly payment to bank by NULM as per demand raised by the concerned Bank branch	Quarterly payment to bank by NULM as per demand raised by the concerned Bank branch	The banks should credit the amount of 3% interest subvention to the eligible WSHGs accounts and there after seek the reimbursement as per the demand raised by their concerned Bank branch

CHAPTER – 2

MOTIVATING URBAN POOR TOWARD SELF- EMPLOYMENT

CHAPTER – 2

Motivating Urban Poor towards Self-Employment

Session: Appreciating Need, Importance & Relevance and Generating Commitment of Urban Poor towards Self-Employment.

There is an inadequate understanding of the existence and potential benefits of self-employment /entrepreneurship as a viable career option and as a means of improving their livelihoods. Young people need to be given a chance to understand and appreciate entrepreneurship. Appreciation of self-employment / entrepreneurship career can be enhanced by helping people understand the opportunities and rewards that entrepreneurship has to offer. Interest can further be raised by creating an awareness of the gains at both the professional and personal level, including increased work satisfaction, the feeling of being empowered, of making a positive contribution to society as job creators, as well as learning and growing through creative and out-of-the box problem solving.

Learning Objective:

At the end of the session participants will be able to:

- 🎯 **Enhance their interest, understanding relevance and need to take up Self – employment /Entrepreneurship as a Career**
- 🎯 **Differentiate between Wage employment, Self-employment and Entrepreneurship**
- 🎯 **Appreciate the possible personal, professional and national gain from Self – employment /Entrepreneurship career.**

Methodology:

Lecture- Discussion using power point, visual presentation and Sharing local NULM beneficiary example under SEP Component for creating interest toward self-employment.

Materials:

Flip charts / white boards, Transparency or Power points presentations, Charts.

Setting / Procedure:

Step 1: The facilitator states the objective of the module and initiates an interactive discussion with the participants by asking them questions related to employment and related career options. These may include:

- ✚ What career options are available to youth?
- ✚ How are youth affected by unemployment?
- ✚ What do they consider the reason for growing unemployment?
- ✚ Do they know any career options other than wage – employment?
- ✚ How self- employment / entrepreneurship is different from wage employment?
- ✚ Why do people opt or don't opt for self –employment/entrepreneurship?

- ✚ What additional gains are youth likely to get if they opt for self-employment/ entrepreneurship?

Participants' response is recorded on white board or flip charts, without any comments or modifications.

Step 2:

Next, the trainer / facilitator make a presentation on the following topics:

- Growing Unemployment
- Career Options
- Comparison of the Two in terms of nature, scope, orientation, satisfaction, contributions, income and status – (refer Fig.2:A Career Options under Trainer's Note)
- Possible Gains from enterprise / entrepreneurship career.
- Gains at personal level (refer Fig (Table): 2:B under Trainer's Note)
- Gains at Social & National Level – (refer Fig 2:C under Trainer's Note)

Processing:

The presentation may be made interesting by adding or encouraging response from participants on their own experiences. Facilitator may ask participants to present a brief summary of the learning and what appealed to them most.

Trainer's Note

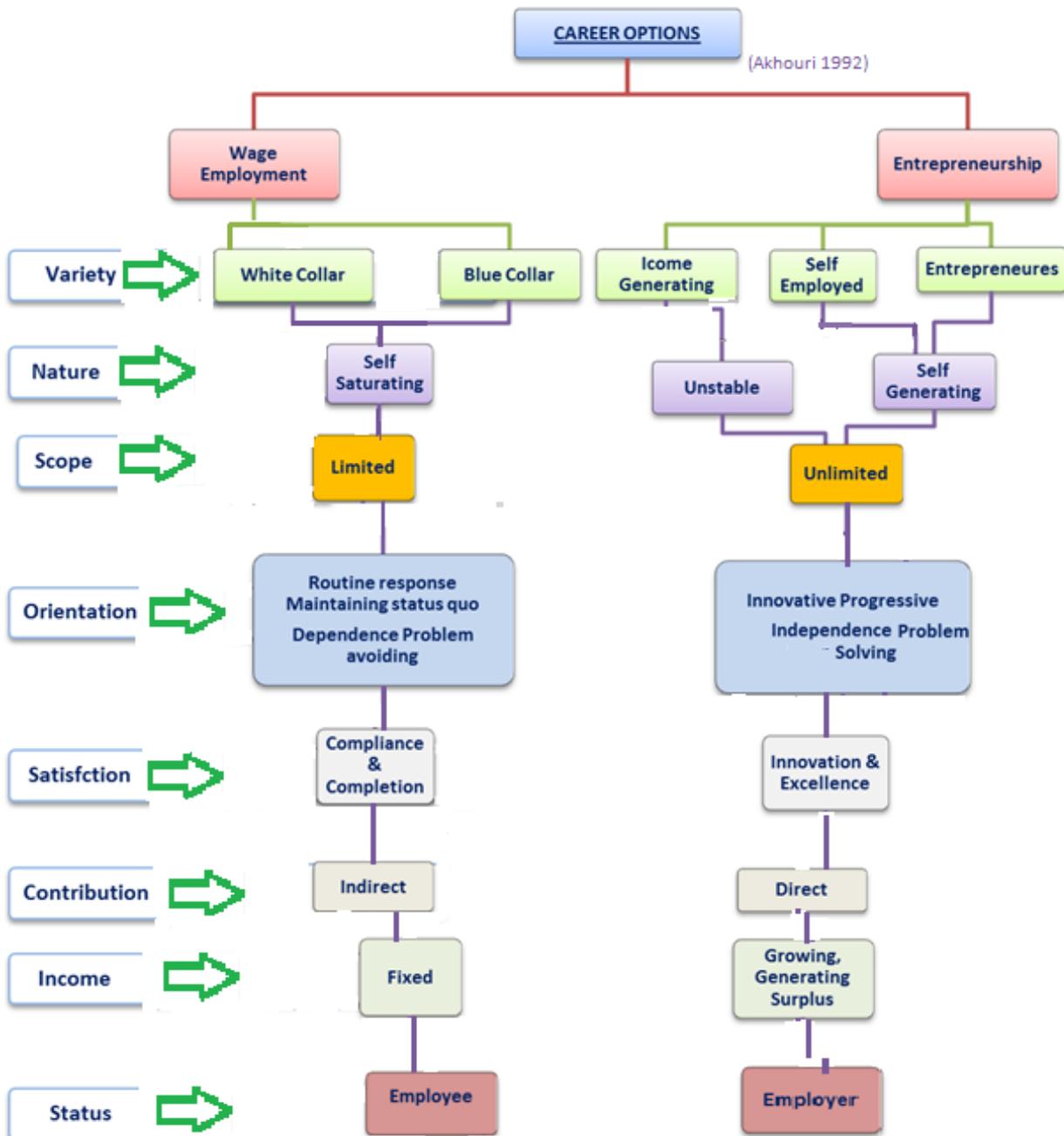
Broadly there are two career options – :

Wage employment, which includes any salaried or paid job under contract (written or not) to another person, organization -Government, public or private sector; and,

Self-employment, which essentially means working for oneself; where one earns by organizing and managing one's own enterprise, drawing income from the business that they operate. The two career options differ from each other in terms of nature, scope, orientation, satisfaction, contribution, earning (income) and social status.

The Wage-employment always has a limited scope since it does not necessarily generate resources and can be organized only with existing usable wealth. Moreover, wage-employment has a strong tendency for '**self-saturation**'. Once availed, it blocks the employment opportunities for others for another 10 years (Average 3 promotions in a 30-year service career). Self-employment / Entrepreneurship, on the other hand, contribute directly to Gross National Product (GNP) and it has unique characteristics of '**self-generation**.' Besides offering employment to others, every enterprise creates necessity for emergence of other economic activities related to services or supplies like transport, marketing, communication, etc. This initiates a chain of activities that creates unending opportunities for employment.

Fig 2: A Career Options



Possible Gains from Self-employment / Entrepreneurship Career

Entrepreneurship career is a deviation from the traditional means of earning. Accordingly, it offers a challenging career with significant gains at different levels – personal, social and national.

1. Gains at Personal Level

Besides experiencing excitement, adventure, joy & satisfaction of creative achievements, problem solving and heightened sense of positive contribution, an entrepreneur enjoys a set of economic and social gains at personal level.

Fig (Table) 2:B Gains at Personal Level

i.	Able to do what you want to do rather than always doing what your employer wants you to do.
ii.	Opportunity to 'innovate' and do something Creative, new, different and unique.
iii.	Enjoy Improvement in economic status by <i>generating surplus</i> .
iv.	Experience faster economic growth as compared to employees with fixed income from wage employment.
v.	Gain status of <i>'Job Provider'</i> rather than <i>'Job Seeker'</i>
vi.	Independence of taking decision.
vii.	Become a master of your own time.
viii.	Develop orientation and capability of solving problems.
ix.	Opportunity to make <i>optimal use of your resources</i>
x.	Satisfaction of making contribution to the society and to the nation.
xi.	Satisfaction of <i>building property and institutions that belong to you</i>

2. Gains at Social & National Level

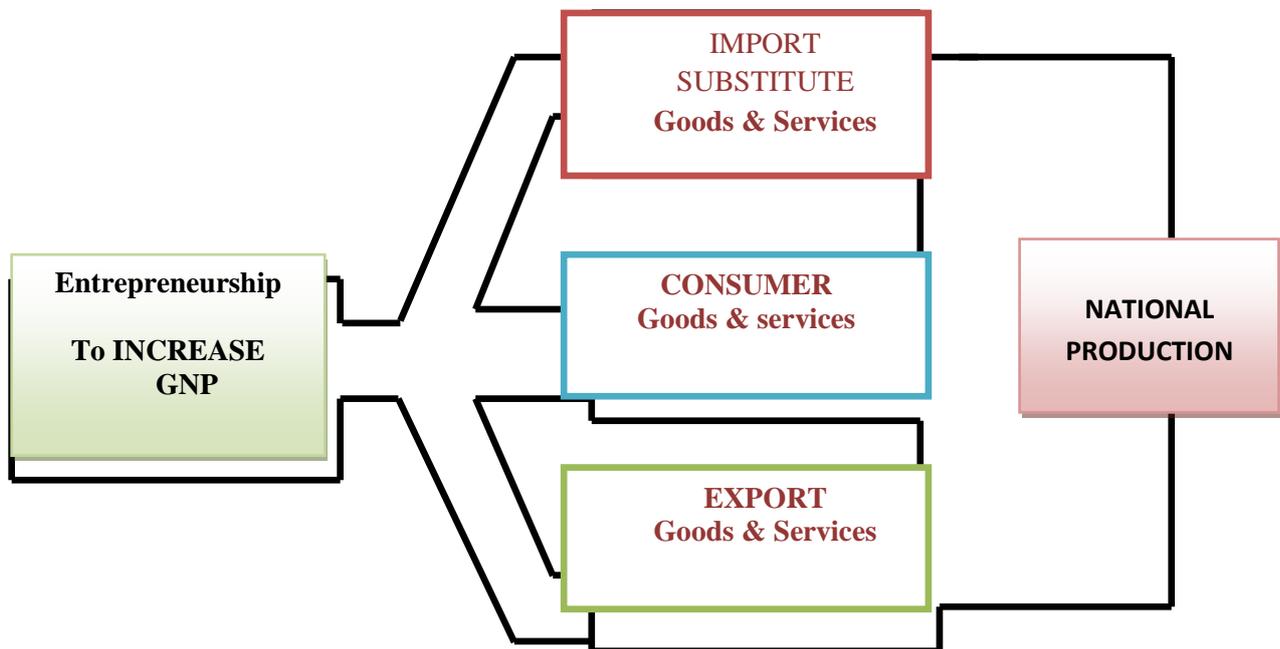
There are enough historical evidences to suggest that whenever in a society or country the number of such persons have grown, that society or nation has attained greater prosperity at that point of time¹. Countries, aspiring or struggling for economic prosperity and development, need to develop entrepreneurship from within as part of its programme of human resource development.

i) Increase in the country's Gross National Production (GNP):

Increase in GNP is possible by a) producing import substitute goods and services, b) meeting increasing demand of consumer goods and services, and c) exporting enough goods and services to attain trade balance. By producing enough goods and services suited to all the three areas, entrepreneurs help a nation to finally increase the GNP.

- ii) **The unique contribution of entrepreneurship is that it is a low cost strategy of economic development, job creation and technical innovation.**

Fig 2: C Increasing the Gross National Production (GNP)



- ii) **Entrepreneurship for reducing the ossification of established institutions and the monopolistic concentration of Economic power:** The phenomenon of economic power is the natural outcome of industrial and economic activities. Unfortunately, economic power is likely to be concentrated only in few individuals and institutions. This often results in exploitation and manipulation causing adverse socio- political consequences. Promoting and developing entrepreneurship is therefore needed for reducing the ill effects of existing industrial and business establishments and thereby dispersing the economic power among the masses.
- iii) **For Harnessing Youth Vigour:** Growing unemployment among the youth is the common experience all over the world. For example, in India alone, nearly 25 million youth are unemployed. Wage- employment can hardly be available to 10 percent of them. Almost 90 percent of them find themselves without work when they are at the prime of their youth and full of vigour. In the absence of employment, the unemployed youths are often found diverting to violence, and anti social activities. Entrepreneurship on the other hand, offers these youth the opportunity for self- employment which is creative and challenging that requires extra vigour which is abundantly available with youth. Besides channelizing youth vigour to productive purposes, youth involvement in entrepreneurial activities further helps youth to build self - confidence which usually start fading due to continued unemployment.
- iv) **Encouraging reinvestment of the profit in the area of profit generation-- repelling the 'Leech Effect':** In a place of acute shortage of local entrepreneurs, outsiders usually come and set up enterprises and start generating surplus. A large share of profits earned by such entrepreneurs may not be reinvested in the local area and is likely to be siphoned back to the place of origin of entrepreneurs since the profit is generated by depleting the local resource

and the surplus is not reinvested in the area of profit generation, it sets a process, which can metaphorically be called the 'Leech effect'. The major impacts of the 'Leech Effect' have been observed in comparatively backward areas of several developing countries. Effective way of countering it lies in empowering local youth to take up entrepreneurship and organize enterprises in their areas to help generate surplus. The profit earned from such units will then automatically be reinvested for the welfare of *the area of profit generation*.

- v) **Facilitating Balanced Area Development:** Entrepreneurship always brings along with it a number of infrastructural developments such as roads, transport, communication, health, education, entertainment etc. However, industrial and business activities are usually concentrated in and around select cities of the country, and the development is also limited. . As a result the country very soon faces the problem of what might be called unbalanced area development. Many examples can be cited from all over the developing countries. Till late sixties, in India, more than 50% of industrial enterprises were located in only six cities. These cities are today much more developed than the rest of the country. Similarly the city of Bangkok in Thailand, Kuala Lumpur and Penang in Malaysia, Manila in Philippines and Seoul in South Korea are some of the examples of such unbalanced area development. A planned effort to develop entrepreneurship among the local population will ensure setting up of enterprises in different parts of the country.
- vi) **Commercializing inventions and new products:** Entrepreneur bears the costs and risks of launching a new venture, developing new products, commercializing technical invention, adapting new technology and developing new market. Even when they receive governmental assistance, they add considerably more value through 'Sweat equity'. Employment generated per unit of investment is 10 to 50 percent less than those created through governmental efforts. Their technology and managerial innovations are always attempted for cost and market efficiencies.
- vii) **Making markets more competitive and reduce market inefficiencies:** As risk bearers, entrepreneurs either succeed or make a developmental contribution or they fail and disappear from the market place. The market in which entrepreneurs operate has little tolerance for miscalculation about business opportunities, lack of commitment, or laziness or incompetence. Thus entrepreneurs are needed to bring about a discipline of the marketplace.

Non-entrepreneurial enterprises (mostly bureaucratic public enterprises) are often less sensitive to it, causing stagnation of country's economic growth. Entrepreneurship improves international competitiveness through variety of innovative collaborations, mergers and blends.
- viii) **Make Society 'Enterprising':** Besides general contribution to economic development & prosperity of a nation, entrepreneurship has a **unique feature of making the society vibrant, dynamic and enterprising.**

In a nutshell, entrepreneurial career option benefits a nation significantly by bringing progress, prosperity and peace through wealth creation, employment generation, and above all technical & managerial innovations, making society dynamic and enterprising.

CHAPTER - 3

**BUILDING CAPACITY OF MICRO ENTREPRENEURS FOR SENSING AND
IDENTIFYING ENTERPRENEURIAL OPPOURTUNITIES**

Chapter - 3

Session: Building Capacity of Micro Entrepreneurs for Sensing & Identifying Entrepreneurial Opportunities (Micro-Enterprise)

Business opportunity lies in the environment. May it be food, fashion, health, entertainment, transportation, communication, shelter, leisure or style of living, all are constantly changing. Every change creates the demand for new products & services. Making such products & services available to the needy, offers the business opportunity in each area. Sensitivity to perceive such people's need is an essential capacity to be built through training.

At the end of the session, participants will be able to

- **Understand the process of sensing and identifying business opportunities under various categories,**
- **Generate new ideas for micro enterprise as per their interests, skills, knowledge and experiences.**

Methodology: Brain storming Exercise & Group discussion and Short lecture.

Materials: Bricks, White board, Markers& Flip Charts illustrating -1.'Business opportunities' and 2.'Different Categories of Micro – Enterprise.'

Setting & Procedure:

Step – 1 :

Every individual has some resource. Individual resource offers multiple Business opportunities. Brick Exercise is conducted to provide experiences to sense business opportunities based on one's own resource.

Take an ordinary Brick and show it to the group. Lead the group to discuss its common use. The obvious use of brick is seen for 'construction of wall'. At this stage, members are suggested to think individually and list as many other uses of bricks as they can.. Give them 5 minutes time to think and list such uses without discussion with other members. At the end of given time, ask them to share the number of 'other uses' that they have listed.

Following this, members are asked to form a group of four to five. In the group they share with other members their individual list. They further discuss and jointly think many other uses. Group is asked to make common list of uses by adding the uses pointed by individual members of the group. Finally each group presents its list of 'uses of bricks' to the whole group.

Assist group to generate additional use of same resource (brick) by using several creative measures such as:

Reversing the role - Brick to hit other
- Brick to be used as shield

Think of opposite - Brick to write on slate
-Brick to be used as slate to write on

Maximizing or Minimizing Size - Big size used as stool to sit
- Smaller as paper weight
- Smaller dies

Individual member keeps on adding the new ideas to their individual list, which grows enormously.

In this process members experience the process of finding 'multiple use' of Single Resource. They get the insight & see the possibility using their resource to serve 'Need of People" in variety of ways. Each of which, offers 'Business opportunity'. PI refer the chart included in the Trainer's Note.

Step –2 :

As per their interest, participants are suggested to select any one 'people's need area' such as food, dress, leisure or entertainment etc. They are suggested to think the various products and services that the people of the area need or likely to need in future. Give them 5 to 10 minutes time to think and list such products or services on a chart paper.

Participants are suggested to form a group of 3 to 4 such members who have chosen same 'people's need' area. Groups get another 15 minutes time to repeat the exercise. Finally they come out with a joint list of products and services as per the group perceptions. Let them list these on a common chart paper. Finally small groups will make presentation to the large group.

While listening, individual member will keep on adding to his/her own list by noting the additional name of products and services presented by others.

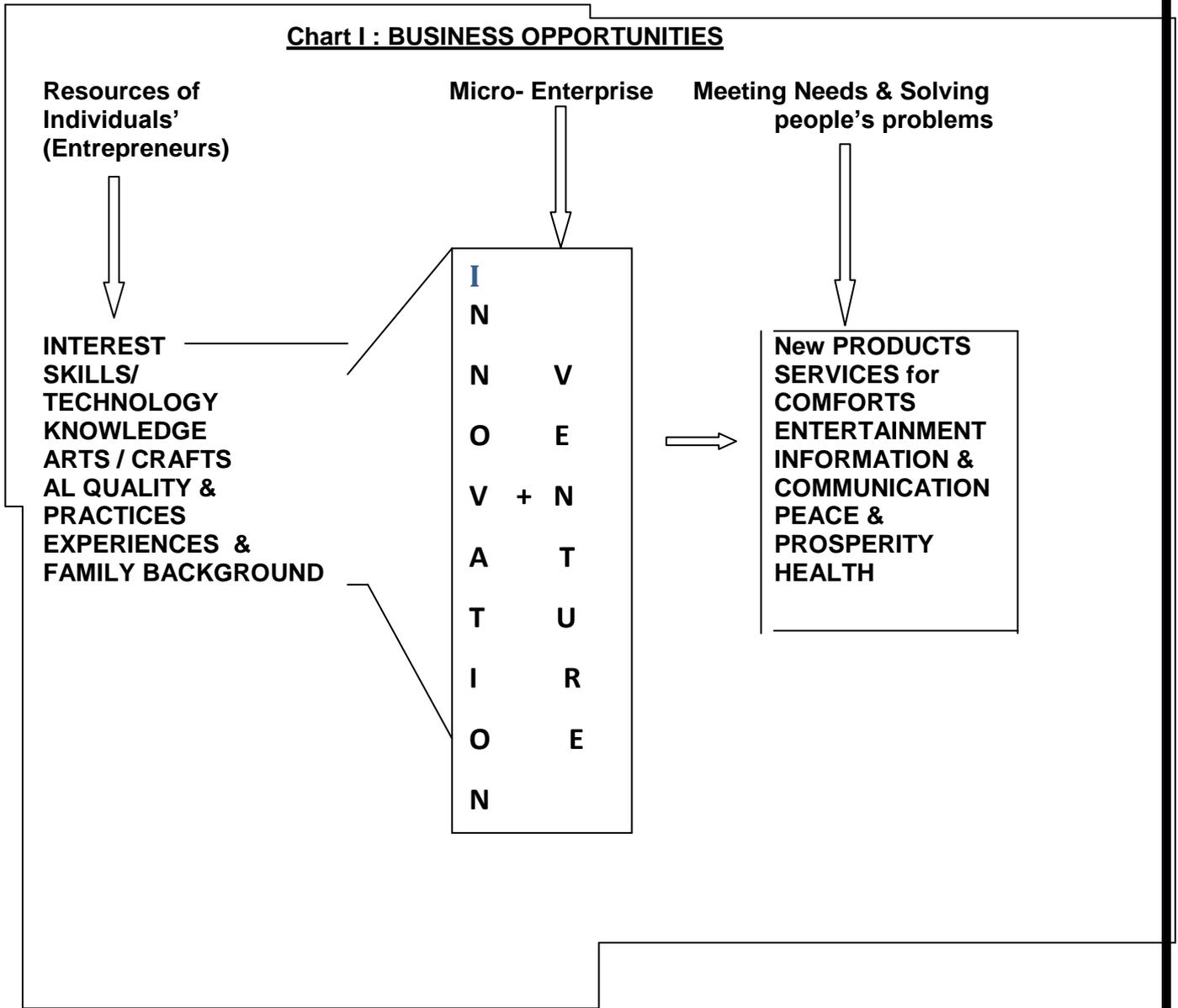
Processing:

Participants are assisted in comparing the first and the final list of products and services. Usually the first list prepared by individual has the minimum number of ideas. The list developed in the groups is often more than double. After hearing the presentations of all small groups, the list of every individual grows enormously. Since each item in the list offers an unique business opportunity, the individual member learns the process of generating ideas and sensing business opportunity.

TRAINER'S NOTE

Entrepreneurial opportunities lie in meeting the need of people or solving people's problem. People's Needs and problems are constantly changing. Every change demands the new means and methods to meet the needs or solve emerging problems. To innovate, produce and/or supply such new means and methods offers opportunities for entrepreneurs. Micro – enterprise is a means to meet the demand for new products and services that the people of the area required to adjust to the on - going changes in the environment. Crux lies in perceiving the "**people's need**" and organizing a micro – enterprise suited to his/her own resources, interests, skills and experiences if any. Since the people need is ever growing and constantly changing, entrepreneurial opportunities are always growing in all societies and places. The dynamics of growing entrepreneurial opportunities can be illustrated with the help of the chart given below:

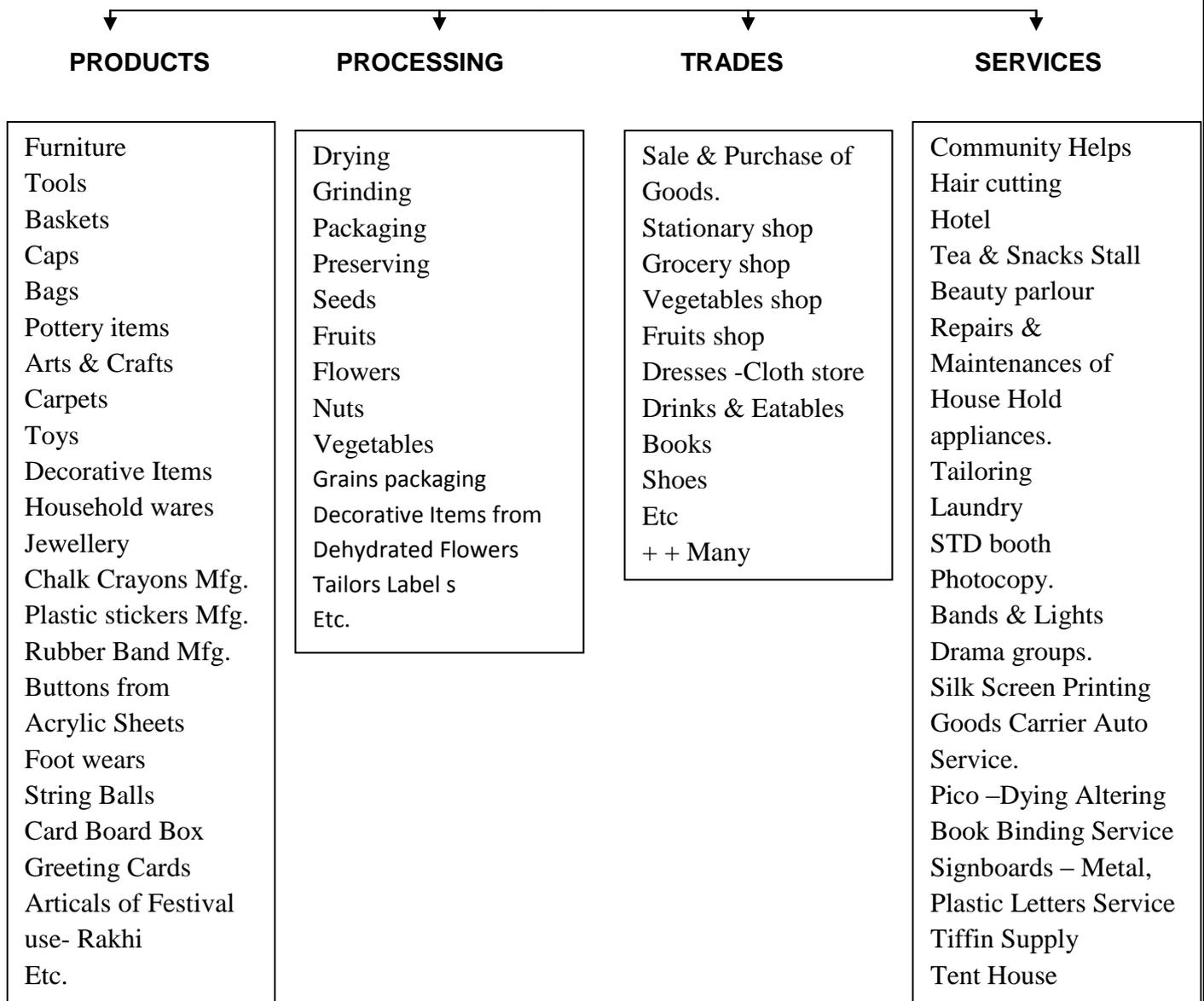
Chart I : BUSINESS OPPORTUNITIES



Categorisation of Entrepreneurial Opportunities.

From the 'Business Opportunity Chart' as illustrated above, it is evident that the goods & services are made available to satisfy the people's needs or solving people's problems. Since people needs fall under various categories, the micro enterprises can also be identified differently representing different categories. 'Micro- enterprise Category' as illustrated in the chart given below.

Chart II: **THE TYPES OF MICRO-ENTERPRISE**



The experience can be further enriched by repeating the exercise by selecting one 'people's need' area at a time. If participants show interest in more than one 'people's need areas', it will be useful to repeat the exercise to develop the sensitivity to perceive the people need as the basis for sensing business opportunity. Similar exercise can also be repeated in terms of four categories of enterprises.

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CHAPTER - 4

FACILITATING IN SELECTING MOST SUITED MICRO-ENTERPRISE

CHAPTER – 4

Session : Facilitating Micro Entrepreneurs in Selecting most Suited Enterprise.

Out of several business opportunities sensed by the prospective entrepreneur, one must learn to select one micro enterprise best suited to the personal resource & preferences; nature & inputs required by the enterprise; and the existence of market in the environment. The process of selection involves analysis of all the three – Entrepreneurs, Enterprise & Environment.

At the end of the session, participants will be able:

- 1. To understand the process of selecting an enterprise out of many business opportunities that are perceived in the environment.**
- 2. To facilitate micro entrepreneur for selecting suitable micro – enterprise for self.**

Methodology: Exercises & Case Discussion

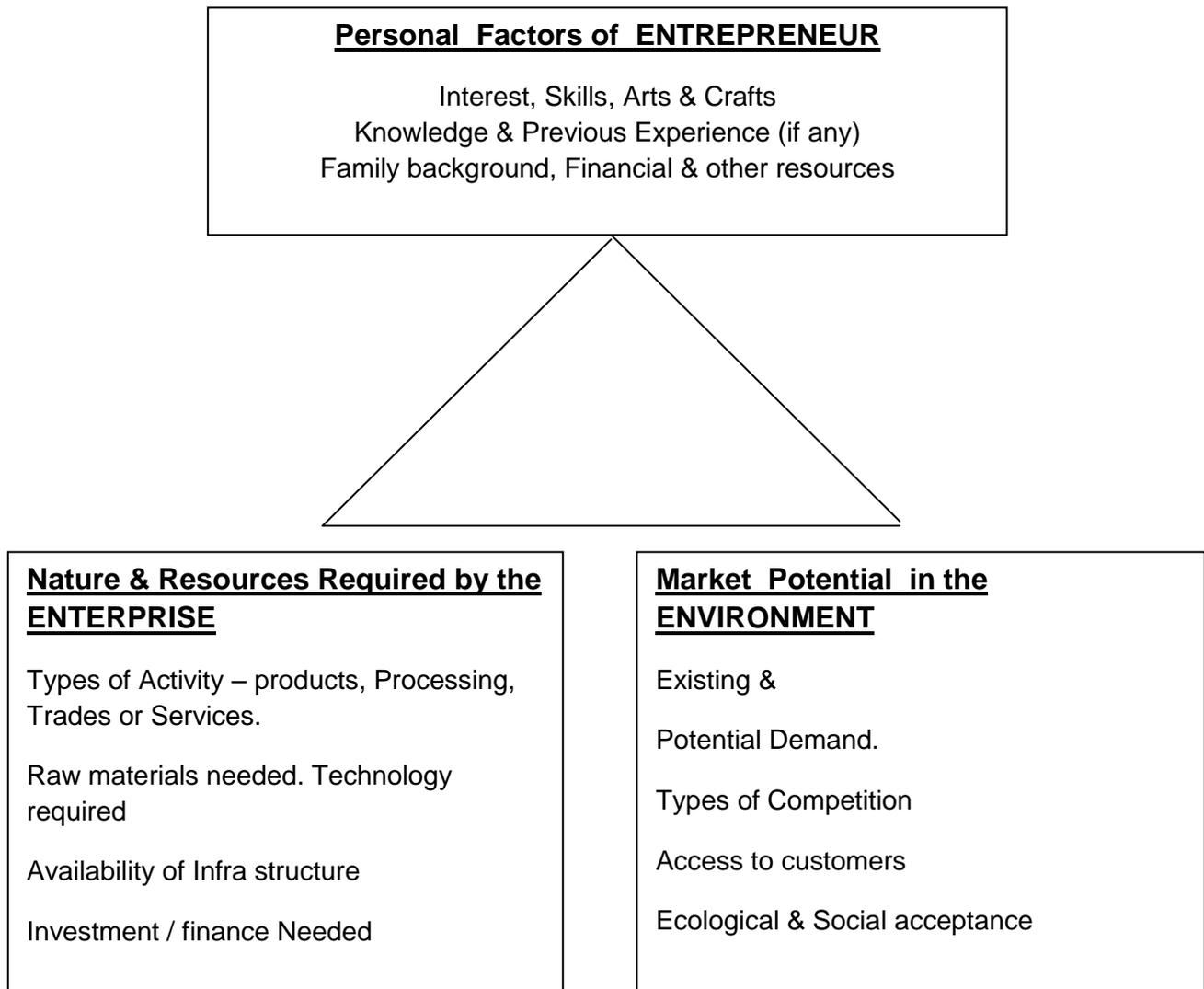
Materials: White board, Chart papers and Markers. Copies of opportunity Cases, Chart on Factors affecting selection of an enterprise, Forms for rating factors related to Entrepreneurs, Enterprise and Environment

Setting & Procedure:

Step 1:

Explain to the participants that after sensing the business opportunities for self, it will be useful to identify a few, which are more suitable. The suitability of a micro – enterprise is determined by analyzing the various factors associated with all the three – entrepreneur, enterprise and the environment

Chart III : Factors Affecting Selection of an Enterprise



As illustrated in the chart, enterprises are chosen as per the personal preference / interest of entrepreneur. The knowledge, skills and previous experience of entrepreneurs help in successfully organizing and managing an enterprise.

Another consideration in making choice is about the enterprise, its nature; accessibility and availability of required inputs / resources such as infra structural facilities, raw materials, technology and fund.

While choosing an enterprise the crucial consideration is about the environment. The product or services should have existing & potential demand, access to the customers and healthy competition in the environment

Step – 2:

Participants are suggested to read the four “opportunity cases’ given in the annexure. Out of four, they have to choose one, which is most suitable. They are divided in small group of 4 to 6 and allowed to discuss the scope and limitation of each enterprise. For finding out the suitability, they are to weigh different factors related to self, enterprise and environment. They do so by giving score of 7 to10 for high to very high, 4 to 6 for medium and 3 to 1 as low to very low suitability of each factor

Personal factors will include (total 20)

- Their interest & preference for the product and service
- Own knowledge about the product / service
- Own skills in handling the product / service
- Own previous experience of dealing with the product / service
- Own family background & involvement
- Own fund to invest
- Own expectation of profit/ return

Enterprise related factors (total 40)

- Access and availability of required infra structures
- Access and availability of raw materials
- Access and availability of required technology / skills
- Access and availability of required fund/ capital.

Environment related factors (total 40)

- Existence of local, national & export market
- Means to access to customers / consumers
- Extent of competition
- Ecological & social acceptance.

Participants do the scoring by discussing these factors in small groups and record the score in the table given. The total point scored by each enterprise gives comparative picture.

Form for RATING: VARIOUS FACTORS OF SELECTION

	Personal	RM Avail	Tech Avail	Infra-Structure	Finance Resource	Market	Total
Micro – enterprise	(20)	(10)	(10)	(10)	(10)	(40)	
Enterprise 1							
Enterprise 2							
Enterprise 3							
Enterprise 4							

Step – 3: PROCESSING

In the open session, each participant is encouraged to share the process and reasons for making choice in favour of any enterprise. From the participant's presentation the facilitator will summarize the process of choosing an enterprise considering factors associated with self, enterprise and environment. The process should be repeated in respect to each of the four enterprises separately. This will give enough practice of making choices.

Participants should be assisted to draw conclusion as:

- Various business ideas are generated after scanning the environment. These business ideas lead to identification of a number of micro enterprises.
- The identified ideas for micro enterprise need to be short listed to suit the person and the environment in which it is going to be set.
- The preliminary selected micro -enterprise idea has to be tested further for its feasibility.

Annexure – Opportunity Cases

Opportunity Case 1: Decorative Pots & Packaging

Very innovative product, fetch high prices, high demand on occasions, more of processing rather than manufacturing nature, can be earthen, wooden or bamboo and paper or clothes used to packaging sweats, dresses, gifts; requires interest in painting & art; raw materials available easily and in plenty; wide urban market; rate of return 30 to 50 percent, can be started with moderate investment (Rs. 50000 to 100 000).

Opportunity Case 2: Home Appliances Repair service

Though investment is low, the scope is very wide particularly in metros and cities. Starting with kitchen appliances such as Gas stove, pressure cooker, lighter, mixer grinder juicer, pans handles etc services can be further extended to include entire range of house hold appliances. It requires mechanical aptitude and practical experiences in mechanical, electrical or electronic areas. There is enough scope to diversify and expansion. The market is ever growing without much competition. Rate of return /income is quite high without much risk of loss.

Opportunity case 3: Screen Printed Fabrics Unit

The products should be somewhat new, different both in respect to designs, and objects – traditional as well as the modern fashion wears. Though investment low (30,000 to 50,000), and high market demand, competition is very high. Good market contacts are an advantage. But no technical know-how is detrimental. Return on investment and profit will vary and need to be assed locally. At times market congestion may mean market dictate price, and profit may be limited.

Opportunity Case 4: House Construction materials & services

Tsunami caused worse devastation causing urgent need for construction of houses and other duelling places. For this there is huge demand for construction materials such as bricks, wooden fittings, metal articles, sanitary fittings, roof and floor materials. Besides materials there will be great demand of services like mason work, carpentry, plastering and painting, sanitation installation and fittings. Large number of enterprises can be set up individually or jointly to produce such goods or services.

CHAPTER - 5

**DEVELOP CAPABILITY TO ASSESS FEASIBILITY OF SELECTED MICRO
ENTREPRISE**

CHAPTER – 5

Session :Develop Capability of Micro- Entrepreneur to Assess Feasibility of Selected Micro enterprise

Every enterprise is unique in terms of market, technology, and financial and commercial considerations. Inadequacy, unavailability and hostility emerging out of any of these considerations may render the selected micro - enterprise as 'Not- feasible.' Prior to launching, it is therefore, worthwhile to assess the feasibility of a micro – enterprise from all considerations like market, technology, finance etc.

Learning Objective:

At the end of the session the participants will be able:

- 1. To appreciate the need of assessing feasibility prior to launching an enterprise,**
- 2. To assist micro entrepreneur in assessing feasibility of selected Micro-enterprise selected by them.**

Methodology: Lecture, discussion and Case study

Materials: White Board with Pen, Flip Chart & Markers Case on Community Service Unit, Charts on Market Feasibility, Technical Feasibility Financial Feasibility and Commercial and other considerations. Keep following charts ready.

Setting & Procedure

Step 1 :

Need, scope and use of feasibility is discussed with illustrations.

All the four aspects of feasibility are explained to them with the help of different charts. Invite questions and discuss the subject with suitable illustration.

Step 2 :

Distribute the copies of 'Opportunity Cases' 1 to 4 as illustrated in the previous session. Give time to read. Then form groups of three to four persons. Ask them to assess the feasibility of each case by using the items given under charts on all aspects of feasibility. Let the group assessment is presented to the large group. Invite discussion to develop understanding about each aspect. Assist them to integrate all factors and take a balanced view about the feasibility of the project.

Summarize the various factors, based on which participants have assessed the feasibility of any project. Add such factors, which have not been very conspicuous in the case. Conclude the process of assessing feasibility under four aspects –

Market feasibility, Technical feasibility, Financial Feasibility, Commercial and other special consideration related to the enterprise.

Chart a. Considerations for Market Feasibility

Assessment points	Probable answers
1. Type of products/ service	High or Low cost, Light or Heavy, Perishable or Durable, Common use or Specialty etc.
2. Type of Consumers	Industrial, agricultural Institutional, Essential consumers goods like soaps,
3. Types of resources	Agricultural, Mineral, Marine, Synthetic Waste etc.
4. Requirement of Utility	High Low requirement of Power, Fuel, Water
5.Type of Equipments	Costly or Cheap, Commonly available or Made out of order.
6 Demand of the products / services - Size of market - How the present demand satisfied - Price Pattern	How much consumption or purchase Local supply or External or Import High, low, Stable or Fluctuating
7 Packaging	Costly , Sophisticated or Poor
8. Market Channel- How Does It reach the Market	Direct or Through Retailers, Against Cash or Credit High or Low commission etc.
9. Market Share	Very Low or high, Why

Chart b.: Considerations for Technical Feasibility

Assessment points	Probable answers
1. Location - Land / Shade - Transportation - Resource institutions - Economic Activity	Availability Good or Bad Good Average Bad Near or Far Thick or Rare
2. Production Process	Available Not Available, Simple or Cumbersome Costly or Cheap, Require Skilled or unskilled personnel
3. Raw Materials / Equipments	Suitability of available raw materials Speedy or Extended period of availability
4. Manpower	Technical Staff needed , available or not Availability on normal affordable prices.

Chart c.: Considerations for Financial Feasibility

Assessment points	Probable answers
1. Capital Requirement - Fixed Capital - Working Capital	Available in full, Part Very high or low Own or to be borrowed Required in huge, medium or low quantity Own or to be borrowed Availability on high, moderate or low rate of interest
2. Finance for the Project	Internal or external, Fully or Partly Sources Available or not Total Quantity very high, affordable or low Terms of obtaining fund conducive or repelling
3. Profitability - On total Capital - On Sale	Good or poor High, low or medium

Chart d.: Commercial & Special Considerations

Assessment points	Probable answers
1. Government's Policy	Encouraging or Discouraging
2 . Social & Family	Supportive or Opposing
3. Law & Licences	Legally permissive or restricted
4. Change in Fashion, Technology etc.	Abrupt or Smooth, Facing Obsolescence

PROCESSING

Extend the session further to repeat the exercise to assess feasibility of some other micro – enterprises of participant's choice.

CHAPTER - 6

**DEVELOPING CAPACITY FOR ASSESSING MARKET OF SELECTED
MICRO ENTREPRISE**

CHAPTER - 6

Session: Developing Capacity of Micro Entrepreneur for Assessing Market of Selected Enterprise

Market assessment is necessary to plan - how much goods or services can be sold, how much resources including fund will be needed and what marketing strategy should be adopted. It also helps in anticipating and forecasting profit and return.

Learning Objectives

At the end of the session participants will be able :

- **To understand the importance & process of market assessment.**
- **To guide prospective micro entrepreneurs in assessing market for the selected micro - enterprises.**

Methodology: Discussion, Case study and Field exercise

Materials: Whiteboard and Felt pen/ Blackboard and chalk, Flip Charts and Markers, Case on Electronic Repair Shop.

Setting & Procedure

Step – I :

Participants are invited to discuss the need for market assessment before launching a micro – enterprise.

Final selection of product or service will depend upon the assessment of market in terms of

- a) Demand
- b) Supply
- c) Nature of Competition
- d) Cost & Price of products
- e) Delivery Mechanism
- f) Product Innovation / Changes / Substitutes likely to enter into the market

Make small group of five members. Give each member a copy of the case on 'Electronic Repair Shop'. Also provide each group a chart paper and markers. Ask them to write the information that they will like to obtain for answering the questions related to market.

Step – II:

Ask each group to make presentation of the chart they have prepared. Consolidate their experiences / views around the questions illustrated below

1. What services/product you have decided?
2. Who would buy?
3. Why will people buy your services/products?
4. Who are competitors of your product / service?
5. Where will you set up the micro-enterprise?

6. How much geographical area your services / product will cover?
7. What price will you charge?
8. How people will know about your service and product?
9. How will you deliver your service / product?
10. What raw materials and tools will you need?
11. What process will you adopt for your product/services?
12. Why will people come to you again?
13. How much money will you need?
14. From where will you get the money?

Discuss the sources from where the answers of such questions can be obtained:

Primary sources such as manufacturers, traders or similar service providers.

Secondary sources such as population or household information from published data.

PROCESSING

Summarises the information to be collected for market assessment under following headings

Introduction: Brief description of product / service; main attributes; specification, size, packaging, selling price; brief description of end users.

Demand: Class & type of consumers/ customers; pattern of consumption & Frequency of use; past demand pattern; anticipated future demand; significant buying criteria.

Supply: Current availability in terms of quantity; sources of availability
– local, indigenous or imported; price and convenience.

Marketing Mechanism: Distribution channels (direct, retail , wholesale etc.);
Packaging; Credit practices; Delivery time & after - sales service

Selling price, commission margin; purchasing procedures, time order placement. Based on the above information, participants are assisted to draw a marketing plan for the proposed products/ services.

Annexure- Case

Case on Electronic Repair Shop

Mr Malinda of 27 yrs age is an ITI diploma holder. He worked in electronic shop for 7 years. He has a wife and a daughter. He has rich experience of repair & maintenance of electronic audio, video TV items. Following earth quake in Bhuj he lost his job in the shop. He tried hard but failed to get some other job elsewhere. His economic condition deteriorated fast. He is worried about his income. Fortunately local NGO have given him support and encouraging him to set up his own micro – enterprise to ensure substantial income. He thought about setting up an Electronic Repair Shop near his own residential area. He expects a good business in this area, where each family owns a number of audio - video and TV sets. However, he wanted to be sure that his micro-enterprise gets good business, sufficient number of repair orders and could earn sufficient profit after meeting all expenses.

CHAPTER - 7

**INSTITUTIONAL FUNDING SOURCES UNDER SELF EMPLOYMENT
PROGRAM (SEP) COMPONENT OF NULM**

CHAPTER - 7

Session: Institutional Funding sources under Self Employment Program (SEP) Component of NULM for promotion of Micro-Enterprises

The Reserve Bank of India issued a circular to all scheduled commercial banks (including RRBs) and SLBC convenor banks for implementation of the Self Employment Programme of NULM under advances to weaker sections in Priority Sector Lending.

Pattern of Financial Assistance under SEP

The financial assistance available to urban poor in setting up individual and group enterprises will be in the form of **Interest subsidy** on the bank loans. Interest subsidy, over and above 7% rate of interest will be available on a bank loan for setting up of individual or group enterprises. The difference between 7% p.a. and the prevailing rate of interest will be provided to banks under NULM. Suitable certification from banks will be obtained in this regard.

Procedure for Interest Subsidy

All scheduled commercial banks (SCBs), Regional Rural Banks (RRBs) and cooperative banks, which are on the Core Banking Solution (CBS) platform, would be eligible for getting interest subvention under the scheme.

After disbursement of loan to the beneficiaries, the concerned branch of the bank will send details of disbursed loan cases to ULB along with details of interest subsidy amount.

The settlement of claims made by banks would be done on quarterly basis by the ULBs, however the submission of claims should be monthly. The ULB will check the data at their end and will release the interest subsidy amount (difference between 7% p.a. and prevailing rate of interest) to the banks.

A prescribed format for interest subsidy claims for loans under this component is enclosed ([Annex I](#)).

The State Level Bankers Committees (SLBCs) have the option of evolving any alternative procedure of aggregating/ sanction of claims in consultation with the state government.

The pending claims should not be more than a quarter. In case the claims of the banks are not settled for a period of 6 months, SLBC is empowered to stop the scheme temporarily in selected cities subject to clearance of claims by such ULBs. In such eventualities, the claims settlement should prospectively be given to the Lead District Bank.

Sub-Component - Individual Enterprises (SEP-I)-Loan & Subsidy

An urban poor individual beneficiary desirous of setting up an individual micro-enterprise for self-employment can avail benefit of subsidized loan under this component from any bank. The norms/specifications for individual micro-enterprise loans are as follows:

Age: The prospective beneficiary should have attained the age of 18 Years at the time of applying for loan.

Project Cost (PC): The Maximum unit Project Cost for individual micro-enterprises cases is Rs 200,000 (Rs Two Lakhs).

Collateral on Bank Loan: No collateral required. As per [RBI Circular RPCD.SME & NFS.BC.No.79/ 06.02.31/2009-10 dated May 6, 2010](#) banks are mandated not to accept collateral security in the case of loans up to Rs10 lakhs extended to units in the MSE sector. Therefore, only the assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans. The banks may approach Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) setup by Small Industries Development Bank (SIDBI) and Government of India for the purpose of availing guarantee cover for SEP loans as per the eligibility of the activity for guarantee cover.

Repayment: Repayment schedule ranges from 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks.

Sub-Component - Group Enterprises (SEP-G) -Loan & Subsidy

A Self Help Group (SHG) or members of an SHG constituted under NULM or a group of urban poor desirous of setting up a group enterprise for self-employment can avail benefit of subsidized loans under this component from any bank. The norms/ specifications for group micro-enterprise loans are as follows:

Eligibility: The group enterprise should have minimum 5 members with a minimum of 70% members from urban poor families. The application/ intent to set up a group enterprise by beneficiaries/ group members should preferably be referred by the community structures viz: SHG/ ALF formed under NULM.

Age: All members of the group enterprise should have attained an age of 18 years at the time of applying for bank loan.

Project Cost (PC): The Maximum unit Project Cost for a group enterprise is Rs.10,00,000 (Rs Ten Lakhs)

Loan: Project Cost less the beneficiary contribution (as specified by bank) would be made available as loan amount to the group enterprise by the bank.

Collateral Guarantee on Bank Loan: No collateral/ guarantee required. Only the assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans. The banks may approach Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for the purpose of availing guarantee cover for SEP loans as per the eligibility of the activity for guarantee cover.

Repayment: Repayment schedule ranges from 5 to 7 Years after initial moratorium of 6- 18 months as decided by banks.

Procedure for Sponsoring of Applications

The application for individual and group enterprise loans will be sponsored by the Urban Local Body (ULB) which will be the sponsoring agency for the individual and group enterprise.

The ULB will create awareness regarding SEP to the prospective beneficiaries through mass media campaigns, IEC activities, advertisements in local newspapers, City Livelihoods Centres (CLCs) etc. The ULB may also disseminate information regarding this component through active involvement of Resource Organizations and its field staff.

The beneficiaries desirous of seeking financial assistance for setting up an enterprise can submit an application of intent to the concerned ULB officials on a plain paper with basic details viz: Name, Age, Contact details, Address, Aadhaar details (if any), amount of loan required, bank

account number (if available), type of enterprise/ activity, category etc. The intent could also be sent by mail /post to the ULB office. The ULB shall accept such intents throughout the year.

The community structures formed under Social Mobilization & Institutional Development (SM&ID) component of NULM viz: Self Help Groups (SHGs)/ Area Level Federations (ALFs) may also refer prospective individual and group entrepreneurs for purpose of financial assistance under SEP to ULB.

On submission/receipt of the intent from the beneficiary the respective ULB will enter the details in a register/or MIS if available and hence will generate a waiting list of beneficiaries. The ULB will issue an acknowledgement to the beneficiary with a unique registration number, which may be used as a reference number for tracking the status of application.

Banks may also identify beneficiaries as per the eligibility criterion and receive the intent letter. The applications received directly by the banks will be referred to the ULB. The applications in this case will also form a part of the waiting list.

ULB will call the beneficiaries in order of the waiting list to complete requisite documentation including filling of Loan Application Form (LAF), activity details, identity proof, address proof, bank account details etc. The SULM may develop a Loan Application Form (LAF) in suitable format in consultation with State Level Bankers Committee (SLBC) convener bank. The same LAF may be utilized across the State.

The applications completed in all respect will be sent to the TASK force constituted at ULB level for scrutiny, which will call the prospective beneficiaries for an interview before recommending or rejecting the application or call for additional information from the applicant if required.

The case duly recommended by the task force will be forwarded by the ULB to the concerned banks for further processing. Such cases recommended by task force have to be processed by concerned banks within a time frame of 15 days. As these cases are already recommended by the task force, such cases should be rejected by banks only in exceptional circumstances.

The banks will send a periodic report to the ULB on the status of the applications received. In case of MIS being used, the banks may be allowed to update the status of application online in addition to manual report.

Task Force at ULB Level

A Task Force may be constituted at ULB level for recommending cases for individual and group enterprises for onward transmission to the banks by the ULB. The Chief Executive Officer (CEO)/ Municipal Commissioner of ULB will be responsible to constitute the Task Force and will be the Chairman of the Task force. There could be more than 1 task force at ULB level depending upon the size/population of the ULB. The indicative composition of the Task Force is as follows :

Sr. No	TASK Force at ULB level	Role
1.	Chief Executive Officer (CEO) ULB/ Municipal Commissioner of ULB/ or any representative authorized by CEO ULB	Chairman
2.	Lead District Manager (LDM)	Member
3.	City Project Officer (CPO), ULB/ or any authorized representative of ULB	Member Convener
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	Member

The ULB will forward the applications to the task force, which will be scrutinized based on experience, skills, viability of activity, scope of the activity etc. Thereafter the Task Force will shortlist the applications and call for interview of the applicants.

The task force will then recommend the applications if found suitable, reject if found unsuitable or ask the beneficiary to submit further requisite information for re-examination on case to case basis.

Linkage with Credit Guarantee Scheme(CGS) of Ministry of Micro Small & Medium Enterprises (MSME)

The banks may approach Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) setup by Small Industries Development Bank (SIDBI) and Government of India for the purpose of availing guarantee cover for SEP loans as per the eligibility of the activity for guarantee cover.

Sub-Component - Interest Subsidy on SHG Loans (SHG-Bank Linkage)

Linking of SHGs with banks have been emphasized in the Monetary policy of Reserve Bank of India and Union Budget announcements from time to time and various guidelines in this regard have been issued by the Reserve Bank of India(RBI) to banks. To scale up the SHGs linkage program and make it sustainable, banks have been advised to consider lending to SHGs as part of their mainstream credit operations both at policy and implementation level.

Master Circular on SHG-Bank Linkage Program issued by Reserve Bank of India consists of the instructions to the banks for SHG bank Linkage. It includes Opening of Savings Bank Account of Self Help Groups (whether registered or unregistered), which are engaged in promoting habit of savings among their members as a starting point. Thereafter, the SHGs may be sanctioned Savings Linked Loans (varying from a saving to loan ratio of 1:1 to 1:4) after due assessment or grading by banks. However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank. The Banks have also been instructed that the advances to SHGs irrespective of the purposes for which the members of SHGs should be included by the banks as part of their lending to the weaker sections.

Under Social Mobilization & Institution Development (SM&ID) component of NULM, the ULB will do necessary groundwork to open bank accounts for SHGs and facilitating access to Revolving Fund (RF). The ULB may also engage Resource Organization (RO) for the purpose or may directly facilitate SHGs through its staff.(Concept & Formation of SHGs, ROs and Revolving Fund has been detailed out in Social Mobilization & Institutional Development (SM&ID) component of NULM).

With a view to provide access to credit at affordable rate of interest to the urban poor, NULM will provide interest subsidy for SHGs accessing bank loan. The interest subsidy will be the difference between the prevailing rate of interest charged by the bank and 7% per annum, on all loans to SHGs of urban poor. This difference in interest amount on SHG loan (between the prevailing rate of interest and 7% per annum) will be reimbursed to banks.

An additional 3 percent interest subvention will be provided to all Women SHGs (WSHGs), who repay their loan in time. The Interest subsidy will be subject to timely repayment of the loan (as per the loan repayment schedule) and suitable certification obtained from banks by the ULB. The additional 3% interest subvention amount will be reimbursed to the eligible WSHGs. The banks should credit the amount of 3% interest subvention to the eligible WSHGs accounts and thereafter seek the reimbursement.

The ULB through its field staff or Resource Organization (ROs) will facilitate filling of loan applications for eligible SHGs to access credit from the banks. The ULB will be responsible to forward the Loan application of the SHGs to the concerned banks with requisite documentation. The ULB will maintain area wise, bank-wise, ROs/ Staff wise data of SHGs loan applications forwarded to the banks. The same will be sent to SULM on a monthly basis.

The banks will send the details of disbursed loan cases to the ULB along with the calculation details of the interest subsidy amount. The ULB will check the data at their end and will release the interest subsidy amount on quarterly basis to the banks following a similar procedure as mentioned in SEP – Individual and Group. The prescribed format for claiming the additional interest subvention is enclosed at ([Annex II](#)).

In order to ensure effective SHG-Bank Linkage under NULM, the SULM will monitor and review the progress with banks on regular basis and co-ordinate with SLBC for interest subsidy/ subvention on SHG Loans in the state. Active involvement of State level Bankers Committee (SLBC) and lead banks may be ensured for sensitization of bank and branch staff for financial inclusion of urban poor.

It may be noted that the identification, selection, formation and monitoring of SHGs who are to get interest subvention would be the responsibility of State/ ULBs and banks would not be liable for wrong identification of SHGs who get interest subvention.

The criteria for prompt repayment is as follows:

For Cash Credit Limit to SHGs:

- i. Outstanding balance shall not have remained in excess of the sanctioned limit/ drawing power continuously for more than 30 days.
- ii. There should be regular credits and debits in the account. In any case there shall be at least one customer induced credit during the month.
- iii. Customer induced Credits during a month shall be sufficient to cover the interest debited during the month.

For Term Loan to SHGs:

A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the entire tenure of the loans would be considered as an account having prompt payment.

Credit Card for Enterprise Development

The financial assistance to the individual entrepreneurs through subsidized loan for setting up of enterprises under NULM could be viewed as initial impetus to facilitate livelihood support to the urban poor. However the individual entrepreneurs require further financial support in terms of working capital to make the enterprise economically sustainable. This may include immediate and short term monthly requirement of cash for meeting expenses for purchase of goods, raw materials and other miscellaneous expenditures etc. The micro-entrepreneur does not have a regular fixed monthly cash inflow/income to meet expenses arising out of entrepreneurial activities. To approach a financial institution for such immediate credit requirement, it requires procedural documentation and consumes a lot of time. This need for working capital credit is generally met from informal sources of credit (including money lenders) which is typically available at high rate of interest. In order to support the micro-entrepreneurs to meet their working capital and miscellaneous credit needs, NULM will facilitate access to Credit Cards through banks.

The SULM in consultation with the State Level Bankers Committee (SLBC) will finalize the norms, limits and specifications for issuance of credit card to the individual entrepreneurs. The General Credit Card Scheme (GCC), which is being implemented by all scheduled commercial banks or any other variant of credit cards for enterprise development of banks in urban areas, may be explored by SULM and SLBC. The Circular on revised GCC scheme has been issued by [RBI notification vide RPCD.MSME & NFS.BC.No.61/06.02.31/2013-14 dated December 02, 2013](#) available on RBI web-site 'www.rbi.org.in'.

The ULB will identify the prospective beneficiaries and will facilitate linkages with banks for issuance of credit cards. The focus is to initially facilitate issuance of credit card to cover all the beneficiaries who have availed financial assistance under SEP. Additionally, other beneficiaries who are running their own business but have not availed assistance under SEP may also be covered if they satisfy the norms of issuance of credit cards.

The targets for the same may be decided at ULB level and the progress under this component is aggregated at SULM level and communicated to M/o HUPA periodically.

Redressal System of Complaints of a Bank Branch under SEP Component:

Levels	Escalation	Particulars
Level - 1	Branch Level	In case of any complaint, the matter may be first brought to the notice of concerned Branch Manager for immediate Redressal by NULM Beneficiary with the support from key official from respective ULB.
Level - 2	Regional Level	If the complaint is not redressed to the satisfaction of the NULM Beneficiary then the matter may be taken up with the Regional Manager concerned whose name, address and other details may be obtained from the concerned Bank with the support from key official from respective ULB. The key ULB official will also raise the consolidated issues related from Banks in District Level Bankers Committee (DLBC) forum.
Level - 3	Zonal Level	If still any complaint is not redressed, the matter may be taken up with the next level i.e Zonal Manager concerned whose name, address and other details may be obtained from the concerned Bank. The key State Urban Development Agency (SUDA) official will also raise the consolidated issues related from Banks in State Level Bankers Committee (SLBC) forum.
Level - 4	Nodal Office Level	If the complainant still feels unsatisfied with the responses received, s/he can address the complaint to the Bank's Nodal Officer at Head Office designated to deal with customers' complaints / grievance giving full details of the case on the Banks nodal officer which is displayed in the Bank Branch.

Note: Even after this, if NULM Beneficiary is not satisfied, then the key SUDA official will facilitate to raise the consolidated or specific issues related from Banks with the concerned Banking Ombudsman located in State Capitals under RBI Ombudsman Scheme 2006.

CHAPTER - 8

FACILITATING BUSINESS PLAN FOR SELECTED MICRO ENTERPRISE

CHAPTER - 8

Session: Facilitating Formulation of Business Plan for Selected Micro Enterprise

A business plan is the blueprint of an enterprise. It is prepared before actual launching and after assessing feasibility and market for the selected product or service. It is required to build confidence and to provide capability for running micro enterprise successfully by removing general doubts such as - Can I set up this enterprise successfully? Can I produce due quantity and quality of goods / services on time? Can I sell these on desired price? Can I earn sufficient profit? Can I sustain it for long?

Learning Objective:

At the end of the session participants will be able:

1. **To understand the use and the process of Preparing a Business Plan prior to launching an enterprise**
2. **To appreciate all aspects of proposed enterprise and also be able to assess resources – man, money, machinery, and materials.**
3. **To estimate profitability and other gains.**
4. **To assist and guide prospective micro entrepreneurs to prepare business plan for selected enterprise**

Methodology: Discussion, case & exercise

Materials: Flip Charts and markers, copies of Business Plan Proforma and model Project plan on 'Silky Wrappers'.

Setting & Procedure :

Step I :

Explain the purpose of the session and importance of 'Business Plan' as

- to build confidence and to provide capability of running micro enterprise successfully.
- To appreciate the processes involved in all aspects of Business- production, marketing, financing and personnel.
- To anticipate and assess all types of resources-their availability and accessibility and,
- To estimate profitability and gains from the proposed Micro – enterprise

Describe the body of a Business Plan consisting of the followings:

1. **General information** about the proposed enterprise that includes Information related to individuals and or group owning the enterprise, location & type of enterprise, special feature if any and brief description of enterprise.

2. **Production Details** that describe the production process, list the activities to be performed, mention the quantity or volume of products / services proposed to be produced or offered for sale.
3. **Required Resources** - assessment of quantity / volume, cost, availability & accessibility of various resources such as Machinery & equipment; Raw materials; Utilities like power, water, fuel etc; finance; skills & technology.
4. **Market & marketing** of products / services refers to information related to demand & supply, consumers / customers; competitors; prices, packaging, distribution and location of market.
5. **Capital For Enterprise & Cost of Products / Service** covers the Capital Cost; working Capital ; project Cost: production Cost and proposed sources of fund.
6. **Estimates of Profit** involves recording all expenses pertaining to production, processing, marketing as well as the total sale. This facilitates estimating *Profit, Rate of Return* and *Break – Even-Point*.

Step II :

Distribute the copies of Business Plan Performa to each participant. Participants form small groups of 3 to 4 members. Discuss the Performa in the group and list down the information that are required to fill it up. They also discuss from where these information can be obtained. Also discuss the method of calculation if any and their relevance to the success of the enterprise.

After discussion distribute one copy of Project on 'Silky Wrappers' to each group. Members are suggested to practice filling up the Performa using the data from the project.

TRAINER'S NOTE

The exercise is used to understand all the six aspects of the Business Plan - including 'How' & 'Why'.

PROFORMA OF BUSINESS PLAN

GENERAL INFORMATION

1. **INTRODUCTION** of the proposed micro – enterprise giving: business

- a) Name & type of product or services.
- b) Reason for selection, its use and importance.
- c) Type of enterprise – individual, joint, family, or group.

- d) Owner's description – name, age, sex, education, previous experience, skills, special category or condition/s if any
- e) Estimated demand of products/ services.
- f) Availability and accessibility of Raw materials & other inputs.
- g) Location & Size of the Micro – Enterprise Unit

PROJECT INFORMATION

2. **Products / service details.**

No.	ITEMS to be produced /served/ sold	Quantity / month	Sales / month

3. **Production process** - brief description.

Products / Service / Items	Activities / Steps Involved

REQUIRED RESOURCES

4. **Infrastructure Facilities - work place**

No	Infrastructure facilities	Quantity/ no.	Value
	Land /Shed , or Rent of premise Office furniture etc Total		

5. Machinery & Equipment

No	Machinery / equipment Name / type/ capacity	Price + Tax + Freight	Nos.Required	Total value*

- Also enlist the sources from where these can be procured.

6. Raw Materials (for production, packaging or testing, if any)

No	Name of materials	Quantity Monthly / Annually	Total Value Monthly/Annually

- Also enlist the sources from where these can be procured.

7. Utility Materials (Fuel, water, power etc)

No	Name of materials	Quantity required Monthly / Annually	Total Value Monthly/Annually

- Also enlist the sources from where these can be procured.

8. Labour / Man Hours

No	Project Activities	Required Man-hours	Rate	Total Value

MARKET & MARKETING

9. Proposed SALE PRICE of the products / services

No	Products/Services	Unit price	Quantity to be sold Monthly/Annually	Sales Amount Monthly/annually
	Total			

10. Brief description of customers / Consumers.

11. Reasons for which customers will buy the products / services

12. Brief Description of Competitors

13. Methods & strategy for Selling, Distributing & promoting the products & services

No	Selling & Marketing Activities	Frequency	Value/Cost

CAPITAL & COST CONSIDERATIONS

Capital

14. Fixed Capital

No	Permanent Infrastructure Items	Value / Cost
1	Land or building or shed / work place (cost or Rent)- Sl. 4	
2	Machinery & Equipments – Sl. 5	
3	Furniture etc	
	Total	

15. Working Capital.

No	Items	Total Value per month
I	Raw Materials – Sl. 6	
II	Production / Manufacturing cost a) Utility Cost – sl. 7 b) Labour Cost –sl. 8 Administrative cost Miscellaneous cost	
III	a) Selling cost	
IV	b) Transport etc	
	Total	

16. Capital Investments for the Project.

No	Items	Total Value
I	Fixed Capital – sl. 14	
II	Working Capital – sl 15	
III	Preoperative Expenses	
	Total	

17. Sources Of Fund

No	Sources of fund	Amount	Rate of interest	Total Interest
I	Own capital			
II	Loan			
III	Group's saving			
IV	Grants			
	Any other			
	TOTAL			

Cost Calculation

18. Fixed Cost

No	Items	Total cost
I	Interest on total capital	
II	Rent of space	
III	Depreciation- building, machinery & furniture	
	Salary of permanent staff, if any	
IV	Insurance	
V	Repair & Renewals	
	Total	

19. Variable Cost

No	Items	Cost
I	Raw Materials	
II	Utility	
III	Wages of labour	
	TOTAL	

Unit Variable Cost is obtained by dividing the total Variable cost with the total number of products/ or units of services.

$$20. \text{Total Cost (Production Cost)} = \text{Fixed Cost} + \text{Variable Cost}$$

PROFITABILITY

21. Gross Profit = (Annual Sales Revenue minus Total Production Cost)

In case of joint enterprise the profit per person is calculated by dividing Gross profit with number of partners

22. Rate of Return

a) On Sales is obtained by dividing Net Profit with Annual sales revenue X 100

b) On investment is calculated by dividing Net profit by total investment X 100

23. Break – Even Point (BEP) i.e. point of no profit no loss is calculated as

Fixed Cost

BEP = ----- X 100

Contribution

Where 'Contribution' = Total Sales Revenue (minus) Total Variable Cost

BEP in terms of minimum volume or no of unites that should be produced & sold to ensured no profit no loss can be directly calculated by the formula

Fixed Cost

BEP (Volume or Number) = -----

Unit Sale Price – Unit Variable Cost

CHAPTER - 9

FACILITATING BUSINESS PLAN FOR SELECTED MICRO ENTERPRISE

CHAPTER - 9

Session: Understanding Process & Procedure of Establishing / Starting an Enterprise.

Following proper planning, one needs to establish a micro enterprise at right location, with right kind of machinery & equipment, involving modern technology / processes, either individually or jointly with family members or collaborating with right type of individuals or group, with adequate fund for right size of enterprise under right market prospect.

Learning Objective

At the end of the session the participants may be able to :

- **Take decision regarding forms of organization/ ownership of the micro enterprise.**
- **Decide location, size and layout of the premises of the selected enterprise.**
- **Meet Legal requirements for both setting and running self – employment units-micro or small.**

Methodology: Discussion & group exercise

Materials: White boards, Markers and Chart paper.

Setting & Procedure

Discussion and presentation as per the trainer's note.

TRAINER'S NOTE

In previous sessions participants learnt how to assess, locate and mobilize resources for setting up and managing an enterprise. These have been included in the Business Plan prepared for the selected enterprise. With these resources they need to establish their micro – enterprises. For starting an enterprise they need to take decisions regarding: i) Forms of organisation/ownership, ii) Location, Size, and Layout of the premises of the selected enterprise, and iii) Meeting Legal requirements, Insurance & Registration.

i) Forms of organization/ ownership – there are more than one forms of organization. Ownership of a micro enterprise may be 'Individual or 'Collective. Each form of organisation has its own advantages and limitation. Considering one's own skills, ability, financial and technical resources and infrastructural requirement and the viability of the selected enterprise , prospective entrepreneur has to decide about the ownership of the enterprise.

Types of Ownership	Advantage	Limitations
<u>Individual</u> Sole Proprietor-Ship	<ol style="list-style-type: none"> 1. Easiest to form since non else is required to be consulted. 2. No legal formalities 3. Quick decision 4. All benefits belong to one 5. Can maintain trade secrecy 	<ol style="list-style-type: none"> 1. Limited Finance 2. Limited Managerial skills 3. Greater Inability – if anything (ill health) happens to self, no body to take care of business
Collective 1. Jointly owned by family ----- 2. Partnership with group members / associates	<ol style="list-style-type: none"> 1. Equally easy to form 2. No legal formalities 3. Additional resource- In terms of labour, managerial skills and finance 4. In case of inability (due to accident or ill health) of one, other member available to take care of business ----- <ol style="list-style-type: none"> 1. Easy to form compared to a limited company 2. Larger resources and less risk as compared to individual, as risk is shared. 3. Balanced judgment since more than one person's resources. 4. more effective & direct supervision 	<ol style="list-style-type: none"> 1. Common source of earning may increase risk- if for any reason business suffer , nothing to fall back ----- <ol style="list-style-type: none"> 1. Possibility of misunderstanding (Generally after Sometime) among partners. 2. Risk of implied authority- Principal- agent relationship 3. In case of dispute business may come to close.

Note: Types of Partnership- In **General partnership** all partners are co-owners of assets, and each acts on behalf of the firm. Each has unlimited liability and maintains operational control. In case of **Limited Partnership** one or more general partners, and one or more limited partners with limited liability, not involved in the day to day management but health with the finances.

Considering own situation, women will be assisted to take decision about the ownership of the selected micro – enterprise.

ii). Decision regarding Location, size and Layout. While establishing an enterprise an entrepreneur is required to pay attention to various aspects like location, size, layout and sanitation etc. Such factors should preferably be considered at the project planning stage and need to be taken care of at the project implementation stage.

a) Locations /Site Selection:

Proper location of an enterprise is crucial for its success and the decision has to be made by the Entrepreneur early on in the production and operations planning stage. Site selection affects operating cost, the price of the product or service; and the enterprise's ability to compete. For example, the cost of transporting raw materials and finished goods can be as much as 25 percent of manufacturer's total cost. Locating an enterprise where these and other costs are as low as

possible can make a major contribution to a firm's success. A mistake made at this stage may prove fatal because it is excessively costly to move factory or service facility once production begins. While selecting a site for an enterprise, the following factors need consideration:-

- a) Availability of production inputs or accessibility to clients (in case of service units)
 - b) Marketing factors
 - c) Local Incentives (very significant in developing countries)
 - d) Manufacturing environment (Cluster in case of SSI units)
 - e) International location Consideration (export promotion zone for export items)
 - f) Raw materials, skilled labour, and market are the other factors that should be available near the location of the proposed unit.
- Location is also dependent on the type of enterprise, which may be-
- **Resource based:** For resource based units like agro – industry proximity to raw materials is a definite advantage. A sugar factory is located in the vicinity of sugarcane growing area. Otherwise the transport cost of raw material reduces the competitive edge of the enterprise.
 - **Demand based:** Similarly for demand based industries, location near the market is advisable
 - **Skill based:** For skill-based enterprise like gold embroidery, location is preferred where such skilled workers are readily available
 - **Foot loose:** A unit located in residential or commercial areas has to take note of local bye –laws and should not create any nuisance to the neighbourhood in terms of any kind of pollution, including noise pollution.

b) Size:

At the time of planning and setting up an enterprise, the size of the land, building and premises requires due consideration, particularly for taking care of the following:

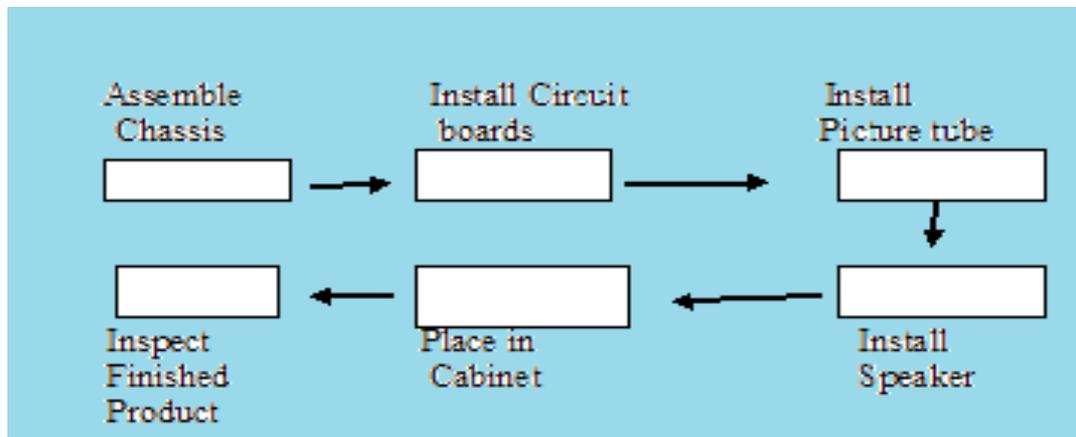
- Space for storage of raw materials and finished goods,
- Accommodating work stations for core groups,
- Number of processes involved in production / service,
- Reception & customers contact;
- Scope for expansion and future growth

These points should be considered even if the premise is to be constructed afresh or taken on rent.

c) Layout:

After the site location decision has been made, the next focus is on the facility layout. The objective is to determine the most efficient and effective design for the required production process. A manufacturing unit may decide for a U-shaped production line, for example, rather than a long one, to allow products and workers to move more quickly from one area to another.

Product (assembly-line) Layout – Assembly of Television set



Facility layout has three main types-

- Process layout* - arranges work flow around the production process. All workers performing the similar tasks are grouped together. Products pass from one workstation to another. .
- Product layout*- also called *assembly –line layout* is used for continuous or repetitive production process. When a large quantity of products must be processed on an ongoing basis, the workstations or departments are arranged in line with products moving along the line.
- Fixed position Layout*- some products can't be put on assembly line or moved around in a plant. A fixed – position layout allows the product to stay in one place and workers and machinery move to it as necessary.

III. Meeting Legal requirements - Industrial & Commercial Laws, Insurance & Registration

Formalities, legal or otherwise, are to be met as *preventive measure* and may be related to:

- Nature of products (food items must be covered),
- Processing, level & type of pollution,
- Location(pavement vender),
- License or permits (trading in the colony).
- In different countries, there are certain banned items for trading or production and may invite litigation.
- Labour laws related to employees
- Taxes local or national
- Standards prescribed for specific product or services.

A good entrepreneur should seek reliable advice from legal experts on nearly every aspect concerning **legality**, **liability** and **insurance cover**. It is important to be familiar with the following legal aspects, which have country specific requirements:

Table: Legal Aspects:

Legal aspects	Checks / Requirements (country specific)
Tax Related	<ul style="list-style-type: none"> ✓ Corporate tax ✓ Value added tax / sales tax ✓ Customs ✓ Excise ✓ Income tax ✓ Service tax
Laws related to ownership	<ul style="list-style-type: none"> ✓ Laws governing sole proprietorship ✓ Laws governing Partnership, Right and obligation of partners, Termination and dissolution of partnership. ✓ Laws governing corporation / limited company ✓ Laws regulating Cooperatives.
Labour Related Laws	<ul style="list-style-type: none"> ✓ Contract labour, child labour ✓ Payment of wages, compensation ✓ Employees benefits- minimum wages ✓ Industrial & occupational Hazards ✓ Health & Safety of employees ✓ Trade unions - Industrial disputes ✓ Women employees related acts and laws.
Product related Laws & Acts	<ul style="list-style-type: none"> ✓ Patents - Trademarks ✓ Specified Standards - Copyrights ✓ Sale of goods Act - pollution of all kind
Enterprise/premises related	<ul style="list-style-type: none"> ✓ Registration of unit – Licenses ✓ Renting , Hiring and leasing ✓ Fire safety installation
Environmental related laws	<ul style="list-style-type: none"> ✓ Clean air and water ✓ Toxic substance release ✓ Energy to be used ✓ Food quality ✓ Noise and pollution control

Insurance Related

- ✓ Various aspects of an enterprise like building, machinery and equipments, furniture, raw materials, finished products etc. need to be adequately insured. A small premium can save the enterprise from severe blows arising out of accident and vagaries of nature. Coverage under insurance may be related to: Theft, Pilferage, Fire, Flood, Earthquake, Riots, Civil commotions, Accidents etc.

Health Care & Working Conditions

- ✓ Most countries, through laws, have laid down the minimum requirements with regards to industrial safety, health and welfare of employees, with a view to reduce the chances of accidents, and occurrence of occupational diseases. Adherence to these norms is good for the enterprise. A good working environment attracts better employees, leads to improvement in productivity, and promotes credibility with customers.

Formalities legal or otherwise are to be met as a preventive measure rather than committing omission and facing loss and some time closure of the micro enterprise. Such formalities may be

related to nature of products (food items must be covered), processing, level & type of pollution, location (pavement vender), license or pass (trading in the colony). There are certain banned items the trading or production may invite litigation. Before starting an enterprise, participants gather such information and take preventive measure well in advance.

Participants are encouraged to discuss all the pro and cons of the enterprise. All doubts are clarified before launching the enterprise. Through planning, it becomes clear as to what is going to make enterprise successful and the omission of what is going to cause failure. Participants experience confidence to put the plan into action.

CHAPTER - 10

**UNDERSTANDING ENTERPRISE MANAGEMENT – COSTING & PRICING
OF PRODUCTS AND SERVICES**

CHAPTER – 10

Session : Understanding Enterprise Management – Costing & Pricing of Products and Services

The *price* of a product is the amount of money that a consumer must pay to have it. *Pricing decisions* are extremely important as they greatly influence the profitability of an enterprise. Moreover, price is perhaps the handiest tool available to a firm to adopt its marketing strategy to changes in demand, cost, and competitive situation. Methods of pricing are many and owner of a micro –enterprise must be able to use different methods of pricing to suit the changing situations

Learning Objective:

At the end of session participants will be able to

- **Understand the relationship of PRICE with COST and PROFIT**
- **Determine price as per the need for Break Even Point**
- **Formulate marketing strategy to sell products/ service on set price**

Methodology: Case discussion, group exercise

Materials: White board, Flip Charts Markers, Get ready with the Calculation of cost, price and

Setting & Procedure:

Step 1 :

Explain to the participants – Price is what consumers have to pay to acquire products or avail services.

The basis for calculating price particularly the minimum price, is the cost of the product / services

Similarly price determines the profit since, often $\text{Price} = \text{Cost} + \text{Profit}$

Accordingly COST, PRICE ,and PROFIT have very close relationship and all the three influence each other.

Having establishing the relationship, invite participants to experience:

- 1) Calculating cost or costing of product
- 2) Methods of determining Price or Pricing, and
- 3) Impact of Price on Profit or Profitability.

Fixed Costs are overhead costs that are incurred one time. They do not vary with the scale of production; this may include the cost on machinery, rent, interest on capital, depreciation and one-time pre operative expenses. (Refer 1 item in the table on Costing)

Variable costs are those, which are incurred on production & vary directly with the scale of production. These include cost on raw materials, cost on power, fuel, wages, transports and communications if any (refer item 2 in the Table on costing)

Unit Variable Cost is estimated by dividing Total Variable Cost with Total number of units or products

Total Cost is arrived at by adding the Fixed and Variable Costs.(Refer Item 3 in the Table on Costing)

Unit Cost is calculated by dividing total cost with total number of units produced (Refer item 4 in the table on Costing)

Illustrations -I – COSTING

Costs	Cost at production Level XX	Cost at production level of XXX
1. Fixed Cost Hired purchased trolley Depreciation 10 % of Rs.X (price of tools) Total Fixed Cost		
2. Variable Cost- eg. a) Raw materials i) Leather ii) Fancy Threads iii) Oil b) Wage –1 week c) Selling Expenses Total Variable Cost Unit Variable Cost		
3. TOTAL COST		
4. Unit Cost (per pair of X)		
5. Total Revenue		
6. Profit or Loss		

Participants get a practice of calculating cost.

They will further learn about the factors that should be considered for calculating cost.

Accordingly, participants realize the importance of costing

Step 2:

Another important use of Costing is in estimating the required level of *PRODUCTION* and *PRICE* to earn desired level of *PROFIT*.

This is done by finding out a point of no profit no loss commonly called Break Even Point (BEP)

When the 'total income' is greater than the 'total cost' the Enterprise makes profit.

Contrary to it, if the "total Income' is less than 'Total Cost' the enterprise incurs loss.

When the 'Total Income' is equal to the 'Total Cost', that point is the **point of no profits no loss'** or

Break Even Point:.

For this participants need to calculate

1. Fixed cost,
2. Variable cost,
3. Unit variable cost, and
4. Total sales Revenue

In the previous exercise they have learnt to estimate the first three.

The total Sales Revenue or the total income is estimated by multiplying the total number (or volume) of products with the price.

Let participants appreciate the importance of costing, pricing and level of production in predicting the profit and loss of the unit.

$$\text{Break Even Point} = \frac{\text{Fixed Cost}}{\text{Selling Price} - \text{Unit Variable Cost}}$$

Step3:

For any Micro –Enterprise it is not enough to break –even or make no losses

To be successful the small enterprise must ensure substantial earning generating reasonable surplus.

Besides adjusting turnover and reducing cost the desired level of profit can be achieved by applying appropriate pricing methods.

II. Market Rate Method:

If the nature of the product is such it is almost similar from all competitors , or its price is guided by the prevailing market rate, the market rate method of pricing is usually adopted.

The method is quite common in case of goods of common use and also in case of services like courier, servicing of scooter, and hair cutting saloon etc.

Under such pricing methods, the desired level of profitability is achieved by adjusting the size of operation or reducing cost.

III. Two Price Strategies:

- a) Skimming Price strategy includes setting of an extremely high price the skims the cream of demand so that investment is recovered much earlier than the entry of many other competitors in the market. Not very commonly practiced in micro – enterprise. But many micro enterprises offer opportunity to adopt this pricing policy particularly for the product or service which is quite innovative and initial expenses for setting new venture is high and also there is apprehension that soon many competitors will surface to scene very soon.
- b) Penetrating price strategy is just opposite of skimming strategy. Very low prices charged initially. It is also for the purpose of introduction of good and services. This strategy succeeds when the customers are very price sensitive. Very often micro enterprise faces the situation to adopt such strategy. It is done with lot of caution and only for short duration.

Step 4:

PROCESSING:

Every step under this session describes an independent area. Accordingly the processing is done at the end of each step. While concluding, the relationship between Price, Cost and Profitability need to be emphasized.

Case I:

'RAJASTHANI JUTTI'

Sandhya and Sudhir live as husband and wife at Dudu, a small town in Rajasthan located on Bombay Highway. Their economic condition deteriorated fast. A NGO operating in the area, encouraged them to start some micro –enterprise to earn their livelihood. It also assured financial support, if need be.

Sandhya, originally came from a family making fancy Jaipuri Jutti, She had the skill and was very good in designing and doing colourful embroidery on shoe upper. Sudhir was quite capable of assembling the total jutti. Both of them decided to produce and sell Rajasthani Jutti.

With the financial support of Rs 200 from NGO, Sandhya bought tools worth Rs 500. She thought to produce and sell 10 pairs of Jutti per week although the demand is much higher. Accordingly she kept Rs 650 to purchase raw materials consisting of leather for Rs. 500, fancy treads for Rs. 100 and another Rs 50 for oil to be applied on leather. She kept Rs. 250 as their wage for meeting her household expenses during the week. To sell the jutti to high way truck drivers and other travellers, she hired a moving trolley with shed by investing Rs 600.

The Jutti produced by them were quite attractive and quite comparable with those available in Jaipur on a market price of Rs. 125 per pair. She decided to sell on fixed price of Rs. 125. She thought she would be able to save from the profit and return NGO's money along with interest in 12 monthly instalment of Rs. 200.

After working for 1 month, she as surprised to find that there was no shaving to buy even the raw materials for the next week. She failed to understand the reasons for not having saving although she was in a position to produce and sell 10 pairs of Jutti in a week on a price of Rs 120 per pair which was much more than Rs.65 which according to her was the total cost (Leather Rs. 50 +thread Rs.10 + Oil Rs. 5).

At this stage the Micro Enterprise Support Person from the NGO suggested her to do the proper costing and work out BEP to find out the minimum number of Jutti required to be produced and sold to ensure profit. She learnt and applied the process of costing & pricing. Within another six months she earned enough profit to pay back the loan. and also improve her economic condition significantly.

CHAPTER - 11

**UNDERSTANDING ENTERPRISE MANAGEMENT – MANAGING
FINANCE FOR MICRO-ENTERPRISES**

CHAPTER - 11

Session: Understanding Enterprise Management– Managing Finance / Money for Micro- Enterprise

Every micro - enterprise requires money both for establishing as well as for operating its day – to- day functions. The proper usage of money and sound financial decisions involves projecting revenues, expenditures, and financial needs over a given period; raising such funds; and finally investing money in projects that provide high return to the risks. The success of any enterprise depends on how efficiently they manage money.

Learning Objective:

At the end of the session participants will be able to:

- **Manage finances including both long and short term**
- **Manage working capital, and**
- **Manage Cash Flow in an enterprise**

Methodology: Discussion and exercises

Material: White board, Markers,

Setting & Procedure:

The session will be conducted by combining three steps covering both procedures and processing related to 1. Finances, 2.Working capital and 3.Cash Flow.

TRAINER'S NOTE

Step 1 : Finances:

Explain to the participants the need and importance of finance in managing an enterprise.

Suggest them to list down the purposes for which they need money for their Micro – enterprises and write these on flip chart / white board.

Classify the listed responses into two financial categories –

1. One, which is required for establishing the enterprise- Long - term finance,
2. Second, which is used for running day -to –day Operations- short-term finance

Explain that both Long & Short term finances are inter- related. These are also used as Fixed Capital and Working Capital.

LONG - TERM FINANCE is required for fixed assets. It includes investment on items like premises, shed, furniture, tools, machines & equipments etc. These are onetime expense, usually incurred while establishing an enterprise. Accordingly the capital invested are called as **FIXED CAPITAL**

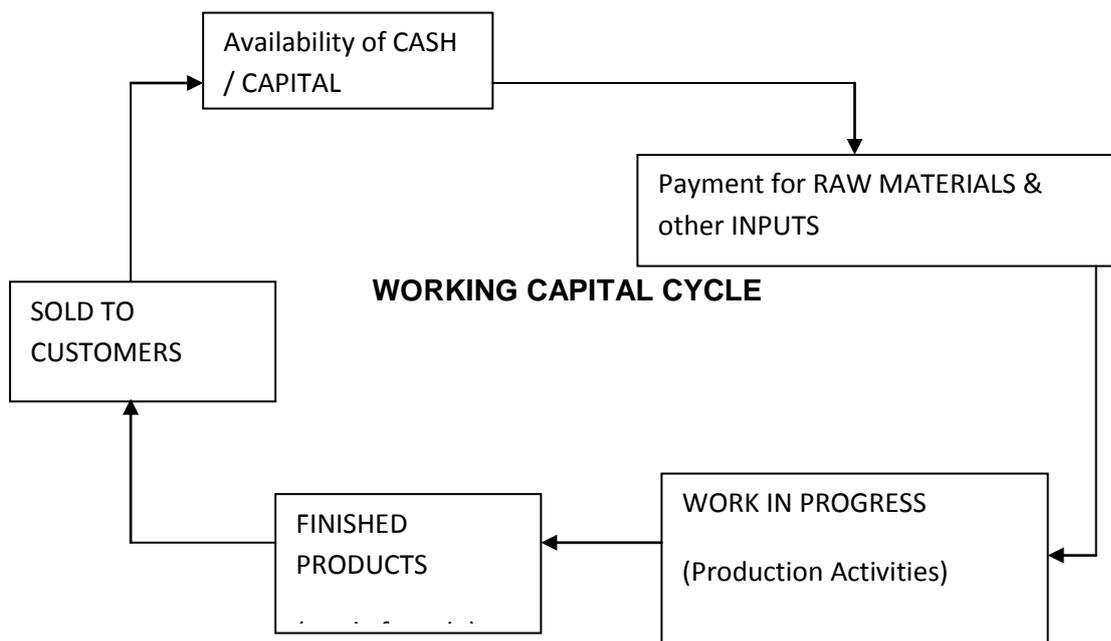
Share with participants that the total long-term finance requirements significantly affect the profitability by increasing the overheads.

Always efforts should be made to restrict the long - term finance to the functional limit by attempting measures such as:

- Look for rented premises instead of purchasing land / building in the beginning.
- Buying machinery & equipments which are basic minimum and of suitable capacity.
- Wherever possible avail long -term credit with lower interest rate (through Institutional financing).

Another caution needed at the time of planning for long-term finance is to take care of likely increase in price due to inflation at the time of actual expense. Usually, a 10 percent hike is provided to take care of inflation.

Chart II: OPERATING CYCLE



Realistic assessment and effective management of working capital is crucial to ensure Profit as well as Continuity of work.

Many micro-enterprises fail due to shortage of working capital.

Working Capital is assessed by totalling expenses on all items required for production and sale of finished products during a given period of time (a month or an year). Since the operating cycle for different products are different, the working capital is assessed either by multiplying or dividing the total expense by the number of product cycles get completed during the period (month or year).

For example if the product cycle is comprised of 10 days, the working capital is arrived at by dividing the total expense in a month by 3 (1/3 of the month).

Step 3: CASH FLOW:

While understanding the use of fixed & working capital in managing the micro – enterprise, participants must have realized the importance of **CASH FLOW** for uninterrupted functioning of the enterprise.

Cash keeps **coming in** and **going out**.

Every enterprise is involved in the ‘release’ and ‘receipt’ of cash

Release of cash to the suppliers of inputs and Receipt of cash from the customers who purchase the products/ services.

Therefore all **income** to the business represents **CASH INFLOW**, where as all **expenses** stand for **CASH OUTFLOW**

The total Cash Outflow represent the total *cash amount needed* to run the enterprise, where as the total Cash Inflow shows the total *cash amount available* for running the business

When the total CASH OUTFLOW is subtracted from total CASH INFLOW, it gives the Net Cash Flow, which shows **Cash -in –Hand**.

When the ‘Cash in’ is faster than the ‘Cash out’, there is no problem.

Often micro – enterprises face problems when ‘Cash out’ exceeds the ‘Cash in’. In that case money is not available in- hand to buy raw materials, to pay labour or to meet other operating expenses. The production functions get interrupted.

This situation may arise even in a profit making enterprise.

Two factors often cause such situation – i) when a major customer fails to pay the amount when due, and ii) when creditors don’t wait or the loan & bank finance is not processed in expected time.

Whatever may be the reason, to manage such situation entrepreneur must learn to draw cash flow statement which helps in taking corrective measures by anticipating and identifying problems in advance.

At this stage participants are given the copy of the CASH FLOW PROFORMA and suggested to practice the preparation of Cash Flow Statement by using the data from the given case:

PERFORMA FOR CASH FLOW STATEMENT

Months	
Opening Balance	
Sources Cash Inflow Income from sale Income from Other Sources.	
Total CASH INFLOW (A) Cash Available	
Total CASH INFLOW (A) Cash Available	
Sources of CASH OUTFLOW	

Salary/ Wages Rent Payment to Suppliers of Inputs Utilities (power) Travel expense Loan instalment Other expenses	
Total CASH OUTFLOW (B) Cash Needed	
NET CASH FLOW (A – B) Closing Balance	

A cash flow statement can also be made at the time of starting an enterprise. In that case sources of cash can be one's own capital or loans taken from any sources. The out flow will be the money spent towards land, building, machinery and preliminary expenses.

In managing a micro enterprise, generally the cash flow is not monitored well. As a result a large number of them face the problems of cash shortage, which not only interrupt the business but also adversely affect the profit in long run.

CHAPTER – 12

***SUPPORTING MICRO ENTREPRENEURS IN ESTABLISHING AND
MANAGING MICRO ENTERPRISES, ITS GROWTH AND
SUSTAINABILITY***

CHAPTER - 12

Session : Supporting Micro Entrepreneur For-Managing Change For Growth and Sustainability

It's a fun to start an enterprise but difficult to continue and sustain profitability for long. Small & micro – enterprises are vulnerable to even mild change in the environment. A profit making, well- managed micro – enterprise, after sometimes, may face closure due to simple variations such as price hike or non availability of raw materials, etc. Further an enterprise may be profitable but not sustainable for various reasons. Change and Growth are necessary for sustainability.

Learning Objective:

At the end o the session participants may be able to:

- **Appreciate the need to change for sustainability & growth,**
- **Understand methods & processes of growth & sustainability**

Methodology: Case, exercise and discussion

Materials: Copy of case on 'Nancy Selling Fish', Table on Causes of Failure Chart on Methods & Process of Growth & Sustenance of an enterprise.

Setting & Procedure:

Step I : Ask the participants to read the case on 'Nancy Selling Fish'. Suggest them to find the answer of the following questions:

1. Do you agree that Nancy was making profit but not able to sustain?
2. How much profit Nancy was making?
3. Was the profit enough to sustain her business?
4. If not, what should be done to increase the profit?
5. Think under what other conditions an enterprise will not be able to sustain.

Help participants analyze the reasons of failure of Nancy to sustain her fish selling business beyond a month. Nancy was actually making profit because

Total Expense (Fish Rs 600+ Transport Rs.30 + Other expense Rs 10) = Rs 640

Total revenue was Rs 700

Gross Profit = 700 – 640 or Rs 60 per day

But the amount of profit was too low. After paying the promised loan installment of Rs 40 per day, she is left with only Rs 20 which is much below than minimum wage. She can't sustain her family with this meager amount and will start eating away the capital and rendering the unit not sustainable. To make this point clear, display the simple cashbook statement as given under

Illustration:

Factors Causing CLOSURE or FAILURE of MSME

- Price hike or non- availability of raw materials
- Emergence of some substitutes in the local market
- Technology becoming obsolete
- Services going out of fashions,
- Mushrooms growth of similar units in the same location,
- Completion of ongoing construction or development projects
- Shifts of sites of some special activities
- Lack of working capital
- Work/ production disruption due to ill health or calamity
- Closure of some big industry
- Change in fashion
- Poor marketing
- Poor quality
- Irrational pricing
- Irregular supply of goods & services
- *Not able to change with time & taste of people*

Besides low profit, there can be many other reasons for discontinuity or failure and closer of a micro enterprise. Pursue participants to discuss and make a list of such factors. Display such list on the white board or on fillip chart which may look as illustrated in the table.

Let the participants understand that to sustain under constantly changing circumstances, they must prepare for change and growth

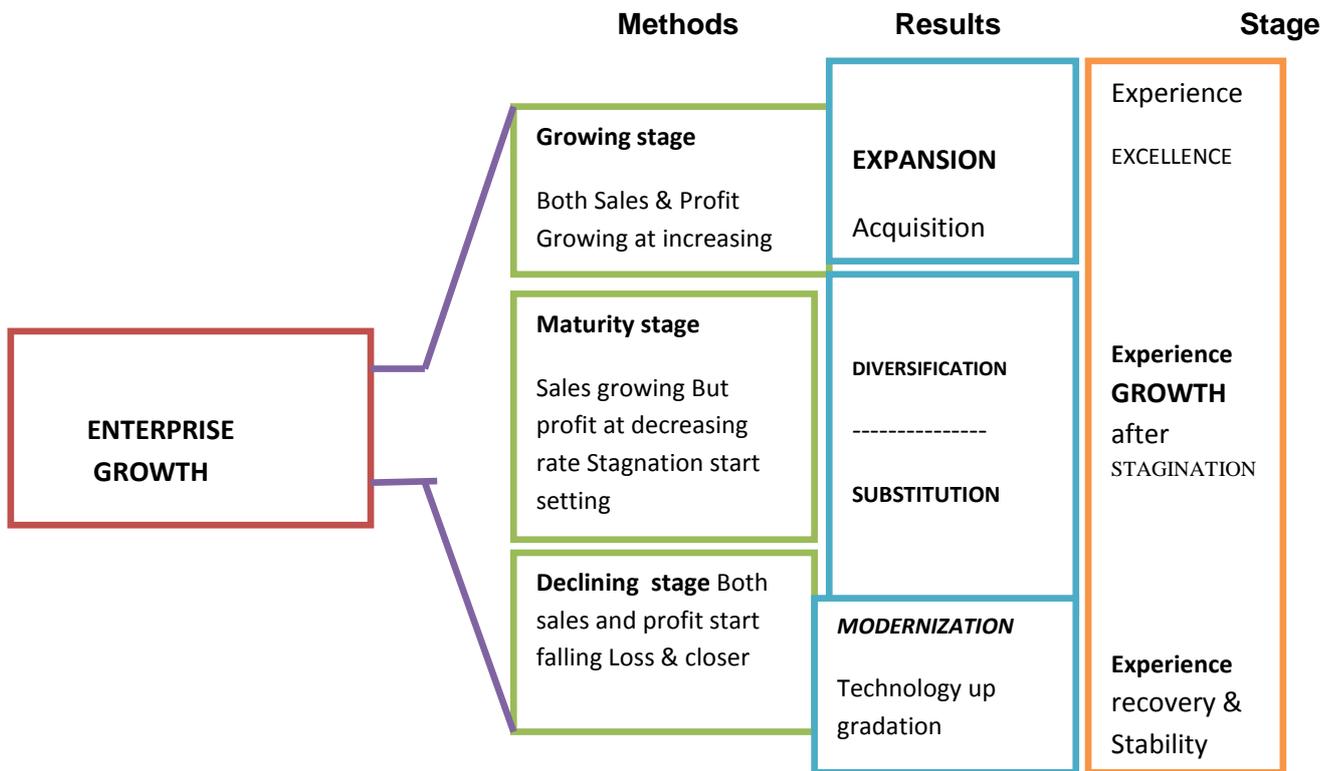
Step 2:

Once the participants start appreciating the need to change, there will be general demand for discussion on methods and process of growth & sustainability.

To illustrate various methods of growth and sustenance discuss Nancy's case

- Total profit being low, Nancy fails to sustain her enterprise. What could have been done to sustain? The obvious answer is the Expansion.

Fig: 4 A: Strategy (Methods) of Growth for Sustainability



I. **Expansion** in terms additional volume of production of goods & services, adding more machines manpower, installation of machines and tools with higher or greater capacity and finally achieving higher turnover, is a commonly practiced method of growth and sustenance.

It influences the health of enterprise in more than one ways. It lowers the unit cost of production, increases efficiency, make enterprise more competitive and finally raises the total income (volume of Profit)

But in case of Nancy this method is not applicable. Nancy can't increase the volume of sale of fresh fish since she has experienced that the maximum quantity of fresh fish that can be sold in that area per day never exceeds 20 kg.

II. **Diversification** - Nancy has in her mind to add some other products for sell along with fresh fish. She thought of adding 'Dry fish' and 'Eggs' for which there is general demand in the locality. She can easily sell another 5 kg of dry fish and about 5-10 dozens of eggs per day. These two products are very similar and have common buyers. She can increase her income by about 25 to 30 per cent, which is quite satisfactory for sustaining her enterprise. Such effort by Nancy is referred to as **Diversification**, another method of growth and sustainability.

The method may include addition of similar products and services or adding such items that goes along with the main products. In case of micro – enterprise examples may be of adding Snack to a Tea stall, Sim cards in a Pan shop, Massage to a barbershop, Magazines in STD booth, Makeup items in Beauty parlours etc.

Diversification is a dominant sign of growth. Many occasions it becomes necessary for survival particularly when the demand & profit margin of main products start falling. At times diversification is also necessary to stand competition and attract customers.

III. **Modernization** is another popular method used for survival. This is done by adopting new processes, technology, standards, designs, devices of labour utilization etc. This not only reduces cost but also provide additional suitability for the products and services to the changing need and fashion. In micro – enterprises example may be use of “glass boxes” for selling eatables on the roadside, use of plastic packaging for spices etc

IV. **Substitution** method of growth and sustenance is usually required to meet the changing demand of products & services. The original products or services when start losing relevance or become obsolete, the enterprise required coming out with substitute for survival. Particularly micro enterprises based on traditional skills, arts & crafts very often need the use of this method for survival and growth. Examples can be the potters producing coloured earthen pots for packaging gifts, Grass mats for window curtain. Elaborate these methods by providing and seeking from participants the local examples. Participants may find these methods useful for solving most of the problems related to growth and survival.

While conducting the session the emphasis should be on developing conviction to succeed and readiness to change. Change is a must for survival. They must appreciate the need for change and keep themselves ready to change. Managing a micro – enterprise successfully is always a tough task.

All problems are solved by bringing about change in the course of action that stops working. For survival as well as for growth the owners must adopt one or all methods of growth and sustenance. Discuss thoroughly all the four methods by eliciting examples. Let them feel confident that they can apply any one or more than one in any enterprise for experiencing growth and attain sustainability.

ANNEXURE SECTION

Important RBI circulars to be referred for NULM

No	Circular No.	Date	Subject
1	RBI/2015-16/141 FIDD.GSSD.CO.BC.No.10/09.16.03/2015-16	30/07/2015	Master Circular - National Urban Livelihoods Mission (NULM)
2	RBI/2015-16/74 FIDD.MSME & NFS.BC.No. 07/06.02.31/2015-16	01/07/2015	Master Circular - Lending to Micro, Small & Medium Enterprises (MSME) Sector
3.	RBI/2015-16/29 FIDD.FID.BC.No.02/12.01.033/ 2015-16	01/07/2015	Master Circular on SHG-Bank Linkage Programme
4.	RBI/2015-16/64 FIDD. GSSD. BC.No.05 /09.10.01/2015	01/07/2015	Master Circular on Credit Facilities to Minority Communities
5.	RBI/2015-16/48 FIDD.CO.LBS.BC.No. 3 /02.01.001/2015-16	01/07/2015	Master Circular on Lead Bank Scheme citing the provision of Dispensing with 'No Due Certificate' for lending by banks and standing instructions to banks for relaxation in Service Area Approach under Government Schemes
6.	<u>FIDD.GSSD.CO.BC.No.57/09.16.003/2014-15</u>	28.05.2015	National Urban Livelihoods Mission (NULM) - Reporting Format
7.	FIDD.CO.Plan.BC.54/04.09.01/2014-15	23/04/2015	Priority Sector Lending - Targets and Classification
8.	RBI/2014-15/177 RPCD.CO.GSSD.BC.No.26 /09.16.03/2014-15	14/08/2014	RBI Circular on Restructuring of Swarna Jayanti Shahari Rozgar Yojana (SJSRY) as National Urban Livelihoods Mission
9.	RBI/2014-15/199 DBOD.No.BP.BC. 35/21.04.048/2014-	01/09/2014	Master Circular – Timelines for Credit Decisions, Banks have been advised by RBI, to clearly delineate the procedure for disposal of loan proposals with appropriate timelines
10.	RPCD.MSME & NFS.BC.No.61/06.02.31/2013-14	02/12/2013	Revised General Credit Card (GCC) Scheme

Note:- Above mentioned RBI Master Circulars are updated as on July, 2015 and every year RBI revised the Circular during the month of July. Please refer the updated Master Circular which is available on their website <http://www.rbi.org.in>.

ANNEXURE-1

INTEREST SUBSIDY CLAIMS UNDER NATIONAL URBAN LIVELIHOODS MISSION (NULM)

1. Name of the Bank:

Submission of Interest subsidy claims to lend @ 7% p.a. to SEP-I, SEP-G and SHGs under NULM for quarter ending (Figs in Rs):

We hereby apply for sanction and release of interest subsidy aggregating to Rs.....
(Rupees.....)
covering Accounts in respect of financial assistance sanctioned to following constituent accounts numbers as per the details given below

A) SEP- I (Individual Enterprise)

No	Branch	Name of the borrower	Loan Account No	Loan Amount		Interest	
				Sanctioned	Disbursed	Charged	Subsidy Claimed
1	2	3	4	5	6	7	8
1							
2							
3							
	Total						

B) SEP- G (Group Enterprise)

No	Branch	Name of the Group	Loan Account No	Loan Amount		Interest	
				Sanctioned	Disbursed	Charged	Subsidy Claimed
1	2	3	4	5	6	7	8
1							
2							
3							
	Total						

C) Self Help Group (SHG Bank Linkage)

No	Branch	Name of the SHG	Loan Account No	Loan Amount		Interest	
				Sanctioned	Disbursed	Charged	Subsidy Claimed
1	2	3	4	5	6	7	8
1							
2							
3							
	Total						

Place:

(Signature of the Authorised Officer of the Bank)

Date and Seal of the Bank

ANNEXURE- II

Submission of claims for additional Interest Subvention to lend Women Self Help Groups (WSHG) at 3% pa under NULM for the quarter ending:

Name of the Bank:

Statement for the quarterly claims: Loans disbursed/outstanding (Figs in Rs)

No	Branch	Name of the WSHG	Loan Account No	Loan Amount Disbursed	Amount of Interest subvention
1	2	3	4	5	6
1					
2					
3					
	Total				

We hereby certify that above loans were repaid on time and the benefit of additional interest subvention has been passed on to the WSHG's account, reducing effective rate of interest to 4% for the prompt payee WSHGs

Place

(Signature of the Authorised Officer of the Bank)

Date and Seal of the Bank

Frequently Asked Questions (FAQ)

Self Employment Programme (SEP) is a flagship component of the National Urban Livelihoods Mission (NULM)

Reference: RBI circular no. *RPCD.CO.GSSD.BC.No.26 /09.16.03/2014-15* dated August 14, 2014 for SEP guidelines

Self Help Group (SHG)

1. What is an SHG under NULM?

SHGs are groups of 10 to 20 women or men who come together to improve their living conditions by group savings and loans. These groups need not be registered. These groups conduct regular meetings where the savings of the group is collected into a corpus fund, which is used to provide short-term loans to the members. After some time when the credit requirements of the members increase, the Self Help Group may approach to a bank for loan. The internal savings mobilised by the group are then lent by it to its members for emergent needs or such purposes as decided by the group.

2. What should be the strength of an SHG?

SHGs may consist of 10 to 20 members. In Hilly areas, if found difficult, SHG may be formed with 5 members also.

3. Can men be a part of the SHGs?

Normally, women SHGs shall be formed; however male SHGs of handicapped persons may be formed. (***Master Circular on SHG-Bank Linkage Programme RBI/2014-15/61 RPCD. FID. BC.No.06/12.01.033/2014-15***).

4. Can an SHG approach banks for loan?

If SHGs regularly conduct meetings and engage in regular savings and internal lending activities, they may approach a bank for loan.

5. In what ratio of the savings does the bank sanction the loan for the SHG?

As per the operational guidelines of NABARD, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank. (***Master Circular on SHG-Bank Linkage Programme- RBI/2014-15/61 RPCD. FID. BC.No.06/12.01.033/2014-15***)

6. Who shall do the identification and selection of SHGs?

The identification and selection of SHGs who are to get interest subvention would be the responsibility of State/ ULBs and banks would not be liable for wrong identification of SHGs who get interest subvention.

7. Who shall fill up the loan applications for eligible SHGs to access credit from the banks?

The ULB through its field staff (eg. Community Organiser) or Resource Organisation (ROs) will facilitate filling of loan applications for eligible SHGs to access credit from the banks. The ULB is responsible to forward the Loan application of the SHGs to the concerned banks with requisite documentation. The ULB will maintain area wise, bank-wise, ROs/ Staff wise data of SHGs loan applications forwarded to the banks. The same will be sent to SULM on a monthly basis.

8. What is the minimum rate of interest which a beneficiary has to pay on his SHG loan?

In case of SHG Bank Linkage the Self Help Groups in urban areas have to pay 7% rate of interest to the bank for the loan tenure. Further, an additional 3% interest subvention shall be paid to all women SHGs (WSHG) who repay their entire bank loan on time. The banks shall credit this additional 3% interest subvention to the bank account of these women SHGs at the end of the loan tenure. Thus, women SHGs in effect will be paying an interest of 4% on bank loans under NULM. This additional 3% interest subvention is applicable only for the SHG Bank linkage and not for loans extended under Group Enterprise.

9. What is a prompt repayment by an SHG?

A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the entire tenure of the loans would be considered as an account having prompt payment. For Cash Credit Limit to SHGs outstanding balance shall not have remained in excess of the sanctioned limit/ drawing power continuously for more than 30 days.

10. What is the role of the SULM in managing the SHGs?

As per para 12.8 of the RBI circular, in order to ensure effective SHG-Bank Linkage under NULM, the SULM will monitor and review the progress with banks on regular basis and co-ordinate with SLBC for interest subsidy/ subvention on SHG Loans in the state. Active involvement of State level Bankers Committee (SLBC) and lead banks may be ensured for sensitization of bank and branch staff for financial inclusion of urban poor.

11. Who is accountable for selecting the SHGs?

As per para 12.9 of the RBI circular, it may be noted that the identification, selection, formation and monitoring of SHGs who are to get interest subvention would be the responsibility of State/ ULBs and banks would not be liable for wrong identification of SHGs who get interest subvention.

12. What are the guidelines for prompt repayment?

As per para 12.10 of the RBI circular, RBI guidelines for prompt repayment are as follows:

a. For Cash Credit Limit to SHGs:

- i. Outstanding balance shall not have remained in excess of the sanctioned limit/ drawing power continuously for more than 30 days.
- ii. There should be regular credits and debits in the account. In any case there shall be at least one customer induced credit during the month.
- iii. Customer induced Credits during a month shall be sufficient to cover the interest debited during the month.

- b. For Term Loan to SHGs: A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the entire tenure of the loans would be considered as an account having prompt payment. The prompt payment guidelines will continue to be guided by RBI guidelines on the subject in future.

Self Employment Programme – Individual and Group (SEP-I&G)

1. How shall the ULB spread awareness in the area about this scheme (NULM) of the Government of India?

As per para 8.2 of the RBI circular, the ULB may create awareness regarding SEP to the prospective beneficiaries through mass media campaigns, IEC activities, advertisements in local newspapers, City Livelihoods Centres (CLCs) etc. The ULB may also disseminate information regarding NULM through active involvement of Resource Organisations and its field staff.

2. What shall be the process of filing an application by a beneficiary for seeking financial assistance for setting up an enterprise?

As per para 8.3 of the RBI circular, the beneficiaries desirous of seeking financial assistance for setting up an enterprise have to submit an application of intent to the concerned ULB officials on a plain paper with basic details viz: Name, Age, Contact details, Address, Aadhaar details (if any), amount of loan required, bank account number (if available), type of enterprise/ activity, category etc. The intent may also be sent by mail /post to the ULB office. The ULB shall accept such intents throughout the year.

3. Who does the beneficiary need to approach for assistance on the SEP loans?

The beneficiaries may directly approach ULB or its representatives for assistance. Self Help Groups (SHGs) and Area Level Federations (ALFs) may refer prospective individual and group entrepreneurs for purpose of financial assistance under SEP to ULB. Banks may also identify prospective beneficiaries at their end and send such cases directly to ULB.

4. Who will develop the Loan Application Form (LAF)?

As per para 8.7 of the RBI circular, the SULM shall develop a Loan Application Form (LAF) in a suitable format in consultation with State Level Bankers Committee (SLBC) convenor bank. The same LAF may be used by the banks across the State.

5. Is there any specific time period for submission of applications by a beneficiary?

No. There is no specific time period for submission of loan application/intent by the beneficiary. The ULB shall accept such loan applications/intent throughout the year.

6. What should be the size of the group (SEP-G)?

The group shall consist of minimum five members. There is no limit on the maximum size but it shall be in consonance with the size and manageability of the members. The group seeking the enterprise loan under NULM can be an SHG, members of an SHG or simply 5 or more people coming together for setting up an enterprise. A group shall consist of minimum 70% members from the urban poor.

7. Who can be a beneficiary of a Group (SEP-G)?

As per para 7.1 of the RBI circular, the SEP component focuses on financial assistance to groups for setting up gainful self-employment ventures/ micro-enterprises. The group seeking the enterprise loan under NULM can be an SHG, members of an SHG or simply 5 or more people coming together for setting up an enterprise. The group enterprise should have minimum 5 members with a minimum of 70% members from urban poor families. **There shall be no comingling of accounts of the SHG and the group, in the SHG of the members who are coming together to form a group for any enterprise. These accounts should be maintained separately.**

8. What is the minimum educational qualification required by the beneficiary to avail the SEP loans?

There is no minimum educational qualification required for prospective beneficiaries for availing SEP loans.

9. Can the members of an SHG apply for the SEP loans –Individual or Group?

A Self Help Group (SHG) or members of an SHG constituted under SJSRY/NULM or a group of urban poor desirous of setting up a group enterprise for self-employment can avail benefit of subsidized loans under this component from any bank. The group seeking the enterprise loan under NULM can be an SHG, members of an SHG or simply 5 or more people coming together for setting up an enterprise.

10. How much loan is granted in the SEP-Individual and group?

For an individual micro enterprise the beneficiary gets a bank loan of Rs. 2 lakh. The maximum unit project cost for a group enterprise is Rs 10 lakh.

11. Is it mandatory that all the members have to be financed collectively for a single activity or can be considered individually for different activities with a maximum cap of project cost of Rs 2.00 Lakhs per individual, within an overall cap of Rs 10.00 Lakhs.

It is mandatory for all the members to be financed collectively for a single activity. The activities cannot be considered individually. The project as a whole for the group gets sanction from the bank. If an individual consideration has to be made, it can only be done under the Self Employment Programme (individual)

12. Is the Bank supposed to give the full amount of the project cost to the beneficiary or the latter will be investing some money on his own?

The bank shall be sanctioning the Project Cost for an individual or a group enterprise. However, the bank shall not give the total project cost as loan. The beneficiary needs to invest a margin money (say 5-10%) as decided by the bank.

13. What shall be the percentage of the project cost to be shared by the beneficiary?

The same shall be decided by the respective bank.

14. What amount of guarantee is required for the SEP loans?

No collateral guarantee required for availing SEP loans. Only the assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans.

15. From where shall the beneficiary take the training for the SEP activities?

The beneficiary needs to identify a micro-enterprise for availing the SEP loan. An appropriate training needs to be provided to the beneficiary before extending financial support by linking for training under the component of Employment through Skills Training and Placement (EST&P). Financial assistance is extended only after the prospective beneficiary has acquired required skills for running the proposed micro-enterprise.

16. What is an Entrepreneurship Development Programme (EDP) training?

As per para 3.2 of the RBI circular ,Entrepreneurship Development Programme for 3-7 days is conducted for individual and group entrepreneurs. The EDP will cover basics of entrepreneurship development such as management of an enterprise, basic accounting, financial management, marketing, backward and forward linkages, legal procedures, costing and revenue etc. In addition to the above topics the module also includes group dynamics, allocation of work, profit sharing mechanism etc. for group enterprises.

17. From where shall the cost of EDP training be covered?

As per para 3.4 of the RBI circular, any cost incurred on training of beneficiaries under SEP component is to be met out of EST&P component budget.

18. What shall be the cap on the EDP training?

There is no cap on the EDP training. It shall be done in line with the cost provided for the ESTP training (based on the number of days the EDP training is provided).

19. Who shall conduct the EDP training?

As per para 3.3 of the RBI circular, The EDP module may be developed and finalised by State Urban Livelihoods Mission (SULM). Assistance of an empanelled institution/agency or consulting firm and same may be utilised, if required, for conducting training programme by the ULB. This EDP training may be arranged through institutions such as Rural Self Employment Training Institutes (RSETI), reputed institutions engaged in entrepreneurship development/ training, management/ educational institutes, reputed NGOs engaged in entrepreneurship development/ training etc.

20. What is a Task force? What is the role of Task force?

As per para 9.1 of the RBI circular, A Task Force is constituted at the ULB level for recommending cases for individual and group enterprises for onward transmission to the banks by the ULB. The Chief Executive Officer (CEO)/ Municipal Commissioner of ULB will be responsible to constitute the Task Force and will be The Chairman of the Task force. There could be more than 1 task force at ULB level depending upon the size/population of the ULB. The ULB will forward the applications to the task force, which will be scrutinized based on experience, skills, viability of activity, scope of the activity etc. Thereafter the Task Force will shortlist the

applications and call for interview of the applicants. The task force will then recommend the applications if found suitable, reject if found unsuitable or ask the beneficiary to submit further requisite information for re-examination on a case to case basis.

21. Who is a member of the Task Force?

As per para 9.1 of the RBI circular, the Task force is formed at the ULB level. The Chief Executive Officer (CEO) ULB/ Municipal Commissioner of ULB/ or any representative authorised by CEO ULB, Lead District Manager (LDM), City Project Officer (CPO), ULB/ or any authorised representative of ULB, Representative from District Industries Centre (DIC), Senior Branch Managers (Max-2) of banks and Representatives (2) of Area Level Federation / City Level Federation are the members of the Task Force.

22. What if the Bank rejects the form approved by the Task Force?

Only under exceptional circumstances, banks may reject the SEP loan applications approved by the Task Force. In case the bank rejects the application, ULB is required to submit further requisite information for re-examination on case to case basis. It is advisable that in case of huge rejections of the forms cleared by the Task Force but rejected by the Banks later, even after completion of all the formalities by the ULB, the ULB in discussion with the SLBC/DCC can devise a checklist and submit all the applications as per the checklist to avoid rejections.

23. In how many days shall the Bank clear the form approved by the Task Force?

Loan applications recommended by task force shall be forwarded by the ULB to the concerned banks for further processing. Those applications have to be processed by concerned banks with in a time frame of **15 days**.

24. How much rate of interest is a beneficiary of SEP-I supposed to pay to the Bank?

The Self-Employment Programme (SEP) component of NULM focuses on financial assistance to urban poor individuals for setting up gainful self-employment ventures/ micro-enterprises. For an individual micro enterprise the beneficiary gets a bank loan of Rs. 2 lakh. The beneficiary has to pay 7% rate of interest on the loan sanctioned. The difference between rate charged by the bank and 7 % will be paid by the Government to the banks, on the settlement of claims.

25. How much rate of interest is a beneficiary of SEP-G supposed to pay to the Bank?

The SEP-I beneficiary has to pay only 7% rate of interest on the loan sanctioned. The difference between rate charged by the bank and 7 % will be paid by the Government to the banks.

26. What is the repayment period of the SEP loan?

Repayment schedule ranges from 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks.

27. Whether the working capital limits considered for the individual enterprises which have availed Term Loan under NULM-SEP-I with maximum project cost of Rs 2,00,000/- is eligible to get interest subsidy over and above 7% of the rate of interest apart from the term loan?

The procedure for giving loan and interest subsidy for individual and group enterprises is very clearly given in para 7 to para 11.3 of the *RBI circular no. RPCD.CO.GSSD.BC.No.26 /09.16.03/2014-15* dated August 14,2014. The banks are required to provide loans under these guidelines only. In para 13, an additional facility for working capital by issuing credit card to the enterprises has been mentioned. As per guidelines in para-13 the entrepreneurs should be issued General Credit Card for helping them in their additional requirement of working capital. No interest subsidy will be provided on any working capital availed under Credit Card Scheme.

It is also clarified that as per Master Circular on lending to MSEs enterprises as referred above, a composite loan up to Rs. 1 crore can be sanctioned by Banks to enable MSEs entrepreneur to avail their working capital and term loan requirement through single window. On such composite loans interest subsidy will be available as mentioned in para 7 to 11.3 of the guidelines.

28. Are retail loans of SEP, a part of CGTMSE guarantee cover? As per CGTMSE guidelines retail trade and SHGs are not eligible borrowers to get CGTMSE coverage. Has the retail trade activity been excluded from NULM-SEP-I and SEP-G?

In the Clause 6.4 and 7.5 of the RBI circular dated August 14,2014 it is not written that guarantee under CGTMSE must be taken for the loans under NULM. These guidelines have only referred to the RBI Circular RPCD.SME &NFS.BC.No.16/06/02/31(P)/2009-10 dated August 25, 2009. The latest Master Circular on the same subject regarding lending to Micro and Small & Medium Enterprises Sector RPCD.MSME &NFS.BC.No.3/06.02.31/2014-15 has been issued on 1st July, 2014. As per para 4.2 of this Master Circular “Banks are mandated not to accept collateral security in the case of loan up to Rs. 10 lakh extended to units in the MSEs sectors.” While providing loan without collateral is mandatory for the banks taking up Credit Guarantee Scheme cover is only an advisory to the Bank. Therefore, as per RBI Circular, providing collateral free loan is not linked to availability of credit guarantee cover. Guidelines of the NULM refer to only this circular therefore, banks should give all the loans for under SEP-I and SEP-G category without insisting on collaterals. They may avail guarantee cover as per policy of the CGTMSE but it should not be a pre condition for sanction of loan.

As per present policy of CGTMSE, retail trade is not covered under their guarantee scheme. However, as mentioned above this should not affect sanction of the loan without collateral by the banks as mandated in the RBI Master Circular. As per NULM guidelines, the banks have to provide loan to all the beneficiaries sponsored under NULM. They cannot exclude retail trade whether guarantee cover is available or not.

The financing under the Self Help Group Bank Linkage Scheme is a different category and should not be compared with SEP-I and SEP-G. Loan under this scheme is sanctioned on the basis of savings of the Self Help Groups as per RBI Master Circular on SHG – Bank Linkage Programme. Therefore, there is no question of any guarantee cover in this case.

29. Are the Banks eligible for reimbursement in interest subvention to any amount of interest over and above 7%

Banks are eligible for reimbursement of interest subvention (difference between rate charged by the bank and 7 %)

30. What is the minimum rate of interest which a beneficiary has to pay on his SEP loan- individual or group?

The beneficiary has to pay 7% rate of interest on the loan sanctioned. The difference between rate charged by the bank and 7 % will be paid by the Government to the banks, on the settlement of claims.

31. Are the NULM loans included under the priority sector lending by the Banks?

Yes. As per the Master Circular of RBI - Priority Sector Lending-Targets and Classification- RBI/2014-15/95 RPCD.CO.Plan.BC 10/04.09.01/2014-15, the NULM loans are included under weaker sections under the priority sector lending by the banks. The same has also been communicated to RBI and the CMDs of Scheduled Commercial Banks through a DO letter dated September 18, 2014 by the Ministry (Annexure III)

32. How will the Bank claim the interest subsidy amount from the ULB?

After disbursement of loan to the beneficiaries, the concerned branch of the bank will send details of disbursed loan cases to ULB along with details of interest subsidy amount as per the prescribed format in SEP operational guidelines. The settlement of claims made by banks would be done on quarterly basis by the ULBs, however the submission of claims should be monthly. The ULB will check the data at their end and will release the interest subsidy amount (difference between 7% p.a. and prevailing rate of interest) to the banks.

33. How frequently will the Bank settle their claims with the ULBs?

The settlement of claims made by banks would be done on quarterly basis by the ULBs; however the submission of claims should be monthly.

34. If the Bank's settlement of claim is not done for 6 months what shall it do?

In case the claims of the banks are not settled for a period of 6 months, SLBC is empowered to stop the scheme temporarily in selected cities subject to clearance of claims by such ULBs. In such eventualities, the claims settlement should prospectively be given to the Lead District Bank.

35. What is the additional technology, marketing and other support which a beneficiary gets on the SEP loans?

Micro entrepreneurs often need support in order to grow and sustain their businesses. Support needed may be for establishment, technology, marketing, and other services. Micro entrepreneurs who run very small businesses may need to gain a better understanding of what the market needs, demand of the products produced by them, prices, where to sell, etc. Support services under this component are envisaged with a view to provide an encouraging environment for development of micro enterprises.

The City Livelihoods Centres (CLCs) established under NULM will offer services to the micro-enterprises such as in establishment (licenses, certificates registration, legal services etc.), production, procurement, technology, processing, marketing, sales, packaging, accounting etc. for long term sustainability. CLC will also provide support in taking up feasibility/ assessment studies on market demand and market strategy for products and services of micro-enterprises.

36. What is the role of CLCs in SEP?

As per para 14.2 of the RBI circular, the City Livelihoods Centres (CLCs) established under NULM will offer services to the micro-enterprises such as in establishment (licenses, certificates registration, legal services etc.), production, procurement, technology, processing, marketing, sales, packaging, accounting etc. for long term sustainability. CLC will also provide support in taking up feasibility/ assessment studies on market demand and market strategy for products and services of micro-enterprises.

37. What shall be the funding pattern between centre and states?

As per para 15.1 of the RBI circular, the Funding under the SEP component will be shared between the Centre and the States in the ratio of 75:25. In case of Special Category States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Jammu & Kashmir, Himachal Pradesh and Uttarakhand) this ratio will be 90:10 between the Centre and States.

The Ministry will allocate funds to the states on annual basis based on the targets assigned to the states. The states in consultation with the respective SLBCs and ULBs will decide 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 and no subvention amount overdue or pending with the states.

The Trainer's Training Sessions Plan

TRAINING SESSIONS UNDER SELF EMPLOYMENT PROGRAM

Session No.	Topic	No of Session	Period
1.	Introduction of National Urban Livelihoods Mission and focus on SEP Component	1	1.5 hrs.
2.	Motivating Urban Poor towards Self-Employment	1	1.5 hrs.
3.	Building Capacity of Micro Entrepreneurs for Sensing and Identifying Entrepreneurial Opportunities.	1	1.5 hrs.
4.	Facilitating Micro Entrepreneurs in Selecting most Suited Enterprise.	1	1.5 hrs.
5.	Develop Capability of Micro- Entrepreneur to Assess Feasibility of Selected Micro enterprise.	1	1.5 hrs.
6.	Developing Capacity of Micro Entrepreneur for Assessing Market of Selected Enterprise.	1	1.5 hrs.
7.	Institutional Funding sources under Self Employment Program (SEP) Component of NULM for promotion of Micro-Enterprises	1	1.5 hrs.
8.	Facilitating Formulation of Business Plan for Selected Micro Enterprise.	2	3 hrs.
9.	Understanding the Process & Procedure of Establishing / Starting an Enterprise.	1	1.5 hrs.
10.	Understanding Enterprise Management –Costing & Pricing of Products and Services.	1	1.5 hrs.
11.	Understanding Enterprise Management – Managing Finance / Money for Micro Enterprise.	1	1.5 hrs.
12.	Supporting Micro Entrepreneur For –Managing Change For Growth & Sustainability.	1	1.5 hrs.

